M. Pearson
CLERK TO THE AUTHORITY

To: **The Chair and Members of the Resources Committee**

(see below)

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CLYST ST GEORGE
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Your ref :
Our ref : DSFRA/MP/SS
Website : www.dsfire.gov.uk

Date : 8 May 2018
Please ask for : Sam Sharman
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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

Wednesday 16 May 2018

A meeting of the Resources Committee will be held on the above date, **commencing at 3.00 pm in Committee Room B in Somerset House, Service Headquarters, Exeter** 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 **Apologies**

2 **Minutes (Pages 1 - 2)**

of the previous meeting held in public on 11 April 2018 attached.

3 **Items Requiring Urgent Attention**

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

PART 1 - OPEN COMMITTEE

4 **Treasury Management - Quarter 4 and Annual Report 2017/18 (Pages 3 - 16)**

Report of the Director of Finance (Treasurer) (RC/18/9) attached.

5 **<u>Provisional Financial Outturn 2017-18</u> (Pages 17 - 30)**

Report of the Director of Finance (Treasurer) (RC/18/10) attached.

6 **<u>Revisions to the Capital Programme 2018-19 to 2020-21</u> (Pages 31 - 36)**

Report of the Director of Finance (Treasurer) (RC/18/11) attached.

7 **<u>Fire Funding Issues</u> (Pages 37 - 38)**

Report of the Director of Finance (Treasurer) (RC/18/12) attached.

8 **<u>Exclusion of the Press and Public</u> (Pages 39 - 40)**

RECOMMENDATION attached.

<u>PART 2 - ITEMS WHICH MAY BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC</u>

9 **<u>Restricted Minutes of the Resources Committee held on 11 April 2018</u> (Pages 41 - 42)**

To approve the Restricted Minutes of the meeting held on 11 April 2018 (attached).

10 **<u>Red One Update</u>**

Report of the Director of Finance (Treasurer) (RC/18/13) TO FOLLOW.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

<u>Membership:-</u>

Councillors Biederman, Chugg, Coles (Chair), Greenslade, Hendy, Hosking (Vice Chair) and Peart

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>Declarations of Interests at meetings (Authority Members only)</u>** If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must: (i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a “sensitive” interest – the nature of that interest; and then (ii) withdraw from the room or chamber during consideration of the item in which you have the relevant 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 (ii) and (ii) above. Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation. Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared.
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.

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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

11 April 2018

Present:-

Councillors Coles (Chair), Hendy, Hosking, Peart, Randall Johnson and Wheeler (vice Biederman)

Apologies:-

Councillor Chugg

In attendance:-

Councillor Saywell

* **RC/19** **Minutes**

RESOLVED that the Minutes of the meeting held on 8 February 2018 be signed as a correct record.

* **RC/20** **Additional Meeting Date 2018**

The Committee considered a report of the Director of Corporate Services (RC/18/7) that set out the proposal for an additional meeting of the Committee to be held on 16 May 2018 to ensure that appropriate governance was in place for scrutiny of year-end reports and consideration of recommendations to be made to the Authority.

RESOLVED that a meeting of the Resources Committee be held on Wednesday 16 May 2018 at 15:00hours for the purpose of reviewing the year-end financial performance reports for 2017/18 prior to submission to the Authority.

* **RC/21** **Exclusion of the Press and Public**

The Director of Corporate Services drew attention to the need to widen the exclusion paragraph to ensure that Members of the Authority who were not members of the Committee were not excluded from remaining in a meeting in Part 2 where restricted items were being considered in which they had a legitimate business interest.

Councillor Randall Johnson **MOVED** and Councillor Peart seconded:

> "That the exclusion paragraph be widened to include the words highlighted in italics after "the press and public (with the exception of Dr Sian George and Andrew Andreou of Red One Ltd. *and any other Member of the Fire & Rescue Authority so present*) be excluded from the meeting …..".

Upon a vote (6 for, 0 against), the motion was declared **CARRIED**, whereupon it was **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 and Andrew Andreou and any other Member of the Fire & Rescue Authority so present) were excluded from the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act.

* **RC/22** **Restricted Minutes of the meeting held on 8 February 2018**

(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 and Andrew Andreou, together with Councillor Andrew Saywell) were excluded from the meeting.

RESOLVED that, subject to an amendment under Minute *RC/18 in the fifth paragraph to include the word “designate” before …..Independent Non-Executive Chair of the Board of Red One Ltd., the Restricted Minutes of the meeting held on 8 February 2018 be signed as a correct record.

RC/23 **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 and Andrew Andreou, together with Councillor Andrew Saywell) were excluded from the meeting.

NB. Councillor Saywell attended in accordance with Standing Order 36(1) and spoke on this item with the consent of the Committee.

The Committee considered a report of the Director of Finance (Treasurer) (RC/18/8) and received a presentation from Dr Sian George (designate Independent Non-Executive Chair of the Board of Red One Ltd.) that gave an update on the financial position of Red One Ltd. for 2018/19.

RESOLVED that the recommendations contained in report RC/18/8 be approved.

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

The meeting started at 10.00 am and finished at 11.53 am

0REPORT REFERENCE NO.	**RC/18/9**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**16 MAY 2018**
SUBJECT OF REPORT	**TREASURY MANAGEMENT – QUARTER FOUR AND ANNUAL REPORT 2017/18**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2017-18 including the fourth quarter, as set out in this report, be noted.***
EXECUTIVE SUMMARY	The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, requires that the Authority receives a report in respect of borrowing and investment activities during the year, and compares this performance against the treasury management strategy adopted. The report includes a performance report relating to the final quarter of the 2017-18 financial year and a summary of annual performance. A representative (Adam Burleton) from Link Asset Services, the Authority external treasury management advisors, will be in attendance at the meeting to present the performance report.
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY RISK AND BENEFIT ASSESSMENT (ERBA)	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Prudential indicators 2017-18 B. Glossary of Terms
LIST OF BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) Report to budget meeting held on the 17th February 2017 DSFRA/17/3

1. INTRODUCTION

1.1 The Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017-18. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.2 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 Authority of an annual strategy report for the year ahead, a mid-year treasury update report and an annual review report of 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.
- Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body which in this Authority is the Resources Committee.

1.3 During 2017-18 the minimum reporting requirements were that the full Authority should receive the following reports:

- an annual treasury strategy in advance of the year (Authority meeting 17th February 2017).
- a mid-year treasury update report (Authority meeting 18th December 2017).
- an annual review following the end of the year describing the activity compared to the strategy (this report).

1.4 In addition, the Resources Committee has received quarterly treasury management update reports on 1st September 2017, 15th November 2017 and 8th February 2018.

1.5 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

1.6 The Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Resources Committee before they were reported to the full Authority. Members have been supported in their scrutiny role through regular updates and the attendance at Committee meetings by the Authority's Treasury Management advisors, Link Asset Services.

1.7 A glossary of terms and acronyms used is provided at Appendix B of this report

2. THE ECONOMY AND INTEREST RATES

2.1 **UK**. The outcome of the EU referendum in June 2016 resulted in a gloomy outlook and economic forecasts from the Bank of England based around an expectation of a major slowdown in UK GDP growth, particularly during the second half of 2016, which was expected to push back the first increase in Bank Rate for at least three years. Consequently, the Bank responded in August 2016 by cutting Bank Rate by 0.25% to 0.25% and making available over £100bn of cheap financing to the banking sector up to February 2018. Both measures were intended to stimulate growth in the economy. This gloom was overdone as the UK economy turned in a G7 leading growth rate of 1.8% in 2016, (actually joint equal with Germany), and followed it up with another 1.8% in 2017, (although this was a comparatively weak result compared to the US and European Zone).

2.2 During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year; quarter 1 came in at +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up in quarter 3 to 0.5% before dipping slightly to 0.4% in quarter 4.

2.3 Consequently, market expectations during the autumn rose significantly that the Monetary Policy Committee (MPC) would be heading in the direction of imminently raising Bank Rate. The MPC meeting of 14 September provided a shock to the markets with a sharp increase in tone in the minutes where the MPC considerably hardened its wording in terms of needing to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered on this warning by withdrawing the 0.25% emergency rate cut which had been implemented in August 2016. Market debate then moved on as to whether this would be a one and done move for maybe a year or more by the MPC, or the first of a series of increases in Bank Rate over the next 2-3 years. The MPC minutes from that meeting were viewed as being dovish, i.e. there was now little pressure to raise rates by much over that time period. In particular, the GDP growth forecasts were pessimistically weak while there was little evidence of building pressure on wage increases despite remarkably low unemployment. The MPC forecast that CPI would peak at about 3.1% and chose to look through that breaching of its 2% target as this was a one off result of the devaluation of sterling caused by the result of the EU referendum. The inflation forecast showed that the MPC expected inflation to come down to near the 2% target over the two to three year time horizon. So this all seemed to add up to cooling expectations of much further action to raise Bank Rate over the next two years.

2.4 However, GDP growth in the second half of 2017 came in stronger than expected, while in the new year there was evidence that wage increases had started to rise. The 8 February MPC meeting minutes therefore revealed another sharp hardening in MPC warnings focusing on a reduction in spare capacity in the economy, weak increases in productivity, higher GDP growth forecasts and a shift of their time horizon to focus on the 18 – 24 month period for seeing inflation come down to 2%. (CPI inflation ended the year at 2.7% but was forecast to still be just over 2% within two years.) This resulted in a marked increase in expectations that there would be another Bank Rate increase in May 2018 and a bringing forward of the timing of subsequent increases in Bank Rate. This shift in market expectations resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.

2.5 PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Federal Reserve (the central banking system of the USA) raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

2.6 As for equity markets, the FTSE 100 hit a new peak near to 7,800 in early January before there was a sharp selloff in a number of stages during the spring, replicating similar developments in US equity markets.

2.7 The major UK landmark event of the year was the inconclusive result of the general election on 8 June. However, this had relatively little impact on financial markets. However, sterling did suffer a sharp devaluation against most other currencies, although it has recovered about half of that fall since then. Brexit negotiations have been a focus of much attention and concern during the year but so far, there has been little significant hold up to making progress.

2.8 The manufacturing sector has been the bright spot in the economy, seeing stronger growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, the manufacturing sector only accounts for around 11% of GDP so expansion in this sector has a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

2.9 **EU.** Economic growth in the EU, (the UK's biggest trading partner), was lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of quantitative easing to stimulate growth. However, growth eventually picked up in 2016 and subsequently gathered further momentum to produce an overall GDP figure for 2017 of 2.3%. Nevertheless, despite providing this massive monetary stimulus, the ECB is still struggling to get inflation up to its 2% target and in March, inflation was still only 1.4%. It is, therefore, unlikely to start an upswing in rates until possibly towards the end of 2019.

2.10 **USA.** Growth in the American economy was volatile in 2015 and 2016. 2017 followed that path again with quarter 1 at 1.2%, quarter 2 3.1%, quarter 3 3.2% and quarter 4 2.9%. The annual rate of GDP growth for 2017 was 2.3%, up from 1.6% in 2016. Unemployment in the US also fell to the lowest level for 17 years, reaching 4.1% in October to February, while wage inflation pressures, and inflationary pressures in general, have been building.

2.11 The Federal Reserve has been the first major western central bank to start on an upswing in rates with six increases since the first one in December 2015 to lift the central rate to 1.50 – 1.75% in March 2018. There could be a further two or three increases in 2018 as the Federal Reserve faces a challenging situation with GDP growth trending upwards at a time when the recent Trump fiscal stimulus is likely to increase growth further, consequently increasing inflationary pressures in an economy which is already operating at near full capacity. In October 2017, the Federal Reserve also became the first major western central bank to make a start on unwinding quantitative easing by phasing in a gradual reduction in reinvesting maturing debt.

2.12 **Chinese** economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

2.13 **Japan.** GDP growth has been improving to reach an annual figure of 2.1% in quarter 4 of 2017. However, it is still struggling to get inflation up to its target rate of 2% despite huge monetary and fiscal stimulus, although inflation has risen in 2018 to reach 1.5% in February. It is also making little progress on fundamental reform of the economy.

3. OVERALL TREASURY POSITION AS AT 31 MARCH 2018

3.1 The Authority's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Authority's Treasury Management Practices.

3.2 At the end of 2017-18 the Authority's treasury position was as follows:

SUMMARY	31st March 2017 Principal	Rate/ Return	31st March 2018 Principal	Rate/ Return
Total Debt				
- PWLB (All fixed rate funding)	*£25.723m*	*4.231%*	*£25.631m*	*4.233%*
-Other Long Term Liabilities	*£1.374m*		*£1.299m*	
Total	*£27.097m*		*£26.930m*	
CFR	*£27.098m*		*£26.929m*	
Over/(under) borrowing	*(0.001)m*		*£0.001m*	
Total Investments	*£34.662m*	*0.51%*	*£37.307m*	*0.55%*
NET DEBT	***£(7.565)m***		***£(10.337)m***	

3.3 The maturity structure of the debt portfolio was as follows:

	31 March 2017 actual	2017/18 original limits	31 March 2018 actual
Under 12 months	£0.094m	£7.689m	£0.093m
12 months and within 24 months	£0.094m	£7.689m	£0.093m
24 months and within 5 years	£0.780m	£12.815m	£1.180m
5 years and within 10 years	£4.131m	£19.223m	£4,213m
Over 10 years	£20.625m	£25.631m	£20.033m

4. STRATEGY FOR 2017-18

4.1 The expectation for interest rates within the treasury management strategy for 2017/18 anticipated that Bank Rate would not start rising from 0.25% until quarter 2 in 2019 and then only increase once more before 31 March 2020. There would also be gradual rises in medium and longer term fixed borrowing rates during 2017/18 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

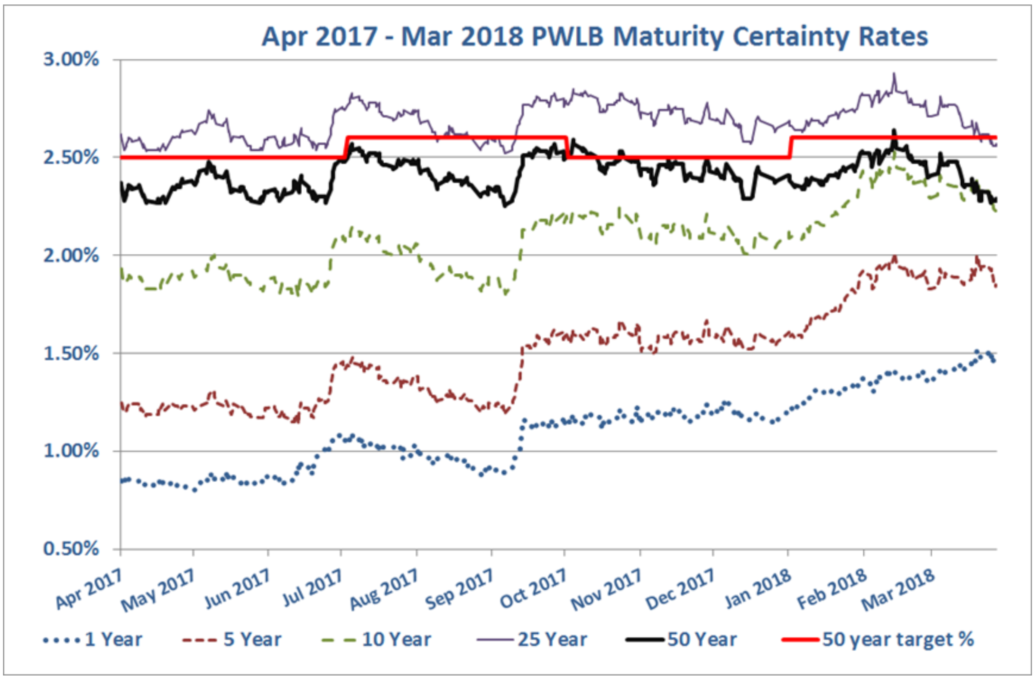
4.2 In this scenario the strategy, in line with Capital Requirements, was to avoid any new borrowing and bring the level of external loans in line with the Capital Financing Requirement as at 31 March 2018. Opportunities to reschedule or repay loans would be reviewed to reduce external borrowing where viable. If short term interest rates remain low, the Authority will borrow internally to avoid the cost of holding higher levels of investment and to reduce counterparty risk.

5. BORROWING

Public Works Loan Board (PWLB) borrowing rates 2017-18

5.1 As depicted in the graph and tables below, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March. During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4.

5.2 The graphs and tables for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



	1 Year	5 Year	10 Year	25 Year	50 Year
1/4/17	0.85%	1.25%	1.93%	2.62%	2.37%
31/3/18	1.67%	2.05%	2.43%	2.77%	2.49%
Low	0.80%	1.14%	1.78%	2.52%	2.25%
Date	03/05/2017	15/06/2017	15/06/2017	08/09/2017	08/09/2017
High	1.51%	2.01%	2.53%	2.93%	2.64%
Date	21/03/2018	15/02/2018	15/02/2018	15/02/2018	15/02/2018
Average	1.11%	1.50%	2.08%	2.69%	2.41%

DSFRA Borrowing Strategy

Prudential Indicators

5.3 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 Treasury Management Strategy.

5.4 During the financial year the Authority operated within the treasury limits and Prudential Indicators set out in its annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Appendix A.

Authority borrowing during and at the end of 2017-18

5.5 No new borrowing was taken out in 2017-18 to support capital spending and therefore, because repayments of £0.093m loan principal have been made in year, the value of loans outstanding has decreased to £25.631m during the year. A summary of the loan (debt) position of the Authority is given in the table below. All existing borrowing has been taken out at Fixed Interest Rates.

5.6 In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2016/17) plus the estimates of any additional capital financing requirement for the current (2017/18) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allowed the Authority some flexibility to borrow in advance of its immediate capital needs in 2017/18.

5.7 It is noted that the external borrowing figure of £25.631m as 31 March 2018 is the same as the Capital Financing Requirement (CFR), within rounding tolerance, which means that there is no over-borrowing position at the year-end. The Authority has complied with this prudential indicator. The table below demonstrates how the CFR is calculated and shows the CFR for 2017-18.

Capital Financing Requirement (£m)	31 March 2017 Actual	31 March 2018 Budget	31 March 2018 Actual
Opening balance	27.262	27.098	27.098
Add borrowing applied in year	1.992	1.922	1.962
Less MRP/VRP*	2.086	2.016	2.056
Less PFI & finance lease repayments	0.069	0.075	0.075
Closing balance	27.098	26.930	26.930

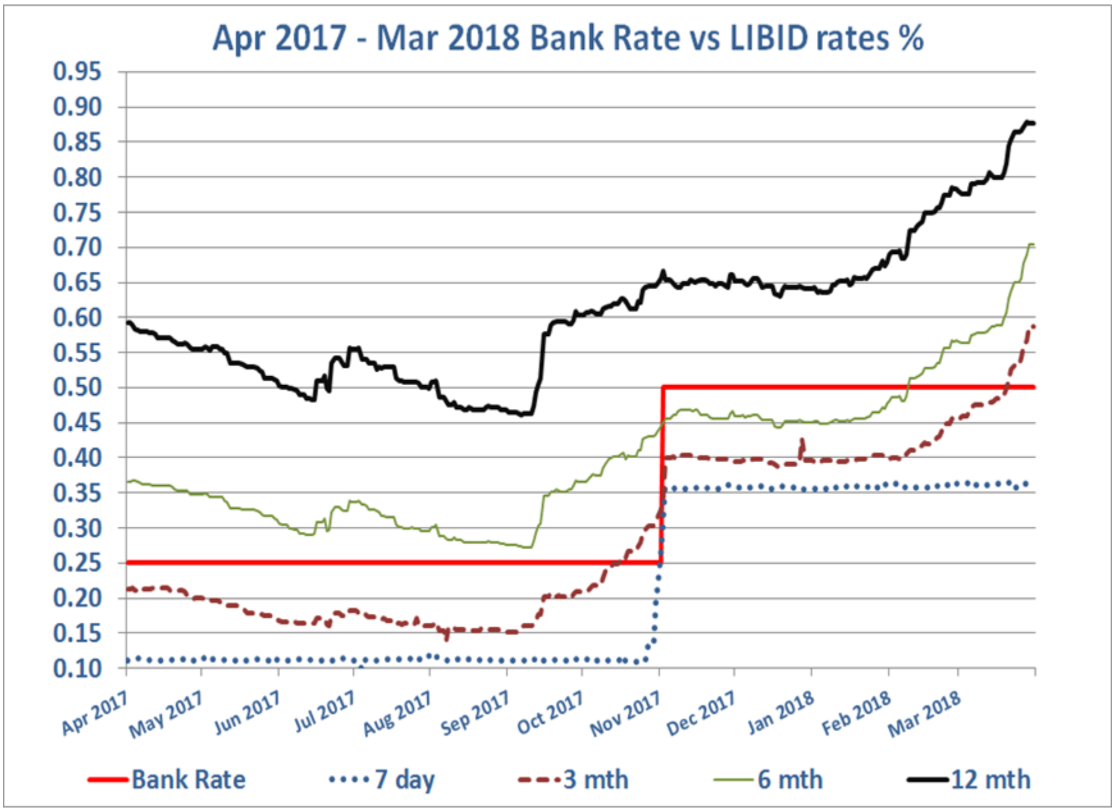
5.8 No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Summary of loan movements during 2017-18	**Amount £m**
Value of loans outstanding as at 1/4/2017	**25.723**
Loans taken during 2017-18	0.00
Loans repaid upon maturity during year	(0.093)
Loans rescheduled during year	0.00
Total value of loans outstanding as at 31/3/2018	**25.631**

6. INVESTMENTS

Investment rates in 2017-18

6.1 Investment rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March. Bank Rate was duly raised from 0.25% to 0.50% on 2 November 2017 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28 February 2018.



Authority Investment Strategy

6.2 The Authority's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Authority's investment priorities as follows:

- Security of Capital
- Liquidity

6.3 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 investments short term, and only invest with highly credit rated financial institutions using our Treasury Management Advisors (Capita) suggested creditworthiness matrices, including Credit Default Swap overlay information provided by Sector. In addition to this approach the Authority has the ability to use building societies under specified and non-specified investments.

Authority Investments during and at the end of 2017-18

6.4 No institutions in which investments were made during 2017-18 had any difficulty in repaying investments and interest in full during the year and the Authority had no liquidity difficulties.

6.5 A full list of investments held as at 31 March 2018 are shown in the table below:

Investments as at 31st March 2018					
Counterparty	**Maximum to be invested**	**Amount Invested**	**Call or Term**	**Period invested**	**Interest rate(s)**
	£m	£m			
Bank of Scotland	7.000	1.500	T	6 mths	0.36%
		2.100	T	12 mths	0.85%
Barclays Bank	8.000	0.001	C	Instant Access	Variable
		3.000	T	12 mths	0.55%
		3.000	T	6 mths	0.42%
Goldman Sachs	7.000	2.000	T	6 mths	0.67%
		5.000	T	6 mths	0.73%
Highland Council	5.000	3.000	T	6 mths	0.75%
Lloyds Bank	2.000	2.000	T	12 mths	0.90%
Nationwide	4.000	2.000	T	3 mths	0.49%
Santander	7.000	1.000	T	6 mths	0.40%
		1.000	T	6 mths	0.53%
		1.000	T	6 mths	0.58%
		1.000	T	6 mths	0.63%
Standard Life	6.000	3.906	C	Instant Access	Variable
Sumitomo Mitsui	7.000	1.800	T	6 mths	0.44%
		2.000	T	6 mths	0.58%
Surrey Heath Borough Council	5.000	2.000	T	6 mths	0.52%
Total amount Invested		**37.307**			

6.6 Funds available for investment are on a temporary basis, the level of which are dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

Benchmark – 3 month LIBID	**Average level of funds available for Investment**	**Benchmark Return**	**Authority Performance**	***Investment Interest Earned***
Quarter 1	£35.430m	0.19%	0.37%	£0.027m
Quarter 2	£40.497m	0.17%	0.32%	£0.050m
Quarter 3	£41.179m	0.35%	0.59%	£0.053m
Quarter 4	£38.344m	0.44%	0.57%	£0.054m
2017/18	£38.875m	0.29%	0.46%	£0.184m

6.7 The amount of investment income earned of £0.184m has exceeded the target by £0.106m as a result of levels of fund available for investment during the year being higher than anticipated and returns exceeding benchmark.

7. SUMMARY

7.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides Members with a summary report of the treasury management activities during 2017-18. 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 during the year, with priority being given to liquidity and security over yield.

7.2 Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments continued to be dominated by risk considerations resulting in relatively low returns compared to borrowing rates. Even so, the Authority is able to report that its returns are above the London Inter-Bank Bid Rate 3 month rate, the benchmark return for this type of short term investments.

AMY WEBB
Director of Finance (Treasurer)

PRUDENTIAL INDICATOR	**2016-17 £m actual**	**2017-18 £m approved**	**2017-18 £m Actual**
Capital Expenditure			
TOTAL	2.758	7.568	2.889
Ratio of financing costs to net revenue stream			
Non – HRA	4.11%	5.00%	4.18%
Capital Financing Requirement as at 31 March (borrowing only)			
TOTAL	25.723	25.630	25.630
Annual change in Cap. Financing Requirement			
TOTAL	(0.094)	(0.169)	(0.169)
TREASURY MANAGEMENT PRUDENTIAL INDICATORS			
	£m	**£m**	**£m**
Authorised Limit for external debt -			
Borrowing	26.824	27,005	27,005
other long term liabilities	1.278	1,439	1,439
TOTAL	28.102	28,445	28,445
Operational Boundary for external debt -			
Borrowing	25.537	25,724	25,724
other long term liabilities	1.209	1,374	1,374
TOTAL	26.746	27,098	27,098
Actual external debt	27.098		26.929

	Actual 31st March 2018	upper limit %	lower limit %
Limits on borrowing at fixed interest rates	100%	100%	70%
Limits on borrowing at variable interest rates	0%	30%	0%
Maturity structure of fixed rate borrowing during 2017-18			
Under 12 months	0.36%	30%	0%
12 months and within 24 months	0.36%	30%	0%
24 months and within 5 years	4.59%	50%	0%
5 years and within 10 years	16.45%	75%	0%
10 years and above	77.88%	100%	50%

APPENDIX B TO REPORT RC/18/9

Glossary of Terms

ALMO: an Arm's Length Management Organisation is a not-for-profit company that provides housing services on behalf of a local authority. Usually an ALMO is set up by the authority to manage and improve all or part of its housing stock.

LAS: Link Asset Services, Treasury solutions – the council's treasury management advisers.

CE: Capital Economics - is the economics consultancy that provides Link Asset Services, Treasury solutions, with independent economic forecasts, briefings and research.

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price inflation – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

ECB: European Central Bank - the central bank for the Eurozone
EU: European Union
EZ: Eurozone -those countries in the EU which use the euro as their currency

Fed The Federal Reserve, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

FOMC: the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a yield and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); yields therefore change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

HRA: housing revenue account.

IMF: International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

LIBID: the London Interbank Bid Rate is a bid rate; the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

MHCLG: the Ministry of Housing, Communities and Local Government -the Government department that directs local authorities in England.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PFI: Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: quantitative easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, like government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main difference between RPI and CPI is in the way that housing costs are treated. RPI is often higher than CPI for that reason.

TMSS: the annual treasury management strategy statement report that all local authorities are required to submit for approval by the full council before the start of each financial year.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

REPORT REFERENCE NO.	**RC/18/10**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**16 May 2018**
SUBJECT OF REPORT	**PROVISIONAL FINANCIAL OUTTURN 2017-18**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATIONS	***(a) That the Devon & Somerset Fire & Rescue Authority be recommended to approve the transfer of the provisional underspend against the 2017-18 revenue budget of £0.322m to the Comprehensive Spending Review Reserve as outlined in paragraph 6.1 of this report;*** ***(b) That, subject to (a) above, the following be noted:*** ***(i) The draft position in respect of the 2017-18 Revenue and Capital Outturn position, as indicated in this report.*** ***(ii) That the underspend figure of £0.322m is after:*** ***A. Transfers of £0.601m for Airwave, Urban Search and Rescue and the Severn Park Private Finance Initiative as agreed at previous Resources Committees (para 5.1(a));*** ***B. A transfer of £0.323m to the Reserve for Capital funding (para 5.1(b));*** ***C. A transfer of £0.157m 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 5.1(c));*** ***D. Reallocation of £2.450m of Capital Funding to support Equipment Purchases now classified as Revenue Expenditure (para. 5.1(d)); and*** ***E. Additional provisions relating to pension liabilities and doubtful debts of £0.069m (para. 5.1(e)).***
EXECUTIVE SUMMARY	This report sets out the draft financial outturn position for 2017-18 against agreed financial targets. In particular, it provides a draft outturn spending position against the 2017-18 revenue budget with explanations of the major variations. Spending will be £0.322m below budget, (net of transfers to Earmarked reserves noted in this report) equivalent to 0.44% of the total budget. This saving is largely due to income in excess of budget received from Red One Ltd, the Authority's wholly owned subsidiary. The figures included in this report are provisional at this stage, subject to external audit of the Accounts during July 2018.

RESOURCE IMPLICATIONS	As indicated in the report
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Provisional Revenue Outturn Position 2017-18. B. Summary of Reserve and Provision Balances at 31 March 2018
LIST OF BACKGROUND PAPERS	None

1. INTRODUCTION

1.1 This report provides the Authority with the final outturn position (subject to audit) for revenue and capital spending for the financial year 2017-18, and makes recommendations as to how the underspend against the revenue budget is to be utilised. The report is in two parts. Section 1 deals with the revenue outturn position while Section 2 deals with the position in relation to capital spending.

1.2 The Authority is well aware of the difficult financial climate that local authorities are currently operating under as a result of cuts in government funding. In setting the 2017-18 revenue budget for the Authority in February 2017, consideration of the Medium Term Financial Plan (MTFP) recognised that further recurring savings will be required over the next three years to 2020-21 over above the savings already achieved by the implementation of the changes agreed as part of the 2013 Corporate Plan . Further details of savings requirements, forecast within the MTFP targets, are included at section 7 of this report.

1.3 Mindful of this difficult outlook the strategy adopted during the last financial year 2017-18 was to balance the budget using Reserves for one year only whilst focussing on development of the Authority's strategy to improve the Service and release savings in the future. Budget monitoring reports submitted to meetings of the Resources Committee during the financial year have identified that adoption of this strategy was anticipated to deliver expenditure equivalent to the budget (previous forecast at Quarter 3 was for an outturn position of £0.00m against budget). The provisional outturn figure for 2016-17, now included in this report, is for an under spend of £0.322m, equivalent to 0.44% of the total budget

1.4 This is, of course, a welcome result and provides the opportunity to transfer this amount into Reserve balances to be utilised in the best possible way to assist future budget setting. However, this is a one-off saving and can therefore be used only once. It is not a sustainable solution to the Authority's forecast budget shortfalls. Members will recall that in setting a balanced budget in February 2017 for the previous financial year (2017-18), an amount of £2.4m has already been taken from the base budget as part of on-going revenue saving requirements.

2. SECTION 1 – REVENUE OUTTURN 2017-18

2.1 Total revenue spending in 2017-18 was £72.273m compared to an agreed budget of £72.596m, resulting in an underspend of £0.322m, equivalent to 0.44% of total budget. A summary of spending is shown in Table 1 overleaf and Appendix A provides a more detailed analysis of spending against individual budget heads.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2017-18

	£m	£m	£m
Approved Budget			**72.596**
Gross Spending (Appendix A Line 28)	74.282		
Gross Income (Appendix A Line 33)	(5.540)		
Net Spending		68.743	
PLUS Transfers to Earmarked Reserves			
- Transfers to Reserves included in budget (Appendix A Line 35)	0.601		
- Capital Funding (Appendix A Line 36)	0.323		
- Grants Unapplied (Appendix A Line 37)	0.157		
- Reallocation of Capital funding to Equipment Reserves	2.450		
Total Transfer to Earmarked Reserves (Appendix A Line 38)		3.531	
TOTAL NET SPENDING			72.273
NET UNDERSPEND			**(0.322)**

2.2 These figures are based upon the spending position at the end of March 2018 and whilst they provide a provisional financial performance for the year, are subject to final accounting adjustments and audit scrutiny for the year end.

2.3 The underspend is after several variances against budget as reported in Appendix A to this report but is mainly due to income from Red One Limited being £0.445m in excess of the budgeted figure of £0.075m, which was set as a result of the previous strategy to minimise the Authority's reliance on Red One income.

2.4 Variances against other budget heads e.g. Uniformed staffing costs, Training Expenses and Capital Financing Costs are also reported. Explanations of the more significant variations from budget (over £50k variance) are explained below.

3. VARIATION AGAINST BUDGET

Wholetime Staff

3.1 Wholetime uniform staff – expenditure exceeded the budget of £27.692m by £1.047m – Temporary arrangements to support the On-call system have been in place throughout the year at a cost of £0.565m and pre-arranged overtime of £0.566m has been paid to cover vacancies and shifts whilst the new recruits are in their training phase. Of this spend, £0.237m has been recovered through secondment agreements for the ODA (Predictive Analytics) Project and Hinkley Point (please see paragraph 3.13 below). Also included in this amount is a year-end provision of £0.019m towards potential back pay of pensions on allowances. Some of these issues will persist in to 2018-19 until full implementation of a risk based service delivery model and will be closely monitored by officers.

On-Call Firefighters

3.2 On-Call firefighters – this budget line is overspent by £0.078m due to pilot schemes earlier in the year to support availability which have now ceased.

Control Room Staff

3.3 Staffing costs within the Control Room were £0.153m under spent on its staffing budget due to vacancies in the earlier part of the year, which have now been filled.

Training Expenses

3.4 Training Expenses – Underspend of £0.129m which has resulted from savings in numerous Departments; professional training in support and administration departments is £0.063k under spent and the Training Academy is showing savings of £0.067m whilst leadership development pathways throughout the organisation are reviewed.

Fire Service Pensions Recharge

3.5 Pensions – Savings of £0.484m. The Authority Pensions cost can be highly variable depending on the timing of Ill Health and Injury retirements, where one case can result in costs in year in excess of £0.100m. There have been fewer retirements during the financial year than anticipated which may leave this budget line at risk in 2018-19 due to timing differences.

Rent & Rates

3.6 Rent and Rates – savings against budget of £0.072m as a result of successful appeals made by the Estates department against the business rates revaluations made during the year on multiple premises.

Equipment and Furniture

3.7 Equipment & Furniture – An outturn position of £2.417m against a budget of £2.595m – savings of £0.178m. There are two projects which will now be delivered in 2018-19: £0.052m to replace Thermal Imaging Cameras and £0.047m for misting systems on appliances. Additional timing differences have arisen from the delayed introduction of Rapid Intervention Vehicles (capital project slowed due to production line issues at the supplier), whereby the equipment for these appliances will not be purchased until the vehicles are delivered.

Hydrants

3.8 Due to vacancies in the Hydrants team, fewer routine checks and repairs have been completed than planned during the year, resulting in an under spend of £0.079m.

Communications

3.9 Savings against budget of £0.153m. The majority of this saving is due to slippage on a scheme to upgrade network infrastructure which will now be delivered in 2018-19. The communications budget line will be monitored during the year as there is a risk that an over spend will result from the delay to this project.

Uniforms

3.10 Personal Protective Equipment purchases, laundry and repairs have exceeded budget by £0.125m. These costs arise from an increase in condemned kit (for safety reasons, structural firefighting kit has a limited lifespan and must maintain a good level of integrity and repair) and a number of new recruits, both wholetime and on-call, who receive personal issue fire kit.

Support Services Contracts

3.11 The over spend of £0.0181m on support services contracts has arisen from several legal and employment cases which have exceeded budget by £0.111m and £0.071m respectively.

Revenue contribution to Capital Spending

3.12 Revenue Contribution to Capital – savings of £2.773m against budget. The full budget is still required in order to deliver planned projects in the future. The variance is due to timing differences per Section 2 of this report and is subject to transfer to Earmarked Reserves per paragraphs 4 and 5.1.

Investment Income

3.13 Investment income – has returned £0.108M greater than the budget of £0.079m. Due to timing differences within the Capital scheme, we have larger balances to invest which, when combined with strong yield performance has resulted in a greater return than budgeted.

Grants and Re-imbursements

3.14 Grants and Reimbursements –£0.235m less than budget. Officers were notified during the year that the Authority would receive its 2018-19 grant for National Resilience functions early and therefore a virement of £0.945m was requested and approved during the Quarter 3 monitoring process. When the grant was paid, only the Urban Search and Rescue element, amounting to £0.130m, was sent, resulting in a negative variance of £0.815m. Several grants have been received which were not included in the budget: £0.158m additional Airwave grant received in advance, £0.157m for Control upgrades (see paragraph 5.1(c)) and £0.026m for the 2016-17 final business rates reconciliation. Additionally, £0.237m of income has been generated from secondments (offset in Wholetime pay) to further reduce the variance to £0.235m.

Other Income

3.15 Other income is £0.802m better than budget. £0.444m relates to income from Red One for the use of Authority resources and staffing capacity. Support departments have generated income in excess of their budgets: Procurement frameworks have generated £0.066m of additional income, Insurance and Risk have recovered £0.080m from case management and Estates have received £0.035m more than their budget for site sharing. Funding of £0.054m has been received from partners to support the Heartstart initiative in Somerset and co-responding cost recovery was ££0.76m higher than anticipated. The remaining income is as a result of minor variances across multiple departments.

4. DIRECT REVENUE CONTRIBUTIONS TO CAPITAL

4.1 Appendix A reflects that savings of £2.773m on Revenue Contribution to Capital arising in year are transferred directly to Earmarked reserves, made up of two elements:

4.2 **Reallocation of Capital funding to Equipment Reserves £2.450m –** Following a review of the Capital Programme prompted by the audit of the 2016-17 accounts, there have been several projects which have been identified as being better suited to revenue classification, due to the low value of the individual items being purchased. The threshold for Capital expenditure is £5,000 per item. There are two significant projects which require a specific revenue reserve to be established - £1.650m for replacement of Breathing Apparatus and £0.800m for Mobile Data Terminals in appliances.

4.3 **Timing differences –** The remaining £0.323m of Capital Funding has arisen from timing differences in the Capital Programme. The funding is still required and will be transferred to the Capital Funding Reserve.

5. CONTRIBUTION TO EARMARKED RESERVES

5.1 A summary of predicted balances on Reserves and Provisions is shown in Appendix B to this report. These figures include those proposed transfers to Earmarked Reserves and provision outlined in this report and referenced in Appendix B which are recommended for approval:

a. **Budgeted Transfers to Reserves (£0.601m)** - Transfers for Airwave, Urban Search and Rescue function and the Severn Park Private Finance Initiative have been included in the budget presented at previous Resources Committees

b. **Capital Funding (£0.323m)** – as outlined in Paragraph 4.3 above, the balance of funding which was included in the Revenue budget for Capital funding is to be transferred to the Earmarked Reserve.

c. **Grants Unapplied (£0.157m)** - under International Financial Reporting Standards (IFRS) accounting arrangements, any unused grants at the year-end, which are not subject to repayment, are to be identified and carried forward to 2018-19 via an Earmarked reserve. There was one such grant which has been received which was not included in the budget: An amount has been received from the Home Office which relates to upgrading the Control Room network in preparation for the Emergency Services Mobile Communications Project. The grant will be transferred to the reserve already established for the project.

d. **Reallocation of Capital Funding to Equipment Reserves (£2.450m)** – as outlined in Paragraph 4.2 above, Revenue Contribution to Capital will be reclassified as Revenue Earmarked Reserves for Breathing Apparatus (£1.650m) and Mobile Data Terminals (£0.800m)

e. **Provisions (£0.069m)**- As detailed in paragraph 3.1 of this report, a further enhancement to the Provision for Firefighters pension scheme is recommended for the Pensionable Allowances 2017-18 element of £0.019m. Having reviewed the levels of year end debt for the Authority, a prudent provision for doubtful debts of £0.050m has been included which is absorbed in to administrative budget headings.

6. PROPOSALS FOR UTILISATION OF THE UNDERSPEND

6.1 The Authority is asked to approve the recommendation that the underspend figure of £0.322m be used to fund a further transfer into the Comprehensive Spending review Earmarked Reserve to support future change activity and projects identified in paras. 3.7 and 3.9 that were budgeted in 2017-18 but not completed.

6.2 A summary position of Reserves and Provisions as at 31 March 2018, including the recommendations included in this report, is included as Appendix B to this report.

Provisions

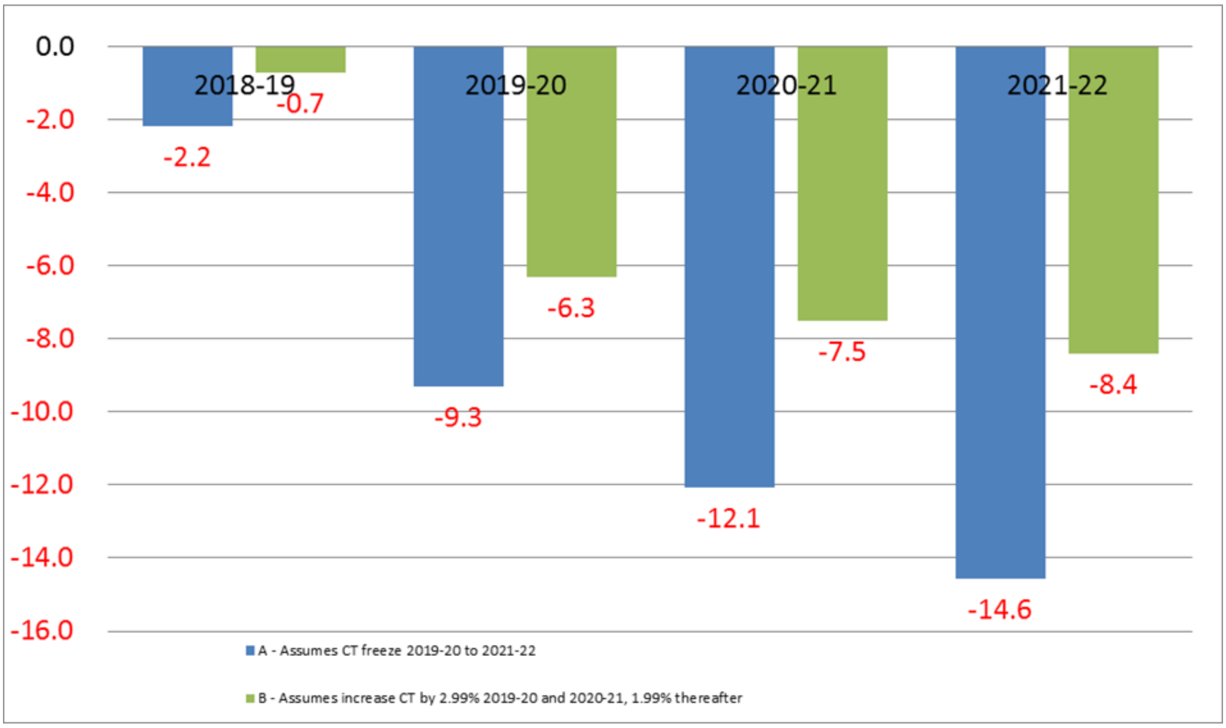
6.3 Included in Appendix B is a summary of the Provision balances as at 31 March 2018, excluding the Provision for Doubtful Debt which is presented alongside the debtor account in the year end statements.. As part of the year-end process the Authority is required to review the adequacy of Provision balances and consider whether any changes during the year require additional amounts to be set aside. As a result of the most recent review it has been assessed that an additional charge of £0.068m should be set aside in Provisions.

7. IMPACT TO MEDIUM TERM FINANCIAL PLANNNING

7.1 The Authority is well aware of the difficult financial climate currently being faced by local authorities as a result of significant reductions in government funding. Following acceptance by the government, of an Efficiency Plan the Authority has received a four-year settlement to 2019-20. The grant has reduced by £2.9m in 2017-18, and will decrease further by £1.7m by 2019-20. This means that the Medium Term Financial Plan (MTFP) needs to be planning for the significant reductions beyond 2017-18.

7.2 So far, the Authority has responded well, since 2011 a total of £15.9m of recurring efficiency savings have been identified and used to enable balanced budgets to have been set, including an amount of £0.7m in setting the budget for 2018-19. However the MTFP forecasts that a minimum of £7.7m of on-going savings will be required over the next three years to 2021-22 (if Council Tax is increased).

CHART 1 – SUMMARY OF SAVINGS REQUIRED TO 2021-22



7.3 As reported earlier the budget proposals included in the Corporate Plan agreed by the Authority in have now been fully implemented delivering total on-going savings of £6.8m.

7.4 The recommendation in this report, to provide a one-off contribution to the Comprehensive Spending Review Reserve of £0.322m, will enable the Authority to better respond to future austerity measures and invest in Service improvement and efficiency.

8. SUMMARY OF REVENUE SPENDING

8.1 Budget monitoring reports considered during the financial year have highlighted the strategy to support Red One Limited in its growth. It is pleasing therefore that this strategy has resulted in a final underspend position of £0.332m. This report makes proposals as to how this underspend can best be utilised and the Authority is invited to consider these with a view to approving the proposals.

9 SECTION 2 – CAPITAL OUTTURN 2017-18

9.1 The 2017-18 capital programme was originally set at £6.6m at the budget setting meeting held on the 17 February 2017. This programme figure has increased during the financial year to £7.5m, as a result of timing differences in spending from the previous year partly offset by a previous decision made by members to transfer £0.3m of Capital budget in to revenue. As has been reported to the Resources Committee during the year, whilst these changes represent a change in the 2017-18 programme they do not represent any increase to the previously agreed borrowing requirement.

9.2 Table 2 below provides a summary of the provisional outturn position against the agreed 2017-18 capital programme. Against a final capital programme of £7.503m, capital spending in year was £2.889m, resulting in unspent programme of £4.614m, of which £4.209m relates to timing delays to be carried forward to 2018-19, and £0.405m of savings.

TABLE 2 – SUMMARY OF CAPITAL SPENDING IN 2017-18

PROJECT	2017/18 £000 Revised Budget	2017/18 £000 Forecast Outturn	2017/18 £000 Timing Differences	2017/18 £000 Re-scheduling/ Savings
Estate Development				
Site re/new build	0	0	0	0
Improvements & structural maintenance	2,401	2,140	(275)	14
Estates Sub Total	**2,401**	**2,140**	**(275)**	**14**
Fleet & Equipment				
Appliance replacement	3,567	508	(3,154)	95
Community Fire Safety	0	0	0	0
Specialist Operational Vehicles	187	163	0	(24)
Equipment	502	78	(333)	(91)
ICT Department	800	0	(400)	(400)
Water Rescue Boats	46	0	(46)	0
Fleet & Equipment Sub Total	**5,102**	**749**	**(3,934)**	**(419)**
Overall Capital Totals	**7,503**	**2,889**	**(4,209)**	**(405)**

Capital Spending 2017-18

9.3 This Authority has a three year rolling capital programme, reviewed annually. This reflects changes in circumstances within individual projects and slippage that will occur from time to time. This has particularly been the case in relation to the appliance replacement programme and some Estates projects. Those projects that have moved into 2018-19 will be reassessed and any potential savings identified.

9.4 Slippage in Estates projects relates to: Barnstaple workshops (£0.065m), Wellington Station internal upgrade (£0.180m), and Station Security (£0.030m).

9.5 Slippage in Fleet and Equipment projects is largely because of: delayed replacement of Mobile Data Terminals in Appliances (£0.400m); Incident Support Units (£0.430m); Medium Rescue Pumps (£0.780m); Rapid Intervention Vehicles (£1.454m); 4x4 replacements (£0.824m); and Water Rescue Boats (£0.046m).

9.6 The fleet capital programme was reviewed by the Executive Board (March 2018).The new Head of Fleet and Procurement in consultation with the Head of Transformational Change has identified the position of Fleet projects currently in progress (ISU, MRP, 4x4) to ensure they are still aligned to organisational objectives.

9.7 Fleet projects are on hold until approval of the change and improvement programme by the Fire Authority which will enable risk based operational reviews to be undertaken, prior to proceeding with any further procurements. ISU and 4 x 4 vehicles on pilot and awaiting response to pilot before proceeding with the next steps and procurement processes.

10. FINANCING THE 2017-18 CAPITAL PROGRAMME

10.1 Table 3 below provides an analysis of how the 2017-18 capital spending of £2.889m is to be financed.

TABLE 3 – SUMMARY OF CAPITAL FINANCING IN 2017-18

	Actual Financing Required £m
Application of existing borrowing	**1.962**
Other financing sources:	
Revenue contribution to capital spending per programme	0.654
Capital grant	0.021
Contribution from earmarked reserve	0.252
Sub-total – Direct revenue funding/earmarked reserve	**0.927**
Total Financing	**2.889**

Borrowing

10.2 The amount of external borrowing at the beginning of the financial year stood at £25.724m. No new borrowing was taken out during the year and an amount of £0.093m has been repaid, resulting in an overall reduction of external borrowing to £25.631m as at 31 March 2018. This level of borrowing is well below the agreed (revised) maximum borrowing figure of £28.445m allowed under the Prudential Code

11. DRAFT PRUDENTIAL INDICATORS

11.1 The prudential indicators at this time can only be regarded as provisional subject to the completion of the Statement of Accounts and resultant audit scrutiny.

Capital Expenditure

11.2 This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £3.665m less than anticipated predominantly as a consequence of delays on progressing major Fleet capital projects.

	£m
Approved Budget	7.503
Actual Expenditure	2.889
Variance	(4.614)

Capital Financing Requirement– External Borrowing

11.3 The Capital Financing Requirement (CFR) reflects the underlying need to borrow for capital purposes. Given that existing borrowing has been applied to the spending in 2017-18 the need to borrow to fund capital spending has remained static.

	£m
Approved CFR	25.630
Revised CFR (Based on Actual Spending)	25.630
Variance	0.000

Capital Financing Requirement– Other Long Term Liabilities

11.4 This Capital Financing Requirement (CFR) reports long term financing liabilities other than external borrowing, e.g. Private Finance Initiative (PFI) and Finance Leases, which under accounting rules are required to be reported alongside traditional borrowing liabilities.

	£m
Approved CFR	1.299
Revised CFR (Based on Actual Spending)	1.299
Variance	0.000

Authorised Limit and the Operational Boundary for External Debt

11.5 Actual external debt as at 31 March 2018 was £25.631m. This is within the revised authorised limit (absolute maximum borrowing approval) of £28.445m and the operational boundary of £27.098m.

Ratio of Financing Cost to Net Revenue Stream

11.6 This ratio aims to show the percentage of revenue resources which are applied to financing debt. The Authority’s estimate was that 4.25% would be applied, a better ratio has been achieved as a result of strong investment returns.

	£m
Capital Financing Costs	3.219
Interest on Investments	(0.184)
Net Financing Costs	3.035
Net Revenue	72.596
Percentage	4.18%
Budgeted	4.25%
Variance	(0.07) bp

12. DETERMINATION OF CAPITAL FINANCE

12.1 The Authority is required to determine its use of capital finance as defined by capital control legislation. The following use of capital finance resources is proposed:

- That an amount of £1.962m of external borrowing from previous years be utilised to fund the Capital programme;
- That an amount of £0.906m is capitalised and funded from revenue contributions to capital spending, either directly from the 2017-18 revenue budget or from balances in Earmarked Reserves; and
- That £0.021m of unapplied capital grant be used to contribute towards funding the 2017-18 capital programme.

13. RESERVES

13.1 There is a new requirement under CIPFA guidance for the Fire Authority to publish a Reserves Strategy which outlines the intended use of reserves over the medium term financial period. Officers will be developing the Reserves Strategy over coming months, which will articulate the levels of committed expenditure, timing of cash flows and a plan to utilise reserves to support the Change and Improvement Programme and MTFP, for approval by the Authority.

13.2 The Authority reserves position at the end as at 31 March 2018 is £37.259m, subject to approval of the recommendations in this report, the details of which are shown at Appendix B and in paragraph 5.1 above.

AMY WEBB
Director of Finance (Treasurer)

SUBJECTIVE ANALYSIS OF REVENUE SPENDING

Line No	DEVON & SOMERSET FIRE AND RESCUE AUTHORITY	2017/18 Budget £000	Outturn £000	Projected Variance over/ (under) £000
	SPENDING			
	EMPLOYEE COSTS			
1	Wholetime uniform staff	27,692	28,738	1,047
2	Retained firefighters	12,362	12,440	78
3	Control room staff	1,668	1,515	(153)
4	Non uniformed staff	10,035	9,992	(42)
5	Training expenses	385	256	(129)
6	Fire Service Pensions recharge	3,075	2,591	(484)
		55,216	**55,533**	**317**
	PREMISES RELATED COSTS			
7	Repair and maintenance	1,130	1,116	(14)
8	Energy costs	585	600	15
9	Cleaning costs	462	433	(29)
10	Rent and rates	1,782	1,710	(72)
		3,958	**3,859**	**(99)**
	TRANSPORT RELATED COSTS			
11	Repair and maintenance	874	869	(6)
12	Running costs and insurances	1,219	1,239	20
13	Travel and subsistence	1,355	1,354	(0)
		3,448	**3,462**	**14**
	SUPPLIES AND SERVICES			
14	Equipment and furniture	2,595	2,417	(178)
16	Hydrants-installation and maintenance	190	111	(79)
17	Communications	2,118	1,965	(153)
18	Uniforms	596	721	125
19	Catering	46	48	2
20	External Fees and Services	89	136	47
21	Partnerships & regional collaborative projects	182	192	11
		5,816	**5,590**	**(225)**
	ESTABLISHMENT COSTS			
22	Printing, stationery and office expenses	310	307	(4)
23	Advertising	44	23	(21)
24	Insurances	349	358	9
		703	**687**	**(16)**
	PAYMENTS TO OTHER AUTHORITIES			
25	Support service contracts	705	886	181
		705	**886**	**181**
	CAPITAL FINANCING COSTS			
26	Capital charges	3,582	3,612	30
27	Revenue Contribution to Capital spending	3,427	654	(2,773)
		7,009	**4,266**	**(2,743)**
28	**TOTAL SPENDING**	**76,854**	**74,282**	**(2,572)**
	INCOME			
29	Treasury management investment income	(79)	(186)	(108)
30	Grants and Reimbursements	(4,316)	(4,081)	235
31	Other income	(440)	(1,242)	(802)
32	Internal Recharges	(20)	(30)	(10)
33	**TOTAL INCOME**	**(4,855)**	**(5,540)**	**(685)**
34	**NET SPENDING**	**71,999**	**68,743**	**(3,256)**
	TRANSFERS TO EARMARKED RESERVES			
35	Transfers to reserves	597	601	4
36	Transfer to Capital funding	0	323	323
37	Grants Unapplied	0	157	157
38	Reallocation of Capital funding to Equipment Reserves	0	2,450	2,450
		597	**3,531**	**2,934**
36	**NET SPENDING**	**72,596**	**72,273**	**(322)**

APPENDIX B TO REPORT RC/18/10

SUMMARY OF RESERVES AND BALANCES AS AT 31 MARCH 2018

RESERVES AND PROVISIONS							
RESERVES	**Note**	**Balance as at 1 April 2017 £000**	**Approved Transfers £000**	**Proposed Transfers £000**	**Spending to P12 £000**	**Proposed Balance as at 31 March 2018 £000**	
Earmarked reserves							
Grants unapplied from previous years	a/c	(1,469)	(947)	641	123	(1,652)	
Change & improvement programme		(501)	100	-	126	(275)	
Budget Carry Forwards		(1,130)	-	-	532	(597)	
Commercial Services		(172)	-	-	100	(72)	
Direct Funding to Capital	b	(16,576)	-	(323)	252	(16,646)	
Comprehensive Spending Review*	a	(4,957)	644	(966)	-	(5,279)	
Community Safety Investment	a	(89)	(3)	-	53	(38)	
PPE & Uniform Refresh		(542)	-	-	38	(504)	
Pension Liability reserve		(1,525)	-	-	-	(1,525)	
PIMS Replacement		(230)	-	-	-	(230)	
National Procurement Project		(399)	-	-	184	(215)	
NNDR Smoothing Reserve		(642)	-	-	-	(642)	
Digital Transformation Strategy		(430)	-	-	175	(255)	
Firefighter fitness monitoring & support		(175)	-	-	41	(134)	
PFI Equalisation	a	-	(295)	-	-	(295)	
Operational Safety - new training model		(404)	-	-	191	(212)	
Emergency Services Mobile Communications Programme		(744)	(100)	(157)	80	(921)	
Breathing Apparatus Replacement	d	-	-	(1,650)	-	(1,650)	
Mobile Data Terminals Replacement	d	-	-	(800)	-	(800)	
Total earmarked reserves		**(29,985)**	**(601)**	**(3,255)**	**1,897**	**(31,943)**	
General reserve							
General fund balance		**(5,319)**	**3**	**-**	**-**	**(5,316)**	
Percentage of general reserve compared to net budget							7.32%
TOTAL RESERVE BALANCES		**(35,304)**				**(37,259)**	
PROVISIONS							
Fire fighters pension schemes	e	(755)	-	(19)	20	(755)	
PFI Equalisation		(295)	295	-	-	-	
TOTAL PROVISIONS		**(1,050)**	**295**	**(19)**	**20**	**(755)**	

The notes in this table refer to Paragraph 5.1 outlining the transfers to reserves and provisions

REPORT REFERENCE NO.	**RC/18/11**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**16 MAY 2018**
SUBJECT OF REPORT	**REVISION TO THE CAPITAL PROGRAMME 2018-19 TO 2020-21**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATIONS	***That it be recommended to the Devon and Somerset Fire and Rescue Authority that the revised capital programme and associated prudential indicators for 2018-19 to 2020-21, as included in this report, be approved.***
EXECUTIVE SUMMARY	A three year capital programme for 2018-19 to 2020-21 was approved at the budget meeting in February 2018. This report proposes a revision to that programme to reflect: a) An amount of money not spent in 2017-18 to be carried forward to 2018-19; b) A revision of timing and cost of schemes; c) Recognition of two schemes being revenue in nature, to be funded by earmarked reserve from 2017/18 under spend. These proposed revisions do not require any adjustments to the Authority's external borrowing requirements. The Authority has not taken any new borrowing in the last six years and, currently, there is no new borrowing required to support the Authority's Capital Programme covering 2018-19 to 2020-21.
RESOURCE IMPLICATIONS	As indicated within the Report
EQUALITY IMPACT ASSESSMENT	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Capital Programme 2018-19 to 2020-21. B. Revised Prudential Indicators 2018-19 to 2020-21.
LIST OF BACKGROUND PAPERS	Capital Programme 2018-19 to 2020-21 report to DSFRA on 16 February 2018 (DSFRA/18/2).

1. INTRODUCTION

1.1 The current capital programme covering the three years 2018-19 to 2020-21 was approved at the budget meeting in February 2018.

1.2 This report seeks approval of the Authority to revise this programme to reflect budget not spent in 2017-18, the revision of timing and cost of future schemes and that two schemes are revenue in nature so will be funded by earmarked reserve from 2017-18 underspend, subject to approval by the Authority.

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

2. CURRENT CAPITAL PROGRAMME 2018-19 TO 2020-21

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 16 February the Authority considered and approved a three year capital programme covering the years 2018-19 to 2020-21. This approved programme is included at Appendix A (2018/19 Approved Budget column).

3. PROPOSED REVISION TO THE CAPITAL PROGRAMME

3.1 Appendix A to this report also provides a revised capital programme for the years 2018-19 to 2020-21. The changes included in the revised programme reflect:

a) Since setting the original programme for 2018-19 to 2020-21 in February 2018, there is further variance against budget in 2017/18 of £1.2m. This is made up of savings of £0.4m and budget unspent in 2017/18 of £0.8m which will align the Capital programme with the future aspirations of the service going forward. Additionally, a previously reported project identified for Barnstaple workshops of £0.1m has been surrendered pending a station review. The £1.2m unspent budget is still required (carried forward to 2018-19) but reflects only a change to the timing of spend rather than an increase to funding requirements.

b) A large budget reduction in 2018-19 (£4.6m) and 2019-20 (£0.9m) partly off-set by an increase in 2020-21 (£1.3m) reflecting the revision to the timing and cost of multiple schemes. The significant reduction to budgets is mostly due to the realignment of the Breathing Apparatus and Mobile Data Terminal replacement schemes to revenue due to the low value of individual sets (£2.4m) and removal of a significant Estates project at Crownhill pending the outcome of wider organisational planning (£1.4m).

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

	Estates	Fleet & Equipment	Total
	£m	£m	£m
Original Programme			
2017-18 (predicted outturn)	2.1	1.9	4.0
2018-19	3.3	7.0	10.3
2019-20	4.7	4.4	9.1
2020-21	2.5	2.9	5.4
Total 2017-18 to 2020-21	12.6	16.2	28.8
Revised Programme			
2017-18 (actual outturn)	2.1	0.8	2.9
2018-19	3.3	3.1	6.4
2019-20	3.6	4.7	8.3
2020-21	2.6	4.1	6.7
Total 2017-18 to 2020-21	11.6	12.7	24.5
Proposed change	(1.0)	(3.5)	(4.5)

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 not be breached in the medium term as reported to the Authority in February 2018. The next review of capital spending plans will take place in good time to inform the budget setting process for 2019-20.

4. SUMMARY AND RECOMMENDATION

4.1 This report provides a revision to the agreed capital programme for the year 2018-19. 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 8th June 2018.

Amy Webb
Director of Finance (Treasurer)

Capital Programme 2018/19 to 2020/21

Item	PROJECT	2018/19 £000 Approved Budget	2018/19 £000 Slippage & Approvals	2018/19 £000 Revised Budget	2019/20 £000 Approved Budget	2019/20 £000 Slippage & Approvals	2019/20 £000 Revised Budget	2020/21 £000 Indicative Budget	2020/21 £000 Slippage & Approvals	2020/21 £000 Revised Budget	2021/22 £000 Indicative Budget	2022/23 £000 Indicative Budget	2023/24 £000 Indicative Budget
	Estate Development												
1	Site re/new build	400	(200)	200	500	200	700	0	600	600	0	0	0
2	Improvements & structural maintenance	2,943	170	3,113	4,245	(1,375)	2,870	2,465	(410)	2,055	1,800	1,800	1,800
	Estates Sub Total	**3,343**	**(30)**	**3,313**	**4,745**	**(1,175)**	**3,570**	**2,465**	**190**	**2,655**	**1,800**	**1,800**	**1,800**
	Fleet & Equipment												
3	Appliance replacement	4,150	(2,021)	2,129	3,650	39	3,689	2,540	1,120	3,660	2,740	2,740	2,740
4	Specialist Operational Vehicles	125	0	125	625	0	625	200	0	200	0	0	0
5	Equipment	1,985	(1,402)	583	150	216	366	200	0	200	200	200	200
6	ICT Department	627	(400)	227	0	0	0	0	0	0	0	0	0
7	Water Rescue Boats	46	0	46	0	0	0	0	0	0	0	0	0
	Fleet & Equipment Sub Total	**6,933**	**(3,823)**	**3,110**	**4,425**	**255**	**4,680**	**2,940**	**1,120**	**4,060**	**2,940**	**2,940**	**2,940**
	Overall Capital Totals	**10,276**	**(3,853)**	**6,423**	**9,170**	**(920)**	**8,250**	**5,405**	**1,310**	**6,715**	**4,740**	**4,740**	**4,740**
	Programme funding												
8	Earmarked Reserves:	**5,981**	**(3,853)**	**2,128**	**4,220**	**(920)**	**3,300**	**460**	**1,310**	**1,770**	**0**	**0**	**0**
9	Revenue funds:	**2,384**	**0**	**2,384**	**2,989**	**0**	**2,989**	**3,498**	**0**	**3,498**	**2,802**	**3,457**	**3,542**
10	Application of existing borrowing	1,911	0	1,911	1,961	0	1,961	1,447	0	1,447	1,938	1,283	1,198
	Total Funding	**10,276**	**(3,853)**	**6,423**	**9,170**	**(920)**	**8,250**	**5,405**	**1,310**	**6,715**	**4,740**	**4,740**	**4,740**

PRUDENTIAL INDICATORS

				INDICATIVE INDICATORS 2021/22 to 2023/24		
	2018/19 £m Estimate	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate
Capital Expenditure						
Non - HRA	6.423	8.250	6.715	4.740	4.740	4.740
HRA (applies only to housing authorities)						
Total	6.423	8.250	6.715	4.740	4.740	4.740
Ratio of financing costs to net revenue stream						
Non - HRA	4.03%	4.03%	3.97%	3.89%	3.52%	3.41%
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	25,538	25,444	24,851	24,758	24,264	23,771
HRA (applies only to housing authorities)	0	0	0	0	0	0
Other long term liabilities	1,209	1,112	1,010	907	791	656
Total	26,747	26,556	25,861	25,665	25,055	24,427
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000	£000
Non - HRA	(182)	(191)	(694)	(197)	(610)	(628)
HRA (applies only to housing authorities)	0	0	0	0	0	0
Total	(182)	(191)	(694)	(197)	(610)	(628)
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT						
Authorised Limit for external debt	£000	£000	£000	£000	£000	£000
Borrowing	27,007	26,910	26,787	26,189	26,071	25,553
Other long term liabilities	1,359	1,265	1,162	1,056	947	823
Total	28,367	28,174	27,949	27,244	27,018	26,376
Operational Boundary for external debt	£000	£000	£000	£000	£000	£000
Borrowing	25,731	25,637	25,544	24,951	24,857	24,364
Other long term liabilities	1,299	1,209	1,112	1,010	907	791
Total	27,029	26,847	26,656	25,961	25,765	25,155
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 2017/18		
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%

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REPORT REFERENCE NO.	**RC/18/12**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**16 MAY 2018**
SUBJECT OF REPORT	**FIRE FUNDING ISSUES**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATIONS	***That the Committee considers the contents of this report with a view to recommending that the Authority supports a sector-led approach to securing improved funding in preference to developing an individual business case.***
EXECUTIVE SUMMARY	This report advises on actions in train to seek to secure an improved funding settlement for the Authority for the 2019-20 and subsequent financial years.
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	Report DSFRA/18/1 (“2018-19 Revenue Budget and Council Tax Levels”)

1. INTRODUCTION

1.1. At its budget setting meeting on 16 February 2018 the Treasurer confirmed that, despite representations made by the Authority in responding to the government's Technical Consultation on the proposed local government finance settlement 2018-19, the final settlement had not changed from the provisional finance settlement announced in December 2017. Unlike Police and Crime Commissioners, Fire Authorities had not been offered any precept flexibility beyond the 2.99% referendum threshold.

1.2. Stemming from this, the Authority resolved (Minute DSFRA/64(a)(vi) refers):

> "that, for the 2019-20 financial year, a business case on Council Tax referendum limits (reflecting Service need requirements) be developed, with local Members of Parliament engaged in both supporting and promoting this business case".

2. CURRENT POSITION

2.1 The Fire Finance Network, at which the Authority is represented by the Treasurer, is currently in the process of developing (under the auspices of the National Fire Chiefs' Council and in liaison with the Home Office) a comprehensive evidence base on fire funding to inform the 2019 Comprehensive Spending Review. This will include consideration of all associated issues including government grant and levels of council tax (including current referendum limits). It is felt that this co-ordinated approach may have a greater impact and afford a better chance of securing improved funding across the whole fire sector than might otherwise be the case from pursuing individual submissions.

2.2 A sector led approach would be consistent with that taken by the National Police Chief's Council (NPCC), which was successful in petitioning the Home Office for greater precept flexibility (up to £12 per year) when considering the 2018-19 budget setting.

2.3 The Committee may therefore wish to consider advising the Authority of this position with a view to seeking endorsement of the Authority to supporting the sector-led approach highlighted above in preference to supporting an individual business case.

AMY WEBB
Director of Finance (Treasurer)

EXCLUSION OF THE PRESS AND PUBLIC

RECOMMENDATION that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of Dr Sian George and Andrew Andreou of the Board of Red One Ltd. and any other Member of the Fire & Rescue Authority so present) be excluded from the meeting for the following items of business on the grounds that they involve 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);

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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