

RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

8 February 2022

Present:

Councillors Coles, Long, Peart (Chair), Thomas and Randall Johnson (vice Dreaan)

Apologies:

Councillors Chesterton and McGeough

* **RC/22/1** **Minutes**

RESOLVED that the public minutes of the meeting held on 30 November 2021 be signed as a correct record.

RC/22/2 **2022-23 Revenue Budget and Council Tax Level**

The Committee considered a joint report of the Director of Finance, People & Estates (Treasurer) and the Chief Fire Officer (RC/22/1) on the draft 2022-23 revenue budget and associated Council Tax levels.

Two options were presented, together with an accompanying budget book for each option:

- Option A: that the level of council tax in 2022-23 for a Band D property be set at £90.00, as outlined in Option A in this report, representing no increase over 2021-22 and representing a Net Revenue Budget Requirement for 2022-23 of £75,995,900; or
- Option B: that the level of council tax in 2022-23 for a Band D property be set at £91.79, as outlined in Option B in this report, representing a 1.99% increase over 2021-22 and representing a Net Revenue Budget Requirement for 2022-23 of £77,151,300 be approved.

A one-year Local Government Finance Settlement had been announced on 17 December 2021. This indicated a Settlement Funding Assessment for the Authority of £22.551m for 2022-23, a 0.88% increase on the settlement for 2021-22 but representing a 23.33% decrease on the settlement for 2015-16. At the same time, the government had announced that the increase in council tax beyond which a local referendum would be required would be limited to 2% for 2022-23. The cost of such a referendum for this Authority was estimated to be in excess of £2.3m.

The Authority had also received a £0.445m share of the Rural Services Delivery Grant for 2022-23 together with £1.1m Section 31 grant funding to reduce the impact of the increase in social costs (National Insurance increases for employers). These sums were included as income in the proposed revenue budget.

The Treasurer gave an update at the meeting on the Net Budget Requirement given that the Authority had now received the final returns on the National Non-Domestic Rates (NNDR) and details of the share of the Council Tax Collection Funds from billing authorities. This had resulted in a change to the Net Budget Requirement set out above of £76.182m for Option A; and, £77.289m for Option B. The Treasurer emphasised that this took account of £0.641m of savings that had been identified as a result of a reduction in non-operational budget lines

The Net Budget Requirement of £77.289m for Option B was designed to support Service reform by increasing the total investment for the Pay for Availability system to £2.774m. Should budget option A be selected, then the net spending requirement exceeded available funding by £1.106m. This shortfall could be met by a transfer from general reserves (budget smoothing) of £1.011m, with the remaining £0.095m being met from a reduction in the revenue contribution to capital. This would, though, exhaust fully the budget smoothing reserve.

The Medium Term Financial Plan identified a requirement for further budget savings in 2023-24 of £4.5m (Option A - Council Tax freeze) or £2.3m (Option B - 1.99% Council Tax increase), rising to £9.5m (Option A) or £7.3m (Option B) in 2025-26. A strategic approach to delivering required savings was being developed.

As required by Section 65 of the Local Government Finance Act 1992, non-domestic ratepayers had been consulted on proposals for expenditure. Members of the public had also been consulted. The consultation results indicated that:

- 68% of businesses agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2022-23, with 10% disagreeing, giving a net agreement of +58%;
- 70% of residents agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2022-23, with 8% disagreeing, giving a net agreement of +62%;

Of those agreeing that a Council Tax increase would be reasonable, 45% of businesses and 47% of residents indicated that they would support an increase of 1.99% or above.

Additionally, the consultation results indicated that:

- 64% of businesses and 66% of residents considered the Service provided good value for money; and
- 80% of businesses and 81% of residents were either very or fairly satisfied with the service provided.

Appended to the report was a statement on the robustness of the budget estimates and the adequacy of the levels of reserves and balances, as required by Section 25 of the Local Government Act 2003.

RESOLVED that the Authority be recommended:

- (a). to set the level of Council Tax in 2022-23 for a Band D property at £91.79, as outlined above, representing a 1.99% increase over 2021-22 and that accordingly, a Net Revenue Budget Requirement for 2022-23 of £77,288,900 be approved;
- (b). that, as a consequence of this:
 - (i). the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £56,708,737, as set out in the revised figures above (Option B) be approved;
 - (ii). the council tax for each of the property bands A to H associated with the total precept as detailed in the budget booklet be approved; and
- (c). that the Treasurer's Statement on the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances, as set out in Appendix B to the report, be endorsed.

RC/22/3

Capital Strategy

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/2) setting out a proposed capital strategy for the Authority, as required by the Chartered Institute of Public Finance and Accountancy Prudential Code.

The Strategy provided a high-level overview of how capital expenditure and the way it is financed contribute to the provision of services together with an overview of how associated risk would be managed and the implications for future financial sustainability. The Strategy also set out the governance processes for approval and monitoring of capital expenditure.

The Strategy was a key document for the Authority and formed part of the financial planning arrangements, reflecting the priorities of the Medium Term Financial Plan.

RESOLVED that the Authority be recommended to endorse the Capital Strategy as set out in the report.

(See also Minutes RC/22/4 and RC/22/5 below)

RC/22/4

Capital Programme 2022-23 to 2024-25

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/3) on the proposed Authority Capital Programme 2022-23 to 2024-25 and associated Prudential Indicators.

While the proposed programme and funding would increase the external borrowing requirement from the current level of £24.8m to £26.6m by 2024-25, the debt ratio of financing costs to the net revenue scheme, a key Prudential Indicator, would remain below the 5% maximum limit previously approved by the Authority throughout the period of the programme.

The report identified proposed expenditure on both estate and fleet capital projects over the period of the programme, with indicative expenditure (and associated Prudential Indicators) for a further two years (2025-26 and 2025-27).

There remained considerable difficulties in meeting the full capital expenditure needs for the Service and in maintaining the 5% debt ratio limit. The proposed capital programme had been constructed on the basis that revenue budget contribution to capital would be maintained in future years. Unless capital assets were further rationalised, however, there would be a need for external borrowing in 2024-25. Decisions on further spending would be subject to annual review based on the financial position of the Authority.

Reference was made at this point to the position on the Service's ageing fleet of vehicles and the potential reduction in maintenance and running costs that may be achieved in future, together with a reduction in CO² emissions, as a result of the replacement programme.

RESOLVED

- (a). that the Authority be recommended to approve the draft Capital Programme 2022-23 to 2024-25 and associated Prudential Indicators as detailed in report RC/22/3; and
- (b). that, subject to (a) above, the forecast impact on the 5% debt ratio Prudential Indicator of the proposed Capital Programme from 2025-26 onwards, as indicated in the report, be noted.

(See also Minutes RC/22/3 above and RC/22/5 below)

RC/22/5

Treasury Management Strategy (including Prudential indicators and Treasury Indicators) Report 2022-23

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/4) detailing:

- the proposed Treasury Management Strategy (including Prudential Indicators) and investment strategy for 2022-23;
- Prudential Indicators associated with the proposed Capital Programme 2022-23 to 2024-25;
- a Minimum Revenue Provision Statement 2022-23; and
- certification that none of the Authority's spending plans would include the acquisition of assets primarily for yield.

The proposed Strategy had been prepared in accordance with the requirements of the Local Government Act 2003 and the Treasury Management Code of Practice produced by the Chartered Institute of Public Finance and Accountancy.

RESOLVED that the Authority be recommended to approve:

- (a). expansion of its approved counter-parties to include subsidiary entities, subject to the terms and conditions of any such arrangement being reserved to the Authority;

- (b). the Treasury Management Strategy and Annual Investment Strategy 2022-23 as set out in report RC/22/4; and
- (c). the Minimum Revenue Provision Statement 2022-23 as appended to the report.

(See also Minute RC/22/4 above)

*** RC/22/6**

Treasury Management Performance 2021-22: Quarter 3

The Committee received for information a report of the Director of Finance, People & Estates (Treasurer) (RC/22/5) on the Treasury Management performance of the Authority as at the third quarter (to December 2021) of the current (2021-22) financial year.

Adam Burleton, representing Link Asset Services, the Authority's treasury management adviser, was present for this item of business.

Mr Burleton gave an update on the economic position since publication of the report circulated and drew attention to the recent increase in bank base rate to 0.50% on 3 February 2022, a measure which had been instigated by the Bank of England in a bid to curb inflationary pressures. The interest rate forecast had been reviewed and it was anticipated that this may rise to 0.75% in March 2022 with a further rise to 1% later in 2022. Inflation had reached 5.4% in February 2022 and this was forecast to increase to 7.2% by April 2022. This was likely to result in an increase in borrowing costs which should result in better returns on investment for the Authority than those predicted at the time the budget was set.

No Prudential Indicators had been breached and a prudent approach had been taken in relation to investment decisions, with priority being given to liquidity and security over yield. While investment returns were recovering as a result of an increase in interest rates as indicated above, the Committee would be apprised of the impact on investment returns, which did not meet the budgeted target presently, at its next meeting in May 2022.

*** RC/22/7**

Financial Performance Report 2021-22: Quarter 3

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/3) on performance against agreed financial targets as at the third quarter of the current (2021-22) financial year.

An overspend of £0.107m (0.15%) was projected against the approved revenue budget. Significant variations (over £0.050m) from budget were detailed in the report. Additional costs had been incurred for Pay for Availability linked to greater take-up than initially anticipated for the initiative. A budget virement was proposed to address these additional costs.

An underspend of £5.416m was projected for capital spending, linked to delays in the refurbishment of Camels Head fire station as a result of a requirement for more intrusive structural work to address potential risks. For fleet, there had been delays in evaluating the type of vehicle required to replace both aerial ladder platforms and 4x4 medium rescue pumps, together with extended chassis build times.

The report also detailed:

- projected expenditure against and forecast reserves and provision balances as at 31 March 2022;
- a summary of performance against all Prudential Indicators agreed for 2021-22; and
- aged debt analysis.

Attention was drawn to the projected overspend of 0.15% of budget which was within the target set and the question was raised as to at what point the Treasurer would consider this to be a critical issue and whether a level of tolerance should be instigated to assist the Committee in its monitoring of the budgetary position. The Treasurer expressed the view that he was confident that there would be no overspend at the year-end in 2021-22 but he acknowledged the need to consider a level of tolerance for monitoring purposes. He undertook to report back to the Committee on this matter in the next report.

RESOLVED

- (a). that the budget transfer as set out in the table below, to fund Pay for Availability due to quicker take up than initially anticipated, be approved:

Line Ref	Description	Debit (£m)	Credit (£m)
1	Increase Service Delivery staff	0.390	
36	Reduce earmarked reserve established to fund future year costs		(0.390)
		0.390	(0.390)

- (b). that, subject to (a) above, the report be noted.

* **RC/22/8** **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 representatives of Red One Ltd.) be excluded from the meeting for the following items of business on the grounds that they involve 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/22/9** **Restricted Minutes of Resources Committee held on 30 November 2021**

(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 representatives from Red One Ltd., were excluded from the meeting).

(Councillor Radford declared a personal, non-pecuniary interest in this item, by virtue of being an Authority-appointed Non-Executive Directors on the Board of Red One Ltd. and did not participate in any voting on this item).

RESOLVED that the Restricted Minutes of the meeting held on 30 November 2021 be signed as a correct record.

* **RC/22/10 Red One Performance 2021-22: 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 representatives from Red One Ltd. and Councillor Radford were excluded from the meeting).

(Councillor Radford declared a personal, non-pecuniary interest in this item, by virtue of being an Authority-appointed Non-Executive Directors on the Board of Red One Ltd. and did not participate in any voting on this item).

The Committee considered a joint report of the Director of Finance, People & Estates (Treasurer) and Co-Chief Executives and Finance Director of Red One Ltd. (RC/22/7) on the financial performance of Red One Ltd. for the third quarter of the current (2021-22) financial year. The report also identified an issue relating to ICT costs incurred by Red One Ltd. from the Service and relating to development of a system similar to the Service Training for Competence system for use by Red One Ltd. in relation to one of its major contracts.

RESOLVED

- (a). that the recommendations as set out in report RC/22/7 relating to terms for the payment of Red One Ltd. invoices be approved;
- (b). that the Treasurer be authorised to agree the matter related to ICT costs further with Red One Ltd. and to come to a solution within the limits set out in Financial Regulations; and
- (c). that, subject to (a) and (b) above, the report be noted.

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

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