

RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

13 February 2020

Present:-

Councillors Coles (Vice-Chair), Biederman, Drean (Chair), Peart, Radford, Yabsley and Wheeler (vice Tuffin)

Apologies:-

Councillor Tuffin

In attendance:

Councillor Randall Johnson (in accordance with Standing Order 38 (1)

Dr Sian George – Non-Executive Chair of the Board of Red One Ltd. (for *RC/23 only)

Gerald Taylor – Red One Ltd. (for *RC/23 only)

Councillor Saywell and Thomas – Authority appointed Non-Executive Directors of Red One Ltd. (for *RC/23 only)

* **RC/13** **Minutes**

RESOLVED that the Minutes of the meeting held on 21 November 2019 be signed as a correct record.

RC/14 **2020-21 Revenue Budget and Council Tax Level**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/1) on options for the Authority's Revenue Budget and associated Council Tax level in 2020-21. 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.

The Director of Finance & Resourcing (Treasurer) advised that the Council Tax referendum limit had been set by the Minister for Housing and Local Government at 2% for 2020-21, a reduction from 3% in the previous year. The report therefore set out two options for consideration by the Committee in setting the level of Council Tax in 2020-21, namely:

- Option A – freeze council tax at 2019-20 level (£86.52 for a Band D property); or
- Option B – increase council tax by 1.99% above 2019-20 (an increase of £1.72 per annum to £88.24 for a Band D property)

The Committee noted that there had been an increase in grant settlement from Government in 2020-21 amounting to an additional £0.272m of funding available to the Authority, an increase of 1.7%. The Fire sector had requested an increase in Council Tax of £5 per year in 2020-21 and, although this had not been acceded to, the Home Office had acknowledged this input. The Authority's share of the Council Tax collection fund surplus had decreased, however, by £0.174m which reflected a slight decline in the collection rates by districts.

Following the decisions taken by the Authority at its meeting on 10 January 2020, there was significant investment proposed for this budget to support reform of the Service with £3.515m (offset by ongoing savings, reduced capital allocation and a one-off use of reserves) included within the revenue budget proposals. These included:

- £1.144m for Pay for Availability, the new On Call duty system; assuming that the system will be in place mid-way through the year, ongoing investment will be double the amount;
- £0.872m for additional staff working on prevention and protection, particularly building safety following the report by Her Majesty's Inspectorate (HMICFRS) and the Hackitt review (post Grenfell);
- £0.322m for operational staff to support prevention capability and the matrix model introduced in 2019-20;
- £0.930m for professional and technical staff which includes investment in Health and Safety, Organisational Development and Fitness to support improvement against HMICFRS findings; and
- £0.242m for revenue equipment needed to fit out the new Medium Rescue Pumps per the capital programme.

The revised core budget requirement for the Authority emanating from the overall increase in funding was £80.343m (based on Option B, a Council Tax increase of 1.99%) and therefore savings needed to be identified of £1.323m under Option B. This still left a gap of £1.743m to balance the budget (or £2.8m under Option A). It was proposed that the revenue contribution to capital would be reduced to £0.557m for Option B (or £1.634m on Option A) in 2020-21 in order to balance the budget, together with a one-off use of reserves of £1.167m, however, this would have implications for the long term affordability of the Capital Programme.

Councillor Coles **MOVED** (seconded by Councillor Peart):

“that it be recommended to the Authority that the level of Council Tax in 2020-21 for a Band D property be set at £88.24, as outlined in Option B, representing a 1.99% increase over 2019-20”.

Upon a vote, (6 for, 0 against, 1 abstention) this was **CARRIED**.

RESOLVED

- (a) that it be recommended to the Authority that the level of Council Tax in 2020-21 for a Band D property be set at £88.24, as outlined in Option B of report RC/20/1, representing a 1.99% increase over 2019-20;
- (b) that, as a consequence of the decisions at (a) above:
 - (i) the tax base for payment purposes and the precept required from each billing authority for payment of total precept of £54,212,834 (Option B), as detailed on Page 2 of the respective budget booklet, be approved;
 - (ii) the council tax for each property bands A to H associated with the total precept as detailed in the respective budget booklet, be approved; and

- (iii) that the Treasurer's 'Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances', as set out at Appendix B to this report, be endorsed.

RC/15 **Capital Programme 2020-21 to 2022-23**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/2) that set out the proposals for a three year Capital Programme covering the years 2020-21 to 2022-23. The report outlined the difficulties in meeting the full capital expenditure requirements for this Authority given the number of fire stations, fire appliances and associated equipment required to be maintained and eventually replaced.

It was noted that the Capital Programme had been constructed on the basis of ensuring that borrowing was maintained below the 5% ratio of financial cost to net revenue stream, one of several Prudential Indicators previously agreed by the Authority. The funding requirement for the Capital Programme to 2022-23 was £50m compared with only £39.8m of available funding.

The Director of Finance & Resourcing (Treasurer) referred to the risk associated with the need to borrow further in future to meet the capital requirements in the light of reducing revenue funding and the associated potential breach of the Prudential Indicators. To inform long term planning, therefore, the Prudential Indicators had been profiled for a further two years beyond 2022-23 based upon indicative capital programme levels for the years 2023-24 to 2024-25.

RESOLVED that the Authority at its budget meeting on 18 February 2020 be recommended to:

- (a) approve the draft Capital Programme 2020-21 to 2022-23 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to report RC/20/2 and
- (b) note, subject to (a) above, the forecast impact of the proposed Capital Programme (from 2023-24 onwards) on overall affordability and the 5% debt ratio Prudential Indicator as indicated in this report.

RC/16 **Capital Strategy**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/3) that set out the proposed Capital Strategy prepared as a result of a requirement within the 2017 Prudential Code for all local authorities.

It was noted that the Strategy provided a high level overview of how capital expenditure and the way it was financed contributed to the provision of services within Devon and Somerset. It also gave an overview of how the associated risk was managed and the implications for the future financial sustainability of the Authority. The Strategy also provided the requisite governance for approval and monitoring of capital expenditure.

The Clerk reported that the recommendation set out within the paper circulated needed to be amended to reflect that this matter should be recommended to the Authority for approval, whereupon it was:

RESOLVED that the Authority be recommended to endorse the Capital Strategy as set out within report RC/20/3.

RC/17 **Medium Term Financial Plan**

The Committee considered a report of the Director of Finance & Resourcing (RC/20/4) that set out the proposed Medium Term Financial Plan for this Authority in accordance with the requirements set out within the Fire & Rescue National Framework for England (2018).

The Plan outlined funding, income and expenditure forecasts for the Authority for the next five financial years (to 2020-24) together with details of how the forecasts were constructed (including funding sources and expenditure/cost pressures).

The Director of Finance & Resourcing (Treasurer) advised the Committee that the decisions taken by the Authority on 10 January 2020 in respect of the Safer Together programme meant that savings had been identified now. It was hoped, in addition, that the recent inflationary award on the grant settlement from Government (1.7% in 2020-21) would be maintained in future as there was still a gap in funding of £10.2m to bridge in the next five years.

RESOLVED that the Devon & Somerset Fire & Rescue Authority be recommended to approve endorse the Medium Financial Plan for publication as appended to report R/20/4.

RC/18 **Treasury Management Strategy (including Prudential and Treasury Indicators) Report 2020-21**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/5) in respect of the Treasury Management Strategy and Annual Investment Strategy in accordance with the decision taken by the Authority on 18 December 2017. The report set out the proposed Treasury Management Strategy and Investment Strategy for 2020-21, including the Prudential Indicators associated with the capital programme for 2020-21 to 2022-23 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2020-21 was also included for approval.

RESOLVED that the Authority be recommended to approve:

- (a) the Treasury Management Strategy and the Annual Investment Strategy for 2020-21; and
- (b) the Minimum Revenue Provision (MRP) statement for 2020-21, as contained at Appendix B of report RC/20/5.

*** RC/19** **Treasury Management Performance 2019-20: Quarter 3**

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) (RC/20/6) that set out details of the treasury management performance for the third quarter of 2019-20 (to December 2019) as compared to the agreed targets for 2019-20.

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:

- The UK economy had been volatile in 2019-20 with fairly strong growth in Quarter 1, negative growth in Quarter 2 with some recovery in Quarter 3, moving towards a forecast of nil growth in Quarter 4. This was linked to uncertainty over Brexit which looked likely to continue until a trade deal was negotiated;
- inflation was currently running below the Government’s 2% target which gave scope for interest rates to be held at current rates for a longer period. The Bank of England had pushed back any forecast decrease in interest rates to June 2021 at the earliest;
- There had been no change to the Authority’s investment strategy which remained focused as security and liquidity of its assets over yield;
- The Authority had outperformed the three month LIBID benchmark of 0.66% with a return of 0.85% in Quarter 3 and investment interest of £0.080m; and
- There had been no new borrowing and the Authority had not breached its Prudential Indicators (affordability limits).

* RC/20

Financial Performance Report 2019-20 - Quarter 3

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/7) that set out the Service’s financial performance during the third quarter of 2019-20 against the targets agreed for the current financial year. The report provided a forecast of spending against the 2019-20 revenue budget with explanation of the major variations.

The Committee noted that forecast spending by the year end would be £74.645m representing a saving of £0.497m, equivalent to 0.66% of the total budget due largely to underspends in respect of On Call Firefighters, training expenses and rent and rates. Reference was made to the proposed budget transfers set out at Tables 3 of the report which it was suggested should be transferred to an earmarked reserve to facilitate the early repayment of the Local Government Pension Scheme deficit.

RESOLVED

- (a) That the budget transfers shown in Table 3 of report RC/20/7 be approved;
- (b) That the monitoring position in relation to projected spending against the 2019-20 revenue and capital budgets be noted;
- (c) That the performance against the 2019-20 financial targets be noted.

* **RC/21** **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 and Gerald Taylor, [Red One Ltd.] and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd.]) be excluded from the meeting for the following item of business on the grounds that they 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/22** **Restricted Minutes of Resources Committee held on 21 November 2019**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded from the meeting).

RESOLVED that the Restricted Minutes of the meeting held on 21 November 2019 be signed as a correct record.

* **RC/23** **Red One Ltd. Financial Performance 2019-20: Quarter 3**

(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 Gerald Taylor, [Red One Ltd.] and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd.]) were excluded from the meeting).

NB. Councillors Saywell and Thomas were present for this item in a non-voting capacity as Non-Executive Directors of Red One Ltd. (in support of Dr Sian George) but did not speak.

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) and Dr Sian George (Non-Executive Chair of the Board of Red One Ltd.) (RC/20/8) on the financial performance of Red One Ltd. in quarter 3 of 2019-20.

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