

## **RESOURCES COMMITTEE**

(Devon & Somerset Fire & Rescue Authority)

8 FEBRUARY 2018

### Present:

Councillors Coles (Chair), Biederman, Chugg, Hendy, Hosking, Peart and Healey MBE (sub Greenslade).

### Also in attendance:

Councillors Randall Johnson and Saywell. Councillor Thomas and Dr. Sian George (Independent Non-Executive Chair of the Board of Red One Ltd.) (for Minute \*RC/18 only).

### Apologies:-

Councillor Greenslade.

### \* **RC/11**      **Minutes**

**RESOLVED** that the Minutes of the meeting held on 15 November 2017 be signed as a correct record.

### **RC/12**      **Financial Performance Report 2017- 18: Quarter 3**

Councillors Healey MBE declared a personal, non-pecuniary interest in this item in view of his position as an Authority appointed Non-Executive Director of Red One Ltd.

The Committee considered a report of the Director of Finance (Treasurer) (RC/18/1) that set out the Service's financial performance during the third quarter of 2017-18 against the targets agreed for the current financial year. The report provided a forecast of spending against the 2017-18 revenue budget with explanation of the major variations.

The Committee noted that there had been a small reduction in forecast net expenditure since Quarter 2 of £0.214m (0.3%). The Director of Finance (Treasurer) advised that, whilst there was a forecast reduction in net expenditure, the outturn remained that spend would be to budget of £72.596m. The balanced budget position was being maintained because the forecast reduction in net expenditure served only to reduce the planned use of Reserves to balance the budget.

The Director of Finance (Treasurer) explained the accounting requirements behind the proposed budget transfers set out at Table 3 of the report, which resulted from the recording of receipts in advance and external audit recommendations regarding how the PFI equalisation fund should be shown.

### **RESOLVED**

- (a) That the budget transfers shown in Table 3 of this report (and as set out at Appendix A to these Minutes for ease of reference) be recommended to the Devon & Somerset Fire & Rescue Authority for approval;

- (b) That the monitoring position in relation to projected spending against the 2017-18 revenue and capital budgets be noted;
- (c) That the performance against the 2017-18 financial targets be noted.

## RC/13

### Revenue Budget and Council Tax Level 2018/19

The Committee considered a report of the Director of Finance (Treasurer) and Chief Fire Officer (RC/18/2) on options for the Authority's revenue budget and associated council tax level in 2018-19. 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 Director of Finance (Treasurer) advised that the Department for Communities and Local Government had announced that the Council Tax referendum level in both 2018/19 and 2019/20 had been raised to 3% (from 2% in previous years). Whilst there was some suggestion that this increase may have been because of a recognition of the inflationary pressures on local authorities (including pay), it was noted that the funding generated by an additional 1% in Council Tax would be less than the cost of an additional 1% on the Authority's pay bill.

Attention was also drawn to a supplementary paper circulated at the meeting (RC/18/7) setting out revised figures following receipt of a one off payment of £0.653m that had emanated from a significant NNDR appeal. Combined with an increase in the Council Tax base and changes to central government funding, this had resulted in an additional £0.842m being available to the Authority.

The revised net revenue budget requirement for the Authority emanating from the increase in funding was £73.871m (based on Option B, a Council Tax increase of 2.99%) or £72.409m (based on Option A, a Council Tax Freeze). The total savings requirement for 2018/19 had reduced to £1.3m under Option B or £2.8m under Option A. Each 1% increase in Council Tax provided £0.487m of funding. Given the additional funded that had been reported, it was noted that the proposed reduction to the revenue contribution to capital would cover the savings requirements in both Options A and B without any need to balance the budget through the use of reserves.

Councillor Hoskings **MOVED** (seconded by Councillor Chugg):

“that it be recommended to the Authority that the level of Council Tax in 2018-19 for a Band D property be set at £84.01, as outlined in Option B, representing a 2.99% increase over 2017 -18”.

Upon a vote, this was **CARRIED** unanimously.

**RESOLVED** that it be recommended to the Authority that the level of Council Tax in 2018-19 for a Band D property be set at £84.01, as outlined in Option B of report RC/18/7, representing a 2.99% increase over 2017-18.

## RC/14

### Capital Programme 2018-19 to 2020-21

The Committee considered a report of the Chief Fire Officer and Director of Finance (Treasurer) (RC/18/3) that set out the proposals for a three year Capital Programme covering the years 2018-19 to 2020-2021. The report outlined the difficulties in funding the full capital expenditure requirements without resorting to borrowing for this Authority given the number of fire stations, fire appliances and associated equipment required to be maintained and eventually replaced by the Authority.

It was noted 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. It was noted that there had been difficulties in previous years of maintaining long-term capital programme that was affordable within the 5% Prudential Indicator against a reducing revenue budget and that the Authority had sought to identify alternative means of funding to external borrowing for future capital investment.

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

- (a) to approve the draft Capital Programme 2018-19 to 2020-21 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to this report; and
- (b) subject to (a) above, to note the forecast impact of the proposed Capital Programme (from 2021-22 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report.

**RC/15**

**Treasury Management Strategy 2018-19 (including Prudential and Treasury Indicators) Report 2018-19**

The Committee considered a report of the Director of Finance (Treasurer) (RC/18/4) in respect of the Treasury Management Strategy which it had been agreed would be considered by the Resources Committee prior to submission to the Fire & Rescue Authority. The report set out the proposed treasury management strategy and investment strategy for 2018-19, including the Prudential Indicators associated with the capital programme for 2018-19 to 2020-21 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2018-19 was also included for approval.

Attention was drawn to the point that there had been changes to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. This followed a consultation exercise undertaken by the Department for Communities and Local Government (DCLG) on changes to key documents related to the Treasury Management and Investment Activities of Local Authorities. The key change was that the Authority would be required to publish an annual Investment Strategy and Capital Strategy which would be submitted to the Authority for approval once the final guidance had been issued by CIPFA.

**RESOLVED**

- (a) That the Devon & Somerset Fire & Rescue Authority, at its meeting on 16 February 2018, be recommended to approve:
  - (i) the Treasury Management Strategy and the Annual Investment Strategy;
  - (ii) the Minimum Revenue Provision statement for 2018-19, as contained as Appendix B of this report;
- (b) That the requirement to review the Treasury Management Strategy and Annual Investment Strategy, as outlined in Paragraph 1.8 of this report, following updated CIPFA guidance be noted;
- (c) That the requirement to develop a Capital Strategy for 2019-20, as outlined in Paragraph 1.11 of this report be noted.

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

\* **RC/16**      **Treasury Management Performance 2017-2018: Quarter 3**

The Committee received for information a report of the Director of Finance (Treasurer) (RC/18/5) that set out details of the treasury management performance for the third quarter of 2017-18 (to December 2017) as compared to the agreed targets for 2017/18.

Adam Burleton, representing Link Asset Services – the Authority’s Treasury Management Adviser – was present at the meeting and gave an overview of the Service’s performance to date against the approved Treasury Management Strategy. He made reference to the following points:

- That inflation was currently running at 3% and although still positive, growth had slowed to 1.8% this quarter. There was a risk that inflation may not fall back as predicted, however, due to pressure from wage rises;
- There had been increase in the bank base rate to 0.50% with further rate rises predicted to around 1% by November 2018;
- The Authority’s focus in past years had been on security and liquidity of its assets over yield;
- The Authority had outperformed the 3 month LIBID benchmark of 0.35% with a return of 0.59% in quarter 3 and investment interest of £0.082m; and
- There had been no new borrowing and the Authority had not breached its Prudential Indicators (affordability limits).

\* **RC/17**      **Exclusion of the Press and Public**

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of Dr Sian George, Independent Non-Executive Chair of the Red One Board) be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in the following Paragraph of Part 1 of Schedule 12A (as amended) to the Act:

- Paragraph 3 (information relating to the financial and business affairs of any particular person – including the authority holding that information).

\* **RC/18**      **Red One Update**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public [with the exception of Dr. Sian George, Independent Chair of the Board of Red One Ltd.] were excluded from the meeting).

*NB. Councillors Healey MBE, Saywell and Thomas attended in accordance with Standing Order 36(1) and spoke on this item with the consent of the Committee.*

*Councillors Healey MBE, Saywell and Thomas each declared a personal, non-pecuniary interest in this item by virtue of their being Authority appointed Non-Executive Directors of the Red One Board.*

The Committee considered an update given by the Director of Finance (Treasurer) at the meeting and also a report (RC/18/6), circulated separately, that set out the position on the financial position of Red One Ltd. for 2017/18 to Quarter 2.

In addition, Dr Sian George, Independent Non-Executive Chair of the Red One Board, was in attendance at the meeting and gave a presentation to the Authority.

Following consideration of the report and presentation, Councillor Coles **MOVED** (seconded by Councillor Peart) that a special meeting of the Resources Committee on 23 March 2018 to receive a further report.

The Motion was then put to the vote and declared **CARRIED**, unanimously, whereupon it was:

**RESOLVED** to hold a special meeting of the Resources Committee on 23 March 2018 to receive a further report.

(NB. Councillors Chugg and Biederman left the meeting at 12.35hours before the above motion was put to the meeting and voted upon).

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

The Meeting started at 10.10 am and finished at 1.00 pm

**APPENDIX A TO THE MINUTES OF THE MEETING OF THE RESOURCES COMMITTEE  
HELD ON 8 FEBRUARY 2018**

**TABLE 3 – BUDGET TRANSFERS**

Row in Table 2	Description	Debit	Credit
35	Create reserve for PFI equalisation fund	295,000	
5	Release provision for PFI equalisation fund		(295,000)
35	USAR Grant received in advance - transfer to reserves	945,300	
30	USAR Grant received in advance		(945,300)