

## RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

8 February 2017

### Present:-

Councillors Dyke (Chair), Burridge-Clayton, Chugg, Hendy, Thomas, Yeomans (Vice-Chair) and Healey

#### \* **RC/14** Minutes

**RESOLVED** that the Minutes of the meeting held on 16 November 2016 be signed as a correct record.

#### \* **RC/15** Treasury Management Performance 2016-2017: Quarter 3

The Committee received for information a report of the Treasurer (RC/17/1) that set out details of the treasury management performance for the third quarter of 2016 (to December 2016) as compared to the agreed financial targets for 2016/17.

Adam Burleton, representing Capita – the Authority's Treasury Management Adviser – was present at the meeting and he gave an overview of the performance to date as measured against the approved Treasury Management Strategy. He made reference to the following points:

- The current interest rate forecast had been reviewed and the bank rate was likely to remain at 0.25% until at least June 2019 followed by gradual increases to end at 0.75% in March 2020, subject to the position on economic growth;
- The Authority was outperforming the 3 month LIBID benchmark return of 0.26% with investment interest at £78,769k (0.54%) in Quarter 3;
- There had been no additional external borrowing undertaken with the debt reducing slightly to £25.770m. The Authority was maintaining its prudential approach to investment decisions with priority being given to liquidity and security over yield and no prudential indicators had been breached.

It was noted that the concern for the UK economy was that post Brexit, the cost of imported goods was starting to rise due to the drop in the value of sterling and the forecast for the Consumer Price Index was an increase to 3%, possibly going to as high as 4%. With wage rises not increasing at the same rate, this may result in an earlier increase in interest rates in order to curb inflation.

#### **RC/16** Financial Performance Report 2016/17: Quarter 3

The Chairman agreed that this item be moved forward for consideration at this point in the meeting as a result of its impact on the consideration of the 2017-18 Revenue Budget and Council Tax Levels.

The Committee received for information a report of the Treasurer (RC/17/4) that set out the financial performance for the third quarter of 2016/17 (to 31 December 2016) as compared with the agreed financial targets for 2016/17. In particular, the report provided a forecast of spending against the 2016-17 revenue budget with explanations of any major variations.

The Treasurer reported that it was forecast that spending would be £1.957m less than the approved revenue budget, equivalent to 2.64% of the total budget. This continued to be attributable largely to the ongoing crewing changes as a result of the 2013-14 Corporate Plan together with a strategy to hold vacancies when staff left the organisation. There was no recommendation in terms of how this underspend should be utilised at the moment but this would be addressed once the final year end position was known.

Reference was made in particular to the need to divert resources to the introduction of a new approach to the delivery of Home Fire Safety checks and visits as part of the Service's continued drive to reduce fire fatalities and injuries in domestic properties. Following completion of a pilot system, it had been agreed that this pilot would be extended across the whole Service for an initial period of two years. The cost of this approach was estimated to be £0.463m, of which £0.182m could be funded from an existing earmarked reserve in 2016/17. This left a balance of £0.281m of additional cost and the Committee was asked to recommend to the Authority that a transfer be made of this sum to an earmarked reserve to fund the extension of the Home Fire Safety Pilot.

#### **RESOLVED**

- (a) That it be recommended to the Devon & Somerset Fire & Rescue Authority that:
  - (i) it approves a transfer of £0.281m to Earmarked Reserves to fund the extension of the Home Fire Safety pilot, as outlined in paragraphs 9.1 to 9.5 of report RC/17/4;
  - (ii) the proposed budget virements, as outlined in paragraph 11.6 of report RC/17/4, be approved;
- (b) Subject to (a) above, the monitoring position in relation to projected spending against the 2016-17 revenue and capital budgets be noted;
- (c) That the performance against the 2016-17 financial targets be noted.

#### **RC/17 Revenue Budget and Council Tax Level 2017/18**

The Committee considered a report of the Treasurer and Chief Fire Officer (RC/17/2) on options for the Authority's revenue budget and associated council tax level in 2016-17. It was a legislative requirement for the Authority to set a balanced budget and determine an associated Council Tax level prior to 1 March each year and this report set out the necessary financial background on which to consider the appropriate way forward for this Authority.

The Treasurer advised that the Department for Communities and Local Government had announced on 15 December 2016 that the Council Tax level which, if exceeded, would trigger the need for the Authority to hold a referendum, would be 2%. Unlike in the previous Spending review period, the Government had not overtly laid down any expectation that local authorities should freeze council tax and therefore, there was no offer of a Council Tax Freeze Grant to those authorities to freeze or reduce council tax in 2017/18. It was, of course, still appropriate for an authority to set a level of Council Tax that was appropriate to its funding position. Given that the administrative costs associated with holding a local referendum were estimated to be in the region of £2.3million, this report did not include any proposal to go beyond the 2% limit set.

The provisional Settlement Funding Assessment for this Authority for 2017-18 was £23.883m, representing a reduction of 11.1% (£2.990m) on 2016-17. This was broadly in line with the figures already included within the Authority's Medium Term Financial Plans. The Authority had also accepted the offer of a four year settlement for the period 2017/18 to 2019/20. These figures showed a reduction in funding of 24.6% by 2019/20 (£7.225m) over 2015-16, representing the 7<sup>th</sup> worst settlement of all fire and rescue authorities against an average of 21%.

The Treasurer reported that the provisional Settlement had been received and the Authority had been allocated an amount of £528k additional Section 31 grants in 2017-18 relating to Rural Services Delivery Grant (£340k) and transitional funding (£188k).

The report set out three options for consideration by the Committee, namely:

- Option A – to freeze Council Tax at 2016-17 level (£79.98 for a Band D property);
- Option B – to increase Council Tax by 1.0% above 2016-17 (£80.78 for a Band D property);
- Option C – to increase Council Tax by 1.99% above 2016-17 (£81.57 for a Band D property).

Each of these options would result in a reduction in the amount of revenue funding for 2017-18 and the report also set out a summary of the reductions associated with each option including additional precept income. The Service had been awaiting the figures from some billing authorities, however, relating to the amount of estimated business rates income in 2017-18 which it had now been confirmed would be £258k less than had been anticipated.

Reference was made in particular to the budget savings that had been included within the proposed net revenue budget requirements for 2017-18 which totalled £2.341m. For the first time, however, the Treasurer reported that there was a shortfall to achieve a balanced budget which, with the reduction in business rates income, would now be £0.579m. It was proposed that this be taken from the Earmarked Reserve that had been set up specifically to cover this eventuality – the Comprehensive Spending Review (CSR) Strategy Reserve. The intention of this reserve had always been to provide a smoothing mechanism of the impact of grant reductions during this period of austerity, the current balance on the reserve being £4.9m.

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

“that it be recommended to the Authority that the level of Council Tax in 2017-18 for a Band D property be set at £81.57, as outlined in Option C of report RC/17/2, representing a 1.99% increase over 2016 -17”.

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

**RESOLVED** that it be recommended to the Authority that the level of Council Tax in 2017-18 for a Band D property be set at £81.57, as outlined in Option C of report RC/17/2, representing a 1.99% increase over 2016-17.

**RC/18**     **Capital Programme 2017-18 to 2019-20**

The Committee considered a report of the Chief Fire Officer and Treasurer (RC/17/3) that set out the proposals for a three year Capital Programme covering the years 2017-18 to 2019-2020. The report outlined the difficulties in meeting the full capital expenditure requirements for this Authority. This stemmed from the removal in 2015-16 of the Government grant for capital expenditure and the number of fire stations, fire appliances and associated equipment required to be maintained and eventually replaced by the Authority.

The Treasurer advised the Committee that the Capital Programme had been constructed on the basis of the principle that debt charges emanating from capital borrowing were kept within the 5% Prudential Indicator limit (debt charges as a percentage of the Revenue Budget) as set by the Authority. He referred to the difficulties in recent years of maintaining a capital programme that was affordable within the 5% Prudential Indicator against a reducing revenue budget. He drew attention to the need to make revenue contributions to the capital budget as a result and indicated that a sum of £3.673m had been included within the budget setting report for 2017/18 considered above (RC/17/2) to make provision for this.

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

- (a) to approve the draft Capital Programme 2017-18 to 2019-20 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to this report; and
- (b) subject to (a) above, to note the forecast impact of the proposed Capital Programme (from 2020-21 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report.

\* **RC/19**     **Exclusion of the Press and Public**

**RESOLVED** that, in accordance with Section 100(A) of the Local Government Act 1972, the press and public 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 or business affairs of a particular person, including the Authority.

\* **RC/20**     **Red One Performance Report 2016/17**

(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).

The Committee received a report of the Treasurer (RC/17/5) that set out the draft financial performance for Red One Ltd as at Quarter 3 of 2016/17.

**RESOLVED** that the report be noted.

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