RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

5 February 2025

Present:

Councillors Peart (Chair), Best (Vice-Chair), Carter, Lugger, Sully and Coles

* **RC/24/8** **Minutes**

RESOLVED that the Minutes of the meeting held 22nd November 2024 be signed as a correct record.

RC/24/9 **2025-26 Revenue Budget and Council Tax Levels**

The Committee considered a joint report of the Head of Finance (Treasurer) and the Chief Fire Officer (RC/25/1) on the draft 2025-26 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 2025-26 for a Band D property be set at £102.66, representing a 2.99% increase over 2024-25, and that accordingly, the Net Revenue Budget Requirement for 2025-26 would be £97,368,700; or
- Option B: that the level of Council Tax in 2025-26 for a Band D property be set at £104.68 representing a 5% (£5) increase over 2024-25 and that accordingly, the Net Revenue Budget Requirement for 2025-26 would be £98,694,100.

A one-year Local Government Finance Settlement had been announced on 18 December 2024. This indicated a Settlement Funding Assessment for the Authority of £29.214m for 2025-26, a 1.29% increase on the settlement for 2024-25 but representing a -0.68% decrease on the settlement for 2015-16.

The Settlement had included a maximum Council Tax Level increase limit for 2025/26 of £5 for a Band D property. Fire Services across England would no longer receive a Rural Services Delivery Grant (previously £0.575m for this Authority), or other Section 31 grants such as the Social Services Guarantee Grant (previously £0.100m for this Authority). The Committee was apprised that the National Fire Chief's Council was coordinating a response, to the Government, on the removal of those grants for all Fire Services. The cumulative impact of the loss of the grants for this Authority was approximately a 2.3% reduction in the Authority's 2025/26 budget.

The Committee expressed its deep concern at the removal of the Rural Services Delivery Grant for all fire and rescue services. Given the rurality issues, particularly for Devon and Somerset, Cllr Lugger **MOVED** (seconded by Councillor Best):

> "That the Chief Fire Officer and Treasurer in conjunction with the Chair of the Authority write to the Government expressing concern on the impact of the removal of the Rural Services Delivery grant on this Authority's budget."

Upon a vote, the motion was declared **CARRIED**.

The Treasurer gave an update at the meeting on the Retained Business Rates that had now been confirmed by the billing authorities. The impact of this would be included in the updated figures presented to the Authority at its meeting on 17 February 2024.

The Committee was advised that, should budget Option A be selected, the resulting shortfall of £2.327m could be met with a transfer from reserves of £1m, along with a Revenue Contribution to Capital of £1.326m. If budget Option B was selected, the budget shortfall would be £1m, requiring only a transfer from reserves of that amount, with no Revenue Contribution to Capital.

The Treasurer advised that the approval of Option B by the Authority would enable the Service to reallocate £2m from the Revenue Budget to support the capital programme, thereby alleviating some of the burden of future borrowing.

The Service had, as required by Section 65 of the Local Government Finance Act 1992, consulted non-domestic ratepayers (businesses) regarding the options to increase council tax at a time of economic difficulty. Although not a statutory requirement, members of the public had also been consulted. The results were positive, with a net agreement of +52% of businesses and +61% of residents supporting the notion that it would be reasonable for the Authority to consider increasing its Council Tax charge for 2025/26. The Treasurer highlighted to the Committee that the Service would, during 2025/26, receive an additional £1.120m from second home Council Tax income.

The Committee considered whether the government had a stance on the amount of reserves held by Fire Services in relation to increasing Council Tax levels for residents. The Committee was informed that the Government had relaxed its position on this matter in recent years having reconsidered the extent and cost of Fire Service's Capital Programmes.

RESOLVED that the Authority be recommended:

(a). to set the level of Council Tax in 2025-26 for a Band D property at £104.68, as outlined above, representing a £5 (5%) increase over 2024-25 and that accordingly, a Net Revenue Budget Requirement for 2024-25 of £98,694,100 be approved;

(b). that, as a consequence of (a) above:

(i). the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £69,880,540, as set out in the 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.

(d). To authorise the Chief Fire Officer and Treasurer in conjunction with the Chair of the Authority to write to the Government expressing concern on the impact of the removal of the Rural Services Delivery grant on this Authority's budget.

RC/24/10 **Capital Strategy 2025-26**

The Committee considered a report of the Head of Finance (Treasurer) (RC/25/2) 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 capital expenditure, the way it was financed, and how it contributes 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.

It was identified that uncertainties surrounding the 2025/26 pay decisions could place additional pressure on the budget if the award exceeded 2%. The Committee was assured that the Authority was compliant with the Minimum Revenue Provision Policy (minute RC/25/13 refers).

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

(See also Minutes RC/24/10 above and RC/24/12 below.)

RC/24/11 **Capital Programme 2025-26 to 2027-28**

The Committee considered a report of the Head of Finance (Treasurer) (RC/25/3) on the proposed draft Capital Programme 2025-26 to 2027-28 and associated Prudential Indicators. The Report set out the Authority's 3-year indicative Capital Programme, which cross referenced with information considered during the previous item (Minute RC/25/11 refers).

It was highlighted to the Committee that:

- The revised capital programme for 2025-26 to 2027-28 contained some estimated figures which would be updated in due course; and
- £13.167m of external borrowing was predicted in 2027-28.

The Head of Finance (Treasurer) was seeking, at Appendix B of the report, an increase to the operational boundaries and authorised limit for external debt. An amended recommendation was circulated at the meeting to clarify this requirement, whereupon:

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

"that the Authority, at its budget meeting on 17 February 2025 be recommended to approve:

(a). the draft Capital Programme 2025-26 to 2027-28 and associated Prudential Indicators, including the operational boundary and authorised limits for external debt, as detailed in this report and summarised at Appendices A and B respectively; and

(b). subject to (a) above, the forecast impact of the proposed Capital Programme (from 2028-29 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report be noted*.*

Upon a vote the motion was declared **CARRIED.**

RESOLVED that the Authority, at its budget meeting on 17 February 2025 be recommended to approve:

(a). the draft Capital Programme 2025-26 to 2027-28 and associated Prudential Indicators, including the operational boundary and authorised limits for external debt, as detailed in this report and summarised at Appendices A and B respectively; and

(b). subject to (a) above, the forecast impact of the proposed Capital Programme (from 2028-29 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report be noted.

(See also Minutes RC/24/11 above and RC/24/13 below.)

RC/24/12 **Treasury Management Strategy (Including Prudential Indicators and Treasury Indicators report 2025-26 to 2027-28)**

The Committee considered a report of the Head of Finance (Treasurer) (RC/25/4) detailing:

- the proposed Treasury Management Strategy (including Prudential Indicators) and investment strategy for 2025-26;
- Prudential Indicators associated with the proposed Capital Programme 2025-26 to 2027-28;
- a Minimum Revenue Provision Statement 2025-26; 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 2025-26 as set out in report RC/25/4; and

(b). the Minimum Revenue Provision Statement 2025-26 as appended to the report.

* RC/24/13 Treasury Management Performance 2024-25: Quarter 3

NB. Adam Burleton, the Service's Treasury Management adviser (MUFG Group) was in attendance for this item.

The Committee received for information a report of the Head of Finance (Treasurer) (RC/25/5) on the Treasury Management activities of the Authority for 2024-25 (to end December 2024) in accordance with The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice.

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

- Link Treasury Services, the Authority's Treasury Management Advisors, had been acquired by Mitsubishi United Financial Group of Japan (MUFG);
- Since the peak in 10-year gilt yields of 4.64% in December 2024, rates had decreased to 4.08% as of 5th February 2025. Consequently, the Public Works Loan Board (PWLB) rates had also reduced since the publication of the report;
- Gross Domestic Product (GDP) had contracted by 0.1% m/m in October 2024, and it had shown no growth during Quarter 3. Consequently, expectations were that the Bank Rate may be cut to 4.5% at the MPC's meeting of 6th February 2025;
- Recent changes in the United States trading tariffs could create some volatility in the trading markets, impacting the UK's energy costs. Inflation may then increase but it was anticipated that this would soon settle thereafter as the MPC cut rates;
- Bank rates were expected to decrease to 3.75% during the next financial year. The Authority was consequently advised that, should borrowing be required in the near future, it should be undertaken on a short-term basis;
- The Authority had marginally underperformed against the 3-month sterling Overnight Index Average (SONIA), achieving a return of 4.78% compared to the benchmark return of 4.81% for Quarter 3 of 2024-25. However, it was anticipated that the Service would exceed its £1.7m investment target for the current financial year by £0.502m;
- the Annual Treasury Management Strategy had continued on a prudent approach, underpinned by investment priorities based on security of capital, liquidity and yield;

- the Authority had undertaken no new borrowing during the reporting period; and
- The Authority had not breached its Prudential Indicators (affordability limits) during the reporting period.

Recognising that the Authority held investments in other Local Authorities (LAs), the Committee considered the risks associated with loaning to LAs and the potential for default on those loans. The Committee was informed that the Local Government Act provided assurance that an LA would not default on a loan from another LA.

*** RC/24/14 <u>Financial Performance Report 2024-25: Quarter 3</u>**

The Committee received for information a report of the Head of Finance (Treasurer) (RC/25/6) that provided the Committee with details of the third quarter performance (to December 2024) against the agreed financial targets for 2024-25.

The Head of Finance (Treasurer) advised the Committee that there was a projected variance (underspend) of £2.996m for the 2024-25 financial year. Whilst the report detailed further where the underspends had occurred, the following were highlighted to the Committee:

- Wholetime: Underspent by £1.15m (3.0% of the budget). The Service had budgeted for a 5% increase in pay; however, the final award was 4%, resulting in part of this underspend. The rest of the underspend was due to implementation of the Service's shift pattern changing strategy – some vacancies had been kept open to ensure that there was sufficient staff to run the new model;
- On-call: underspent by £0.741 (3.2% of the budget). The Committee was informed that it was challenging to predict outgoings for this type of pay-as-you-go cost. The budget had been constructed using three-year average data, which included historical costs associated with environmental disasters that the Service had not experienced this year (e.g., wildfires); and
- Professional & Technical Pay: underspent by £0.649m (3.7% of the budget). The Service had been experiencing challenges in recruiting staff with the requisite professional and technical skills in some specialist areas. The Committee was informed of the Job Evaluation process, which all roles underwent prior to advertisement to ensure pay scales were suitable. The pay scales were aligned with the National Joint Council, and market supplements were added to the pay for some roles to attract higher calibre applicants.

The Committee was informed that, since the publication of this report, some of the outstanding debt owed to the Service had been recovered. For the remaining debt, which was outstanding for durations of 29-56 days and 57-84 days, the Service was confident that those debtors would pay their dues. There remained £3,588 in outstanding debt that had been owing for over 85 days. The Service had entered into resolution discussions to find a way forward with the debtors.

Future budget challenges were highlighted to the Committee in Table 7 of the report, which forecast the required cumulative reductions to the base budget in the years 2026-27 (£3.24m) and 2027-28 (£2.583m). The ongoing Fire Cover Review would enable the Service to further understand the challenges ahead and inform decisions on how best to meet the risks and needs of the communities it serves.

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

The Meeting started at 10.00 am and finished at 11.40 am

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