**RESOURCES COMMITTEE**
(Devon and Somerset Fire and Rescue Authority)

19 November 2015

Present:-

Councillors Dyke (Chair), Bown (vice Burridge-Clayton), Eastman (vice Chugg), Greenslade, Singh, Thomas and Yeomans

Apologies:-

Councillors Burridge-Clayton and Chugg

***RC/7. Minutes**

**RESOLVED** that the Minutes of the meeting held on 2 September 2015 be signed as a correct record.

***RC/8. Treasury Management Performance 2015-2016: Quarter 2**

The Committee received for information a report of the Treasurer (RC/15/10) that set out the treasury management activities of the Authority for the second quarter of the current financial year (2015-16) to September 2015. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management advocated that public authorities should receive a report on treasury management activities at least twice a year and preferably quarterly. This report therefore gave the Authority the assurance required that it was fully compliant with the Code of Practice.

Adam Burleton, representing Capita – the Authority's Treasury Management Adviser – was present at the meeting and he gave an overview of the economic background against which the Service was operating together with an overview of performance to date as measured against the approved Treasury Management Strategy. The key points made were:

- The United Kingdom (UK) Gross Domestic Product (GDP) growth rates in 2013 and 2014 of 2.2% and 2.9% respectively were the strongest of any G7 country, with the 2015 UK growth rate predicted to be a leading rate in the G7 again and possibly equal to that of the US. The inflation report was subdued, however, with the rate not forecast to reach the 2% target within the 2-3 year horizon set, thus impacting on the ability of the central banks of both the UK and US to raise interest rates as soon as had been expected. A revised interest rate forecast was set out in paragraph 2.10 of report RC/15/10 for information;
- performance during the second quarter of the current financial year demonstrated a prudent approach to investment decisions, with priority being given to security and liquidity over yield in accordance with the Authority's investment priorities;
- the Service was outperforming the LIBID 3 benchmark return of 0.43% with a performance of 0.56% giving a return of £49,949 for the average level of investment fund of £34.399m in this quarter;

- no Prudential Indicators had been breached;
- the level of external borrowing was £25.8million which had reduced from £25.9m due to scheduled repayments.

The question was raised as to whether consideration had been given to an alternative investment strategy for the Authority given that the current rate of return was low and was not expected to rise significantly in the next 5 to 10 years. Reference was made in particular to peer to peer lending which was being trialled in other local authorities and which could give a potential return on investment of up to 7%. This involved spreading the risk by investing small amounts of money with large numbers of loans. Reference was also made to the potential returns from investment in Property Funds.

Adam Burleton responded that there were options available for the Service. Peer to peer lending involved unsecured loans, however, which would mean that the Authority would need to review its existing Treasury Management Strategy of pursuing security and liquidity over yield if it wished to pursue this route. He added that there would be associated costs and that the Authority needed to be fully aware of the facts before it entered into such an arrangement. The Treasurer added that the Authority had pursued a prudent investment strategy since the global financial crisis in 2008 which resulted in some banks e.g. Icelandic Banks defaulting, with an emphasis on security over yield, but acknowledged that the Authority is always looking to learn from others and consider all income streams given the current economic climate.

Councillor Thomas **MOVED** (and was seconded by Councillor Yeomans):

> "that a report be submitted to the next meeting of the Resources Committee to explore alternative options for the Authority's investment strategy".

Upon a vote, the motion was **CARRIED** unanimously, whereupon it was:

**RESOLVED**

(a) That a report be submitted to the next meeting of the Resources Committee to explore alternative options for the Authority's investment strategy, and;

(b) Subject to (a) above, that the performance in relation to the treasury management activities of the Authority for 2015-2016 (to September) be noted.

**RC/9. <u>Financial Performance Report 2015-2016: Quarter 2</u>**

The Committee considered a report of the Treasurer to the Authority (RC/15/11) on financial performance for the second quarter (April to September) as against those agreed targets for the current (2015-16) financial year.

At this stage, it was anticipated that revenue spending would be £7.163m which was some ££0.547m (0.73%) less than the approved Revenue Budget for 2015-16, although this figure was net of a proposed budget virement of £1.5m which was to be moved to an earmarked reserve to fund the Authority's capital investments as referred to in paragraph 9.3 of report RC/15/11. This approach aligned to the approved strategy to deliver in-year savings wherever possible to enhance reserve balances. The underspend to date was attributable largely to savings on staffing costs arising primarily from continued implementation of Corporate Plan proposals approved in July 2013.

The Treasurer reported that, in line with the Service's strategy to reduce future debt exposure and the resulting impact on debt charges, it was recommended that a sum of £1.5m be transferred to an Earmarked reserve to support future capital expenditure.  The budget virements to support tis transfer were outlined in paragraph 9.3 of report RC/15/11 as circulated.

In terms of the Capital Programme and Prudential Indicators, the Treasurer advised that whilst it was recognised that the Service borrowing, currently at £25.880m was in excess of the need to borrow, as indicated by the Prudential Indicators, this will be aligned by the year-end and therefore none of the Indicators would be breached. The revised projection for capital spending in 2015-16 was £7.933m against a Programme of £8.178m.

Reference was made to the other financial indicators within the report circulated and in particular, the debts outstanding for more than 85 days.  It was noted that the Risk and Insurance section pursued these outstanding debts on behalf of the Service, and that the Service Policy in relation to debt recovery protected the Service from unacceptable levels of debt write-off.

**RESOLVED**

(a) That the Authority be recommended to transfer a sum of £1.5m to Earmarked Reserves for future funding of Capital Expenditure;

(b) That, subject to (a) above, the monitoring position in relation to projected spending against the 2015-2016 revenue and capital budgets be noted;

(c) That the performance against the 2015-2016 financial targets be noted.

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

The meeting started at 09.30hours and finished at 10.47hours