

RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

5 February 2024

Present:

Councillors Peart (Chair), Best (Vice-Chair), Coles, Fellows, Gilmour, Power and Sully

Apologies:

Councillor Slade

In attendance:

Councillor Cook-Woodman (in person), Biederman, Kendall and Randall Johnson` (via Teams)

* RC/23/14 Minutes

RESOLVED that the Minutes of the meeting held on 22 November 2023 be signed as a correct record.

RC/23/15 2024-25 Revenue Budget and Council Tax Levels

The Committee considered a joint report of the Director of Finance & Corporate Services (Treasurer) and the Chief Fire Officer (RC/24/1) on the draft 2024-25 revenue budget and associated Council Tax levels.

Two options were presented in the report circulated, namely:

- Option A: that the level of council tax in 2023-24 for a Band D property be set at £96.79, as outlined in Option A, representing no increase over 2023-24 and representing a Net Revenue Budget Requirement for 2024-25 of £91,067,600 (£91.067m); or
- Option B: that the level of council tax in 2024-25 for a Band D property be set at £99.68, as outlined in Option B, representing a 2.99% increase over 2023-24 and representing a Net Revenue Budget Requirement for 2024-25 of £92,908,400 (£92.408m).

A one-year Local Government Finance Settlement had been announced on 18 December 2023. This indicated a Settlement Funding Assessment for the Authority of £28.843m for 2024-25, a 21.09% increase on the settlement for 2023-24 but representing a -0.27% decrease on the settlement for 2015-16.

On 18 December 2023, the Department for Levelling Up, Housing and Communities (DLUCH) announced as part of the provisional Local Government Settlement the Council Tax limit to be applied in 2024-25 which is 2.99%. The Authority had also received a £0.575m share of the Rural Services Delivery Grant for 2024-25 together with £0.100m Section 31 grant funding to reduce the impact of the increase in social costs. These sums were included as income in the proposed revenue budget.

The Treasurer gave an update at the meeting on the Net Budget Requirement given that the Authority had now received the final returns on the National Non-Domestic Rates (NNDR) from billing authorities. The final funding settlement had not been confirmed yet, however, which may result in a change to the Net Budget Requirement set out above. The updated figures would be submitted to the Authority at its meeting on 16 February 2024.

The Committee was advised that, should budget option A be selected, then the net spending requirement exceeded available funding by £1.357m. This shortfall could be met by a transfer from reserves in the short-term while a plan to implement spending reductions across all Service areas was developed. Option B, however, would not require any contribution from reserves.

The Medium-Term Financial Plan identified a requirement for further savings beyond 2024-25 to ensure that balanced budgets could be set in each year of the Spending Review period.

The strategic approach to deliver the required savings in future years was being developed following an efficiency review which had been initiated and would focus on the following priority areas:

- How resources were being utilised; productivity of our staff and assets;
- Digitising and streamlining services to make them more efficient; and
- Evidencing value for money of our services.

As required by Section 65 of the Local Government Finance Act 1992, non-domestic ratepayers had been consulted on proposals for expenditure. Members of the public had also been consulted. The consultation results indicated that:

- 64% of businesses agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2024-25, while 16% disagreed that it is reasonable for them to do so, resulting in a net agreement of +48%.
- 74% of residents agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2024-25, while 13% disagreed, giving a net agreement of +61%.

Of those respondents who agreed that a Council Tax increase would be reasonable. 61% of businesses and 49% of residents indicated they would support an increase of 2.99%.

Additionally, the consultation results indicated that:

- 52% of businesses and 58% of residents considered the Service provided good value for money; and
- 68% of businesses and 69% of residents were either very or fairly satisfied with the service provided.

Appended to the report was a statement on the robustness of the budget estimates and the adequacy of the levels of reserves and balances, as required by Section 25 of the Local Government Act 2003.

The Treasurer added that, the budget proposals circulated were predicated upon a Grey Book pay award of 5% being agreed under the national arrangements. Should this figure be increased above 5%, then this would impact on the budget presented. It was noted that the Authority, at its meeting on 15 February 2023, would be requested to grant the Treasurer delegated authority to make up any shortfall in budget from reserves arising as a result of any pay award which exceeded the 5% assumed in the figures outlined above.

RESOLVED that the Authority be recommended:

- (a). to set the level of Council Tax in 2024-25 for a Band D property at £99.68, as outlined above, representing a 2.99% increase over 2023-24 and that accordingly, a Net Revenue Budget Requirement for 2024-25 of £92,908,400 be approved;
- (b). that, as a consequence of this:
 - (i). the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £60,798,019, as set out in the revised figures above (Option B) be approved;
 - (ii). the council tax for each of the property bands A to H associated with the total precept as detailed in the budget booklet be approved; and
- (c). that the Treasurer's Statement on the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances, as set out in Appendix B to the report, be endorsed.

RC/23/16 Capital Strategy

The Committee considered a report of the Director of Finance & Corporate Services (Treasurer) (RC/24/2) setting out a proposed capital strategy for the Authority, as required by the Chartered Institute of Public Finance and Accountancy Prudential Code.

The Strategy provided a high-level overview of how capital expenditure and the way it was financed contribute to the provision of services together with an overview of how associated risk would be managed and the implications for future financial sustainability. The Strategy also set out the governance processes for approval and monitoring of capital expenditure.

The Strategy was a key document for the Authority and formed part of the financial planning arrangements, reflecting the priorities of the Medium-Term Financial Plan.

RESOLVED that the Authority be recommended to endorse the Capital Strategy as set out in the report.

(See also Minutes RC/23/15 above and RC/23/17 below).

RC/23/17 Capital Programme 2024-25 to 2026-27

The Committee considered a report of the Director of Finance & Corporate Services (Treasurer) (RC/24/3) on the proposed draft Capital Programme 2024-25 to 2026-27 and associated Prudential Indicators.

The proposed programme and funding increased the external borrowing requirement from the current level of £23.8m to £28.2m by 2026-27 with the debt ratio of financing costs to the net revenue scheme, a key Prudential Indicator, remaining below the 5% maximum limit previously approved by the Authority throughout the period of the programme.

The report identified proposed expenditure on both estate and fleet capital projects over the period of the programme, with indicative expenditure (and associated Prudential Indicators) for a further two years (2025-26 and 2026-27).

There remained considerable difficulties in meeting the full capital expenditure needs for the Service and in maintaining the 5% debt ratio limit. The proposed capital programme had been constructed on the basis that revenue budget contribution to capital would be maintained in future years but this may not be possible. Unless capital assets were further rationalised, however, there would be a need for external borrowing in 2027-28. Decisions on further spending would be subject to annual review based on the financial position of the Authority.

RESOLVED

- (a). that the Authority be recommended to approve the draft Capital Programme 2024-25 to 2026-27 and associated Prudential Indicators as detailed in report RC/24/3; and
- (b). that, subject to (a) above, the forecast impact of the proposed Capital Programme (from 2027-28) on the 5% debt ratio Prudential Indicator, as indicated in this report, be noted.

(See also Minutes RC/23/16 above and RC/23/18 below)

RC/23/18 Treasury Management Strategy (Including Prudential and Treasury Indicators report 2024-25 to 2026-27)

The Committee considered a report of the Director of Finance & Corporate Services (Treasurer) (RC/24/4) detailing:

- the proposed Treasury Management Strategy (including Prudential Indicators) and investment strategy for 2024-25;
- Prudential Indicators associated with the proposed Capital Programme 2024-25 to 2026-27;
- a Minimum Revenue Provision Statement 2024-25; and
- certification that none of the Authority's spending plans would include the acquisition of assets primarily for yield.

The proposed Strategy had been prepared in accordance with the requirements of the Local Government Act 2003 and the Treasury Management Code of Practice produced by the Chartered Institute of Public Finance and Accountancy.

RESOLVED that the Authority be recommended to approve:

- (a). the Treasury Management Strategy and Annual Investment Strategy 2024-25 as set out in report RC/24/4; and
- (b). the Minimum Revenue Provision Statement 2024-25 as appended to the report.

(See also Minute RC/24/17 above).

* **RC/23/19** **Treasury Management Performance 2023-24: Quarter 3**

NB. Adam Burleton, representing Link Asset Services, the Authority's Treasury Management advisers, was in attendance for this item of business.

The Committee received for information a report of the Director of Finance & Corporate Services (Treasurer) (RC/24/5) that set out the Authority's performance relating to the third quarter of 2023-24 (to December 2023) in accordance with the Treasury Management in Public Service Code of Practice (published by the Chartered Institute of Public Finance and Accountancy {CIPFA}) and the CIPFA Prudential Code. The report set out how this Authority was demonstrating best practice in accordance with these Codes.

During consideration of this item, the following key points were noted:

- The United Kingdom (UK) economy had seen a 0.3% decline in real Gross Domestic product (GDP) in October 2023 potentially due to the wet weather and also the drag from higher interest rates together with a sharp fall in wage growth from 8.0% in September 2023 to 7.2% in October 2023;
- Consumer Price Inflation (CPI) continued on its downward trajectory from 8.7% in April 2023 to 4.6% in October 2023 then again to 3.9% in November 2023;
- interest rates had remained unchanged with the bank of England keeping the base rate at 5.25%;
- the Authority had benefitted from the recent rises in interest rates with an increased return on investments at a yield of 5.40% against the 3-month SONIA benchmark return of 5.19% for quarter 3 of 2023-24 was (£0.958m). The forecast return on investment at year end was now £1.183m;
- the annual treasury management strategy had continued on a prudent approach, underpinned by investment priorities based on security of capital, liquidity and yield;
- none of the Prudential Indicators (affordability limits) had been breached in quarter 2 with external borrowing at 30 December 2023 being £24.217m, forecast to reduce to £23.771 by the end of the financial year with no new borrowing undertaken; and

- There were no plans to borrow any further funds in the immediate future.

* **RC/23/20** **Financial Performance Report 2023-24: Quarter 3**

The Committee received for information a report of the Director of Finance & Corporate Services (Treasurer) (RC/24/6) that provided the Committee with details of the third quarter performance (to December 2023) against the agreed financial targets for 2023-24.

The Director of Finance & Corporate Services (Treasurer) advised that, at this stage in the financial year, it was projected that spending would be £1.621m less than the budget of £85.413 at £83.548m representing an underspend of 1.90% of total budget. He reiterated the point that the reserve of £2.8m to cover the cost of pay awards arising post budget in 2023-24 would not be required due to better than anticipated in year investment returns. This money would be returned to Reserves at the year end. It was noted that the Executive Board continued to bear down on costs across the Service to try to close the budgetary gap in 2024-25, 2025-26 and 2026-27 as outlined within the Medium-Term Financial Plan (MTFP).

The main drivers for this forecast underspend in 2024-25 were:

- Wholetime pay – underspend of £0.999m due largely to a number of vacancies being held within the Service pending a review of shift patterns;
- Professional and Technical staff – underspend of £0.972m due largely to multiple vacancies being held albeit that it was acknowledged that there were key posts that needed to be filled in some areas in due course;
- Fire Service pension Costs – overspend of £0.109m associated with ill health retirements;
- Transport running costs and insurance – underspend of £0.299m due largely to the reduction in wholesale fuel prices; and
- Investment income – over recovery of £1.184m - the budget was set when interest rates were still low but the recent rises had resulted in a much healthier return than had been anticipated.

The Committee expressed its thanks to the Treasurer and staff for the excellent work undertaken in moving the financial performance to this position.

* **RC/23/21** **His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) Areas for Improvement Action Plan Update**

The Committee received for information a report of the Chief Fire Officer (RC/24/7) upon the progress made by the Service in addressing the 14 Areas for Improvement (AFIs) identified by His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) and associated actions, of which two were linked to the Resources Committee, including:

- HMI-2.2-202206a - The Service needs to make sure that its fleet strategy is regularly reviewed and evaluated to maximise potential efficiency; and
- HMI-2.2-202206b – The Service needs to ensure that its estate strategy is regularly reviewed and evaluated to maximise potential efficiency.

The Committee noted that action AFI-2.2-202206a had been closed. AFI-2.2-202206b was “in progress on track” currently with the Estates Strategy being aligned to work on the Service’s Target Operating Model. The Committee noted that the completion date for this AFI was 31 January 2024 which had passed now and asked that a revised completion date in two weeks’ time be instigated in respect of completion of this work.

* **RC/23/22**

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 Officers of Red One Ltd.) be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely:

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

* **RC/23/23**

Red One Ltd. Financial Performance 2023-24: 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 Officers of Red One Ltd.) were excluded from the meeting.

The Committee received for information a report of the Director of Finance & Corporate Services (Treasurer) (RC/24/8) setting out the financial performance of Red One Ltd. in quarter 3 of the 2023-24 financial year.

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