

## RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

15 May 2019

### Present:-

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

### In attendance:-

Councillor Randall Johnson (Authority Chair) – in accordance with Standing Order 38

\* **RC/26**      **Minutes**

**RESOLVED** that the Minutes of the meeting held on 7 February 2019 be signed as a correct record.

\* **RC/27**      **Treasury Management Performance - Quarter Four and Annual Report 2018-19**

The Committee received for information a report of the Director of Finance (Treasurer) (RC/19/8) that set out the treasury management performance relating to the final quarter of 2018-19 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.

The following points were highlighted in particular:

- There was a decline in growth in the UK economy in the final quarter of 2018-19 due to the uncertainty over Brexit with annual growth coming in at 1.4%. This confirmed that the UK had the third fastest growing economy of all of the individual countries in the G7 in quarter 4;
- The bank base rate had been held at 0.75% and it was unlikely that there would be any further rises until the uncertainty over Brexit was cleared up;
- 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 £25.537m was matched to external debt;
- The Authority had investments totalling £38.476m with income earned of £0.345m which exceeded the target set by £0.201m 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, the position was being monitored continually.

The Committee expressed its thanks to the Director of Finance (Treasurer) and the Finance Team for their excellent performance on treasury management and in particular, exceeding the investment income benchmark.

**RC/28**

**Provisional Financial Outturn 2018-19**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/9) that set out the draft financial outturn position for 2018-19 against the agreed targets. In particular, the report provided a draft outturn spending position against the 2018-19 Revenue Budget with explanations of the major variations.

It was noted that spending was £1.892m below budget which was equivalent to 2.56% of the total budget, due largely to savings on staff costs made during the year as vacancies had been held pending the Safer Together programme. Additional savings had been made on operational equipment arising from timing differences on capital projects which would now be funded from the 2019-20 revenue budget. Grant income and reimbursements had been significantly higher than budget with early payments being made by central government. The figures in the report were provisional at this stage subject to external audit of the accounts in July 2019.

**RESOLVED**

- (a) That the Authority be recommended to approve that the provisional underspend against the 2018-19 revenue budget of £1.892m be transferred to the Reserve for Capital Funding as outlined in paragraph 6.1 of the report;
- (b) That, subject to (a) above, the following be noted:
  - (i) The draft position in respect of the 2018-19 Revenue and Capital Outturn position, as indicated in this report;
  - (ii) That the underspend figure of £1.892m was after:
    - A. Transfers in from Reserves of (£1.020m) relating to grants received in advance; and
    - B. £0.095m for VEMA repairs, as agreed at previous Resources Committees;
    - C. A transfer of £1.417m to the Reserve for Capital funding;
    - D. A transfer of £0.918m to the Grants Unapplied Reserve as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised;
    - E. Additional provisions relating to pension liabilities of £0.028m;
    - F. Budget pressures identified of £0.075 for upgrade to Wi-Fi infrastructure and £0.070m for personal fitting of respiratory protection masks.

**RC/29**      **Reserves Strategy 2019-20**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/10) upon the Reserves Strategy for 2019-20.

It was noted that the report included a risk assessment on the adequacy of the General Fund together with a section on each of the Earmarked Reserves including:

- Grants received in advance;
- Invest to improve;
- Budget smoothing; capital funding; and
- Specific projects - carry forward or risks identified.

The Committee expressed its thanks to the Director of Finance (Treasurer) and her team for the work undertaken on achieving this position.

**RESOLVED** that the Authority be recommended to approve the Reserves Strategy 2019-20 for publication.

**RC/30**      **Revisions to Capital Programme 2019-20 to 2021-22**

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/11) on proposed revisions to the to the three year capital programme for 2019-20 to 2021-22.

**RESOLVED** that the Authority be recommended to approve the revised capital programme and associated prudential indicators for 2019-20 to 2021-22 (as set out within Appendices A and B of these Minutes for ease of reference).

\* **RC/31**      **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 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 items of business on the grounds that they may involve the likely disclosure of exempt information as defined in the following paragraphs 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/32**      **Restricted Minutes of the Resources Committee held on 7 February 2019**

*The Chair moved this item forward for consideration at this point in the meeting.*

(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 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).

**RESOLVED** that the Restricted Minutes of the meeting held on 7 February 2019 be signed as a correct record.

\* RC/33

**Red One Ltd Financial Performance 2018-19: Quarter 4**

(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 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 were present for this item and spoke in a non-voting capacity as Non-Executive Directors of Red One Ltd. (in support of Lisa Compton).*

The Committee received for information a report of the Director of Finance and Dr Sian George (Chair of the Board of Red One Ltd.) (RC/19/12) on the financial performance of Red One Ltd in quarter 4 of 2018-19.

RC/34

**Red One Ltd Business Plan 2019-20**

(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 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 were present for this item and spoke in a non-voting capacity as Non-Executive Directors of Red One Ltd. (in support of Lisa Compton) to present and answer questions on the Red One Business Plan.*

The Committee considered a report of the Director of Finance (Treasurer) and Dr Sian George, Chair of the Board of Red One Ltd. (RC/19/13) in respect of a five year business plan for the company.

**RESOLVED** that the report and recommendations therein be recommended to the Authority (as sole shareholder) for approval.

RC/35

**Red One Ltd Business Plan Assurance**

(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 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 were present for this item in a non-voting capacity as Non-Executive Directors of Red One Ltd. (in support of Lisa Compton) but did not speak.*

The Committee considered a report of the Director of Finance (Treasurer) (RC/19/14) in respect of providing assurance for the Authority on the business plan.

**RESOLVED** that the report and recommendations therein be recommended to the Authority (as sole shareholder) for approval.

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

The meeting started at 10.00hours and finished at 12.27hours

**APPENDIX A TO THE MINUTES OF RESOURCES COMMITTEE ON 15 MAY 2019  
- REVISION TO CAPITAL PROGRAMME 2019-20 TO 2021-22**

PROJECT	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000	£000	£000
	Approved Budget	Slippage & Approvals	Revised Budget	Approved Budget	Approved Budget	Indicative Budget	Indicative Budget
<b>Estate Development</b>							
Site re/new build	1,100	17	1,117	3,100	200	0	0
Improvements & structural maintenance	3,307	595	3,902	7,100	7,700	9,300	7,000
<b>Estates Sub Total</b>	<b>4,407</b>	<b>612</b>	<b>5,019</b>	<b>10,200</b>	<b>7,900</b>	<b>9,300</b>	<b>7,000</b>
<b>Fleet &amp; Equipment</b>							
Appliance replacement	1,793	0	1,793	3,800	3,300	2,700	2,200
Specialist Operational Vehicles	1,134	0	1,134	2,300	1,400	900	1,900
Equipment	366	187	553	200	200	200	200
ICT Department	268	0	268	0	0	0	0
Water Rescue Boats	46	0	46	0	0	0	0
<b>Fleet &amp; Equipment Sub Total</b>	<b>3,607</b>	<b>187</b>	<b>3,794</b>	<b>6,300</b>	<b>4,900</b>	<b>3,800</b>	<b>4,300</b>
<b>Overall Capital Totals</b>	<b>8,014</b>	<b>799</b>	<b>8,813</b>	<b>16,500</b>	<b>12,800</b>	<b>13,100</b>	<b>11,300</b>
<b>Programme funding</b>							
Earmarked Reserves:	3,439	756	4,195	11,145	4,628	0	0
Revenue funds:	2,614	0	2,614	2,614	2,614	2,614	2,614
Capital receipt							520
Application of existing borrowing	1,961	43	2,004	1,491	5,308	10,436	5,905
Contributions			0	1,250	250	50	2,261
<b>Total Funding</b>	<b>8,014</b>	<b>799</b>	<b>8,813</b>	<b>16,500</b>	<b>12,800</b>	<b>13,100</b>	<b>11,300</b>

**APPENDIX B TO THE MINUTES OF RESOURCES COMMITTEE ON 15 MAY 2019  
- REVISION TO CAPITAL PROGRAMME 2019-20 TO 2021-22**

<b>PRUDENTIAL INDICATORS</b>			<b>INDICATIVE INDICATORS 2022/23 to 2023/24</b>		
	2019/20 £m Estimate	2020/21 £m Estimate	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate
<b>Capital Expenditure</b>					
Non - HRA	8.813	16.500	12.800	13.100	11.300
HRA (applies only to housing authorities)					
<b>Total</b>	<b>8.813</b>	<b>16.500</b>	<b>12.800</b>	<b>13.100</b>	<b>11.300</b>
<b>Ratio of financing costs to net revenue stream</b>					
Non - HRA	4.09%	4.03%	4.06%	4.04%	4.54%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Capital Financing Requirement as at 31 March</b>	£000	£000	£000	£000	£000
Non - HRA	25,444	24,851	28,081	36,667	40,390
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	1,112	1,010	907	791	656
<b>Total</b>	<b>26,556</b>	<b>25,861</b>	<b>28,988</b>	<b>37,457</b>	<b>41,045</b>
<b>Annual change in Capital Financing Requirement</b>	£000	£000	£000	£000	£000
Non - HRA	(191)	(695)	3,127	8,469	3,588
HRA (applies only to housing authorities)	0	0	0	0	0
<b>Total</b>	<b>(191)</b>	<b>(695)</b>	<b>3,127</b>	<b>8,469</b>	<b>3,588</b>
<b>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</b>					
<b>Authorised Limit for external debt</b>	£000	£000	£000	£000	£000
Borrowing	26,910	26,787	29,678	39,094	43,003
Other long term liabilities	1,265	1,162	1,056	947	823
<b>Total</b>	<b>28,174</b>	<b>27,949</b>	<b>30,733</b>	<b>40,041</b>	<b>43,826</b>
<b>Operational Boundary for external debt</b>	£000	£000	£000	£000	£000
Borrowing	25,637	25,544	28,274	37,260	40,983
Other long term liabilities	1,209	1,112	1,010	907	791
<b>Total</b>	<b>26,847</b>	<b>26,656</b>	<b>29,284</b>	<b>38,168</b>	<b>41,774</b>
<b>Maximum Principal Sums Invested over 364 Days</b>					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

<b>TREASURY MANAGEMENT INDICATOR</b>	Lower Limit %
Limits on borrowing at fixed interest rates	70%
Limits on borrowing at variable interest rates	0%
<b>Maturity structure of fixed rate borrowing during 2017/18</b>	
Under 12 months	0%
12 months and within 24 months	0%
24 months and within 5 years	0%
5 years and within 10 years	0%
10 years and above	50%