

## RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

7 February 2019

### Present:-

Councillors Coles (Chair), Biederman, Drean (Vice-Chair), Hendy, Hook, Peart and Radford

### In attendance:-

Councillors Randall Johnson and Wheeler (in accordance with Standing Order 38)

Dr Sian George and Lisa Compton, [Red One Ltd.] and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd. attended for items RC/24 and 25.

\* **RC/16**      **Minutes**

**RESOLVED** that the Minutes of the meeting held on 15 November 2018 be signed as a correct record.

\* **RC/17**      **Treasury Management Performance 2018-19: Quarter 3**

The Committee received for information a report of the Director of Finance (Treasurer) (RC/19/1) that set out details of the treasury management performance for the third quarter of 2018-19 (to December 2018) as compared to the agreed targets for 2018/19.

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 had experienced weak economic growth in Quarter 1 of only 0.1% but this had improved at Quarter 3 to 0.6% although uncertainty over Brexit looked likely to weaken this position in Quarter 4;
- inflation was currently running close to the Government’s 2% target which gave scope for interest rates to be held at current rates for a longer period;
- A “no deal” Brexit was a risk but there did not appear to be an appetite in Parliament for a ‘no deal’ exit from the European Union. In the event of a “no deal” Brexit, it was likely that interest rates would be cut. If there was a deal negotiated, then interest rates would probably rise around May 2019 but there would be more certainty when a trade deal was negotiated;
- 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 0.79% with a return of 0.92% in Quarter 3 and investment interest of £0.095m; and
- There had been no new borrowing and the Authority had not breached its Prudential Indicators (affordability limits).

**Financial Performance Report 2018-19: Quarter 3**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/2) that set out the Service's financial performance during the third quarter of 2018-19 against the targets agreed for the current financial year. The report provided a forecast of spending against the 2018-19 revenue budget with explanation of the major variations.

The Committee noted that forecast spending by the year end would be £73.864m representing a saving of £0.007m, equivalent to 0.01% of the total budget. Reference was made to the proposed budget transfers set out at Tables 3a and 3b of the report. It was noted that the budget transfers set out at Table 3a were required to cover the costs of the work to repair the recently identified defects on three VEMA (aerial) appliances. Table 3b set out the budget transfers in excess of £0.150m which required Authority approval. The Director of Finance (Treasurer) advised the Committee that a prudent approach was being taken in recommending a provision for doubtful debt to the Authority due to the longevity of aged debt.

**RESOLVED**

- (a) That the budget transfers below £0.150m shown in Table 3a of this report (and as set out at Appendix A to these Minutes for ease of reference) be approved;
- (b) That the budget transfers above £0.150m shown in Table 3b of this report and reproduced below for ease of reference be recommended to the Devon & Somerset Fire & Rescue Authority for approval;

<b>Virements greater than £0.150m</b>			
Line Ref	Description	Debit £m	Credit £m
	<i>Transfer of budget for Uniforms following a change in responsibility for the management of the uniforms to Research &amp; Development.</i>		
18	Uniforms	0.425	
18	Uniforms		(0.425)
	<i>Provision for Doubtful debts - increase the total provision available to £0.650m, a prudent approach due to ongoing levels of aged debt - the provision can be released back to the revenue budget upon debt repayment</i>		
28	Provision for Doubtful debts	0.600	
30	Grants and reimbursements		(0.300)
4	Non-uniformed staff		(0.200)
1	Uniformed Pay		(0.100)
	<i>Transfer budget to fund Fireground Radios to improve Firefighters' ability to communicate at operational incidents</i>		
17	Communications	0.224	
2	On-Call firefighters		(0.224)
		<b>1.249</b>	<b>(1.249)</b>

- (c) That the monitoring position in relation to projected spending against the 2018-19 revenue and capital budgets be noted;
- (d) That the performance against the 2018-19 financial targets be noted.

RC/19

### **Capital Strategy**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/3) 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.

**RESOLVED** that the Authority be recommended to endorse the Capital Strategy as set out within report RC/19/3.

RC/20

### **2019-20 Revenue Budget and Council Tax Levels**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/4) on options for the Authority's revenue budget and associated Council Tax level in 2019-20. 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 Director of Finance (Treasurer) advised that the Minister for Housing, Communities and Local Communities had announced that the Council Tax referendum limit was 3% this year. The report therefore set out two options for consideration by the Committee in setting the level of Council Tax in 2019-20, namely:

- Option A – freeze council tax at 2018-19 level (£84.01 for a Band D property);  
or
- Option B – increase council tax by 2.99% above 2018-19 (an increase of £2.51 per annum to £86.52 for a Band D property)

Attention was also drawn to a supplementary paper circulated at the meeting (RC/19/4(a)) setting out revised figures following receipt of updated information from billing authorities regarding Council Tax and National Non Domestic Rates (NNDR) income. The combined changes to central government funding, Council Tax and NNDR income meant that there would be £0.085m less funding available to the Authority but the impact of this was offset by Section 31 grant resulting in an overall increase of £0.295m. This meant that the Authority was able to increase its revenue contribution to capital in setting a balanced budget for 2019-20. It was noted that the funding generated by an additional 1% in Council Tax was equivalent to £0.510m.

The revised net revenue budget requirement for the Authority emanating from the overall increase in funding was £75.142m (based on Option B, a Council Tax increase of 2.99%) or £73.617m (based on Option A, a Council Tax Freeze). The total savings requirement for 2019-20 had reduced to £1.3m under Option B or £2.8m under Option A.

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

“that it be recommended to the Authority that the level of Council Tax in 2019-20 for a Band D property be set at £86.52, as outlined in Option B, representing a 2.99% increase over 2018 -19”.

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

**RESOLVED** that it be recommended to the Authority that the level of Council Tax in 2019-20 for a Band D property be set at £86.52, as outlined in Option B of report RC/19/4(a), representing a 2.99% increase over 2018-19.

**RC/21**

**Capital Programme 2019-20 to 2021-22**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/5) that set out the proposals for a three year Capital Programme covering the years 2019-20 to 2021-22. 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 was £61.7m compared with only £41.8m of available funding. The Director of Finance (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 2021-22 based upon indicative capital programme levels.

**RESOLVED** that the Authority be recommended:

- (a) to approve the draft Capital Programme 2019-20 to 2021-22 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to report RC/19/5; and
- (b) subject to (a) above, to note the forecast impact of the proposed Capital Programme (from 2021-22 onwards) on overall affordability and the 5% debt ratio Prudential Indicator as indicated in this report.

**RC/22**

**Treasury Management Strategy (including Prudential and Treasury Indicators) Report 2019-20**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/6) 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 2019-20, including the Prudential Indicators associated with the capital programme for 2019-20 to 2021-22 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2019-20 was also included for approval.

The Director of Finance (Treasurer) reported upon the addition of a recommendation in respect of country investments (under the approved instruments for investment - paragraph 4.12 refers) which may be impacted adversely in the event of a “no deal” Brexit resulting in the downgrading of the UK sovereign rating. This might result in the Authority losing out on investment opportunities within the UK and therefore it was proposed to amend this to “Non UK countries with a minimum sovereign rating of AA-”.

**RESOLVED** that the Authority be recommended to approve:

- (i) the Treasury Management Strategy and the Annual Investment Strategy for 2019-20;
- (ii) the Minimum Revenue Provision (MRP) statement for 2019-20, as contained at Appendix B of report RC/19/6;
- (iii) the amendment to Country Credit limits outlined in paragraph 4.12 of report RC/19/6 to allow for continued investment in the event that the UK sovereign rating was downgraded.

\* **RC/23**      **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 Lisa Compton, [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/24**      **Restricted Minutes of the Resources Committee held on 15 November 2018**

(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 Lisa Compton, [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 each declared a personal interest in this matter but in accordance with the dispensation granted by the Authority at its Annual Meeting on 8 June 2018 – Minute DSFRA/5(a) refers – remained for the debate).*

**RESOLVED** that the Restricted Minutes of the meeting held on 15 November 2018 be signed as a correct record.

\* **RC/25**      **Red One Ltd. Financial Performance 2018-19: 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 Lisa Compton, [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 each declared a personal interest in this matter but in accordance with the dispensation granted by the Authority at its Annual Meeting on 8 June 2018 – Minute DSFRA/5(a) refers – remained for the debate).*

The Committee received for information a report of the Director of Finance (Treasurer) that gave an update on the current financial position in respect of Red One Ltd. for Quarter 3 of 2018-19.

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

The meeting started at 10.10 am and finished at 1.10 pm