

RESOURCES COMMITTEE (Budget Meeting)

(Devon & Somerset Fire & Rescue Authority)

10 February 2021

Present:

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

In attendance:

Councillors Randall John (Authority Chair) and Saywell – in accordance with Standing Order 38(1)

* **RC/37**

Minutes

RESOLVED that the Minutes of the meeting held on 12 October 2020 be approved as a correct record.

RC/38

2021-22 Revenue Budget and Council Tax Level

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) and Chief Fire Officer (RC/21/1) on options for the Authority's Revenue Budget and associated Council Tax level in 2021-22. 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.

The Director of Finance & Resourcing (Treasurer) referred to the report and indicated that the Council Tax referendum limit had been set by the Minister for Housing and Local Government at 2% for 2021-22. It was noted that there had been a slight increase in the grant made under the Settlement Funding Assessment (SFA) of 0.016% for 2021-22 amounting to an additional £0.035m of funding available to the Authority but this was in the face of reductions in settlement of 24% since 2015-16. Separate grants would be allocated to compensate for the loss of council tax and business rates due to the Covid-19 pandemic and these were presented as income in the report. The options set out within the report had been prepared on the basis of the need to use budget smoothing reserves to balance the budget with £0.362m of savings already identified. Option A required a greater input from reserves to fill the budget deficit.

Reference was made at this point to supporting reform of the Service through maintaining investment in the Pay for Availability system at £1.422m which was half of the annual cost if all stations decided to take part. A request was made elsewhere on the agenda for this meeting to earmark funding from the 2020-21 revenue funding underspend to cover the cost in 2021-22 should more stations wish to transition to the new system than budgeted for. The Committee was also asked to consider a request to increase investment in 2021-22 to cover the cost of an additional 12 Firefighter posts to increase establishment temporarily for 3 years to support strategic workforce planning in the event of short notice retirements.

The revised core budget requirement for the Authority emanating from the overall decrease in funding was £74.222m (based on Option B, a Council Tax increase of 1.99%). This option did not require any cuts or additional funding to be identified in order that a balanced budget could be set. The options recommended in the report for consideration by the Committee in setting the level of Council Tax in 2021-22 were:

- Option A – freeze council tax at 2020-21 level (£88.24 for a Band D property); or
- Option B – increase council tax by 1.99% above 2020-21 (an increase of £1.74 per annum to £90.00 for a Band D property).

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

“that it be recommended to the Authority that the level of Council Tax in 2021-22 for a Band D property be set at £90.00, as outlined in Option B, representing a 1.99% increase over 2020-21, and that an additional £0.415m of funding be made available to fund an additional 12 development firefighter posts”.

Upon a vote, (6 for, 1 against) this was **CARRIED** whereupon it was

RESOLVED

- (a). that it be recommended to the Authority that the level of Council Tax in 2021-22 for a Band D property be set at £90.00, as outlined in Option B of report RC/21/1, representing a 1.99% increase over 2020-21;
- (b). that, as a consequence of the decisions at (a) above:
 - (i). the tax base for payment purposes and the precept required from each billing authority for payment of total precept of £54,849,642 (Option B), as detailed on Page 2 of the respective budget booklet, be approved;
 - (ii). the council tax for each property bands A to H associated with the total precept as detailed in the budget booklet for option B be approved; and
 - (iii). that the Treasurer’s ‘Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances’, as set out at Appendix B to report RC/21/1, be endorsed.
- (c). That the funding of £0.415m be made available within Option B to support the funding of an additional 12 Firefighter development posts in 2021-22.

(NOTE: In accordance with Standing Order 25(3), Councillor Biederman requested that his vote against the above decision be recorded).

RC/39 **Capital Strategy**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/21/2) 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/21/2.

RC/40 **Capital Programme 2021-22 to 2023-24**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/3) that set out the proposals for a three year Capital Programme covering the years 2021-22 to 2023-24. 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 revised programme had been prepared on the basis that increased revenue contribution to capital would be limited in future years to the amount saved from reductions in borrowing. There would be significant pressure in future years, however, with an emerging gap between the costs of maintaining the new asset base and an affordable capital programme based on the utilisation of revenue contributions, existing borrowing and the capital reserve.

RESOLVED that the Authority at its budget meeting on 19 February 2021 be recommended to:

- (a). approve the draft Capital Programme 2021-22 to 2023-24 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to report RC/21/3; and
- (b). note, subject to (a) above, the forecast impact of the proposed Capital Programme (from 2024-25 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report.

RC/41 Medium Term Financial Plan

The Committee considered a report of the Director of Finance & Resourcing (RC/21/4) that set out the proposed Medium Term Financial Plan for this Authority in accordance with the requirements set out within the Fire & Rescue National Framework for England (2018).

The Plan outlined funding, income and expenditure forecasts for the Authority for the next five financial years (to 2025-26) together with details of how the forecasts were constructed (including funding sources and expenditure/cost pressures).

RESOLVED that the Devon & Somerset Fire & Rescue Authority be recommended to endorse the Medium Financial Plan for publication as appended to report R/21/4.

RC/42 Treasury Management Strategy (including Prudential and Treasury Indicators) Report 2021-22

NB. Adam Burleton, representing Link Asset Services, was in attendance for this item.

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/21/5) in respect of the Treasury Management Strategy and Annual Investment

The report set out the proposed Treasury Management Strategy and Investment Strategy for 2021-22, including the Prudential Indicators associated with the capital programme for 2021-22 to 2023-24 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2021-22 was also included for approval.

RESOLVED that the Authority be recommended to approve:

- (a) The expansion of its approved counter parties to include subsidiary entities but the terms and conditions of any such arrangement be reserved to the Authority;
- (b) the Treasury Management Strategy and the Annual Investment Strategy for 2021-22; and
- (c) the Minimum Revenue Provision (MRP) statement for 2021-22, as contained at Appendix B of report RC/21/5.

*** RC/43 Treasury Management Performance 2020-21: Quarters 2 and 3**

NB. Adam Burleton, representing Link Asset Services, was in attendance for this item.

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) (RC/21/6) that set out details of the treasury management performance for the second and third quarters of 2020-21 (to December 2020) as compared to the agreed targets for 2020-21 in compliance with the Chartered institute of Public Finance & Accountancy (CIPFA) Code of Practice.

Adam Burleton gave an overview of the Service's performance to date against the approved Treasury Management Strategy and made reference to the following points:

- The Bank of England forecast that the UK economy may recover to reach its pre-pandemic level in quarter 1 of 2022 may be optimistic given the impact of the third lockdown and the point that economic output had shrunk in the UK by about 10%;
- Monetary policy would remain unchanged until there was clear evidence that any spare capacity in the economy had been eliminated;
- It was expected that inflation may peak at just over 2% towards the end of 2021 but this was expected to be a temporary, short lived factor and so was not a concern;
- The bank rate was envisaged to remain the same until March 2024 even if inflation moved above the 2% inflationary target set;
- The level of unemployment in the UK had been mitigated by the current Government Furlough Scheme but this could rise above 7% once this ended;
- Further quantitative easing had been undertaken to £895bn and national debt was now at £2tn so there was a risk that the UK sovereign rating may be down rated in due course. The Covid vaccinations were expected to be successful, however, so the market should improve as a result;
- 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 in quarters 2 and 3 of 2020-21 with a return of 0.33% in Quarter 2 and 0.20% in Quarter 3 and investment interest of £0.080m; and
- There had been no new borrowing and the Authority had not breached its Prudential Indicators (affordability limits).

RC/44

Financial Performance report 2020-21: Quarters 2 and 3

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/7) that set out the Service's financial performance during the second and third quarters of 2020-21 against the targets agreed for the current financial year. The report provided a forecast of spending against the 2020-21 revenue budget with explanation of the major variations.

The Committee noted that forecast spending by the year end would be £76.077m representing a saving of £1.2m, equivalent to 1.55% of the total budget. Reference was made to the proposed budget transfers set out at Tables 3 of the report which it was suggested should be transferred to an earmarked reserve to help offset future year costs.

The Head of Finance drew attention to an error in the figures reported within the report under the aged debt analysis at tables 7 and 8. He advised the Committee of the correct figures which were as follows:

Table 7 corrections:

	Total Value £	%
Current (allowed 28 days in which to pay invoice)	82,172	8.64%
1 to 28 days overdue	82,294	8.65%
29-56 days overdue	0	0.00%
57-84 days overdue	0	0.00%
Over 85 days overdue	783,639	82.71%
Total Debt Outstanding as at 31 December 2020	948,105	100.00%

Table 8 corrections

	No.	Total Value	Action Taken
Red One Ltd.	45	£770,104	A repayment plan has been agreed with the subsidiary company following its revised business plan, however this is on hold due to the cancellation of courses due to COVID.
Various	14	£13,534	Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery officer where appropriate.

RESOLVED

- (a) That the budget transfers shown in Table 3 of report RC/21/7 (and as set out below for ease of reference) be recommended to the Authority for approval;

Line Ref	Description	Debit £m	Credit £m
	<i>To fund Pay for Availability in future years which has been delayed in 2020-21 - see paragraph 3.1</i>		
1	Decrease Service Delivery staff		(1.442)
36	Create Earmarked Reserve to help fund future year costs	1.442	
		1.442	(1.442)

- (b) That the monitoring position in relation to projected spending against the 2020-21 revenue and capital budgets be noted; and

(c) That the performance against the 2020-21 financial targets be noted.

* **RC/45** **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 the Officers of 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 Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

* **RC/46** **Restricted Minutes of Resources Committee held on 12 October 2020**

(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 the Officers of 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 Dr Sian George) but did not speak.

RESOLVED that the Restricted Minutes of the meeting held on 12 October 2020 be approved as a correct record.

* **RC/47** **Red One Ltd. Financial Performance 2020-21: Quarters 2 and 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 the Officers of 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 Dr Sian George) and left the room during voting on this item.

The Committee considered a report of the Officers of Red One Ltd.) (RC/21/8) on the financial performance of Red One Ltd. in quarters 2 and 3 of 2020-21.

RESOLVED that the recommendations as set out within report RC/21/7 be approved.

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

The Meeting started at 10.00 am and finished at 1.03 pm

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