

RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

16 MAY 2018

Present:-

Councillors Coles (Chair), Biederman, Chugg, Greenslade, Hosking and Randall Johnson.

Apologies:-

Councillors Hendy.

Also in attendance:

Dr. Sian George – Independent Non-Executive Chair of Red One Ltd.

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

RESOLVED that the Minutes of the meeting held on 11 April 2018 be signed as a correct record.

* **RC/25** **Treasury Management - Quarter 4 and Annual Report 2017/18**

The Committee received for information a report of the Director of Finance (Treasurer) (RC/18/9) that set out the treasury management performance relating of the final quarter of 2017-18 financial year together with a summary of the annual performance for the year. The Chartered institute of Public Financial Accountancy's (CIPFA) Code of Practice required that the Authority received a report in respect of borrowing and investment activities during the year as compared against the Authority's Treasury Management strategy.

Adam Burleton, representing Link Asset Services, the Authority's treasury management adviser, was present at the meeting and he gave an overview of the performance. He confirmed that the Authority had complied with the requirements of the CIPFA code with quarterly reports on treasury management performance having been submitted to the Committee for consideration together with the annual review comparing activity against the strategy in place.

The following points were highlighted in particular:

- The bank base interest rises had been pushed back due to slower than forecast GDP growth figures for the UK although an increase was still expected;
- The Authority's debt position was positive with no new borrowing being taken out within the year to support capital spending and thus, the Capital Financing Requirement (CFR) of £25.63m was matched to external debt;
- The Authority had investments totalling £37.3m with income earned of £0.184m which exceeded the target set by £0.106m due to investment during the year being higher than anticipated and returns exceeding the benchmark;
- The Investment Strategy incorporated within the Treasury Management Strategy Statement (TMSS) remained prioritised with security of capital and liquidity over yield.

Mr Burleton commented that, whilst it was too expensive for the Authority to repay the outstanding debt at present, it would need to look carefully at this in future to ensure that this was kept within the Prudential Indicators.

The Committee made reference to the return on investments during the year and enquired as to the feasibility of increasing this by utilising alternative methods of investment. Mr Burleton advised that there were alternative investment funds available that may achieve a higher yield such as in property or rents but this was dependent upon the Authority's strategy. There was a higher risk with the alternatives and the requirement to invest in such funds more longer term would also reduce the liquidity of the capital. The Director of Finance added that a report had been submitted to the Committee on the alternatives available earlier in the financial year and that she would circulate this again for reference. She commented that the Authority was bringing forward its Change and Improvement programme in 2018/19 and was likely to need to have funding available for future investments as a result. It was noted that there would be a report submitted to the Authority shortly setting out the strategy for Reserves.

RC/26 Provisional Financial Outturn 2017-18

The Committee considered a report of the Director of Finance (Treasurer) (RC/18/10) that set out the draft financial outturn position for 2017-18 against the agreed targets. In particular, the report provided a draft outturn spending position against the 2017-18 Revenue Budget with explanations of the major variations.

It was noted that spending was £0.322m below budget which was equivalent to 0.44% of the total budget, due largely to income in excess of the budget that had been received from Red One Ltd. The figures in the report were provisional at this stage subject to external audit of the accounts in July 2018.

RESOLVED

- (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)).

RC/27 Revisions to the Capital Programme 2018-19 to 2020-21

The Committee considered a report of the Director of Finance (RC/18/11) that set out proposed revisions to the Capital Programme for 2018-19 to 2020-21 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.

It was noted that the changes proposed did not result in a need for any additional funding, however, it was suggested that the Capital Programme should be reviewed in due course to ensure that projects received the requisite funding at the correct time.

RESOLVED 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 detailed in report RC/18/11 and summarised in Appendices A and B to these Minutes, be approved.

RC/28 Fire Funding Issues

The Committee considered a report of the Director of Finance (Treasurer) (RC/18/12) advising of the action that was being taken to seek to secure an improved funding settlement for the Authority for the 2019-20 and subsequent financial years.

RESOLVED that it be recommended that the Authority supports a sector-led approach to securing improved funding in preference to developing an individual business case.

*** RC/29 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) be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in the following Paragraph(s) 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/30 Restricted Minutes of the Resources Committee held on 11 April 2018**

RESOLVED that the Restricted Minutes of the meeting held on 11 April 2018 be signed as a correct record.

* **RC/31** **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) were excluded for the meeting.

The Committee received for information a report of the Director of Finance (Treasurer) (RC/18/13) that gave an update on the current financial position in respect of Red One Ltd.

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

APPENDIX A TO THE MINUTES OF RESOURCES COMMITTEE ON 16 MAY 2018

Capital Programme 2018/19 to 2020/21													
Item	PROJECT	2018/19	2018/19	2018/19	2019/20	2019/20	2019/20	2020/21	2020/21	2020/21	2021/22	2022/23	2023/24
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
		Approved Budget	Slippage & Approvals	Revised Budget	Approved Budget	Slippage & Approvals	Revised Budget	Indicative Budget	Slippage & Approvals	Revised Budget	Indicative Budget	Indicative Budget	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

APPENDIX B TO THE MINUTES OF RESOURCES COMMITTEE HELD ON 16 MAY 2018

PRUDENTIAL INDICATORS	INDICATIVE INDICATORS 2021/22 to 2023/24					
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m	£m
	Estimate	Estimate	Estimate	Estimate	Estimate	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%