

**M. Pearson
CLERK TO THE AUTHORITY**

**To: The Chair and Members of the
Resources Committee (see below)**

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Resources Committee
(Devon and Somerset Fire and Rescue Authority)

Thursday 21 October 2010

A meeting of the Resources Committee will be held on the above date, **commencing at 10:00 hours in Conference Room B in Somerset House, Service Headquarters** to consider the following matters.

M. Pearson
Clerk to the Authority

AGENDA

1. Apologies
2. Minutes of the meeting held on 16 July 2010 attached (Page 1).
3. Items Requiring Urgent Attention

Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.

4. Declarations of Interest

Members are asked to consider whether they have any **personal/personal and prejudicial interests** in items as set out on the agenda for this meeting and declare any such interests at this time. *Please refer to the Note 2 at the end of this agenda for guidance on interests.*

PART 1 – OPEN COMMITTEE

5. Financial Performance Report 2010/11

Report of the Treasurer (RC/10/15) attached (page 5).

6. **Treasury Management Performance 2010/11**

Report of the Treasurer (RC/10/16) attached (page 19).

7. **Comprehensive Spending Review (CSR) 2010**

Treasurer to report at the meeting.

PART 2 – ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF THE PRESS AND PUBLIC

Nil

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Gordon (Chair), Yeomans (Vice Chair), Horsfall, Hughes OBE, Smith, Turner and Woodman

Substitute Members

Members are reminded that, in accordance with Standing Order 36, the Clerk (or his representative) MUST be advised of any substitution prior to the start of the meeting.

NOTES

1. ACCESS TO INFORMATION

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Sam Sharman on the telephone number shown at the top of this agenda.

2. DECLARATIONS OF INTERESTS BY MEMBERS

What Interests do I need to declare in a meeting?

As a first step you need to declare any personal interests you have in a matter. You will then need to decide if you have a prejudicial interest in a matter.

What is a personal interest?

You have a personal interest in a matter if it relates to any interests which you must register, as defined in Paragraph 8(1) of the Code.

You also have a personal interest in any matter likely to affect the well-being or financial position of:-

- (a) you, members of your family, or people with whom you have a close association;
- (b) any person/body who employs/has employed the persons referred to in (a) above, or any firm in which they are a partner or company of which they are a director;
- (c) any person/body in whom the persons referred to in (a) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of which you are a Member or in a position of general control or management and which:-
 - you have been appointed or nominated to by the Authority; or
 - exercises functions of a public nature (e.g. a constituent authority; a Police Authority); or
 - is directed to charitable purposes; or
 - one of the principal purposes includes the influence of public opinion or policy (including any political party or trade union)

more than it would affect **the majority** of other people in the Authority's area.

Anything that could affect the quality of your life (or that of those persons/bodies listed in (b) to (d) above) either positively or negatively, is likely to affect your/their "well being". If you (or any of those persons/bodies listed in (b) to (d) above) have the potential to gain or lose from a matter under consideration – to a **greater extent** than **the majority** of other people in the Authority's area - you should declare a personal interest.

What do I need to do if I have a personal interest in a matter?

Where you are aware of, **or ought reasonably to be aware of**, a personal interest in a matter you must declare it when you get to the item headed "Declarations of Interest" on the agenda, or otherwise as soon as the personal interest becomes apparent to you, **UNLESS** the matter relates to or is likely to affect:-

- (a) any other body to which you were appointed or nominated by the Authority; or
- (b) any other body exercising functions of a public nature (e.g. membership of a constituent authority; other Authority such as a Police Authority);

of which you are a Member or in a position of general control or management. In such cases, provided you do not have a prejudicial interest, you need only declare your personal interest if and when you speak on the matter.

Can I stay in a meeting if I have a personal interest?

You can still take part in the meeting and vote on the matter unless your personal interest is also a prejudicial interest.

What is a prejudicial interest?

Your personal interest will also be a **prejudicial** interest if **all** of the following conditions are met:-

- (a) the matter is not covered by one of the following exemptions to prejudicial interests in relation to the following functions of the Authority:-
 - statutory sick pay (if you are receiving or entitled to this);
 - an allowance, payment or indemnity for members;
 - any ceremonial honour given to members;

- setting council tax or a precept; **AND**
- (b) the matter affects your financial position (or that of any of the persons/bodies as described in Paragraph 8 of the Code) or concerns a regulatory/licensing matter relating to you or any of the persons/bodies as described in Paragraph 8 of the Code); **AND**
- (c) a member of the public who knows the relevant facts would reasonably think your personal interest is so significant that it is likely to prejudice your judgement of the public interest.

What do I need to do if I have a prejudicial interest?

If you have a prejudicial interest in a matter being discussed at a meeting, you must declare that you have a prejudicial interest (and the nature of that interest) as soon as it becomes apparent to you. You should then leave the room unless members of the public are allowed to make representations, give evidence or answer questions about the matter by statutory right or otherwise. If that is the case, you can also attend the meeting for that purpose.

You must, however, leave the room **immediately after you have finished speaking (or sooner if the meeting so decides)** and you cannot remain in the public gallery to observe the vote on the matter. Additionally, you must not seek to **improperly influence** a decision in which you have a prejudicial interest.

What do I do if I require further guidance or clarification on declarations of interest?

If you feel you may have an interest in a matter that will need to be declared but require further guidance on this, please contact the Clerk to the Authority – preferably before the date of the meeting at which you may need to declare the interest. Similarly, please contact the Clerk if you require guidance/advice on any other aspect of the Code of Conduct.

RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

16 July 2010

Present:-

Councillors Gordon, Horsfall, Hughes OBE, Smith, Turner, Woodman and Yeomans

***RC/1. Election of Chair**

RESOLVED that Councillor Gordon be elected Chair of the Committee until the first meeting after the Annual General Meeting of the Authority in 2011.

***RC/2. Minutes**

RESOLVED that the Minutes of the meeting held on 29 April 2010 be signed as a correct record.

***RC/3. Election of Vice Chair**

RESOLVED that Councillor Yeomans be elected Vice Chair of the Committee until the first meeting after the Annual General Meeting of the Authority in 2011.

***RC/4. Declarations of Interest**

Members of the Committee were asked to consider whether they had any personal/personal and prejudicial interests in items as set out on the agenda for this meeting and to declare any such interests at this time.

No such interests were declared.

RC/5. Change to Corporate Plan 2010/11 to 2012/13 Targets

The Committee considered a report of the Director of Corporate Services (RC/10/10) that set out a proposal to remove the existing Goal 3 Use of Resources targets from the Corporate Plan for 2010/11 to 2012/13 in the light of the abolition of the Comprehensive Area Assessment (CAA) Framework by the new Government.

RESOLVED that, in light of the contents of report RC/10/10, the Devon and Somerset Fire and Rescue Authority be recommended to remove the following Goal 3 targets from the 2010/11 to 2012/13 Corporate Plan:

- (a) To achieve a Level 3 Use of Resources result in the 2010/11 assessment;
- (b) To achieve a Level 4 Use of Resources result in the 2012/13 assessment.

RC/6. Financial Performance Report 2010/11

The Committee considered a report of the Treasurer (RC/10/11) that set out details of the financial performance for the first three months of the year (to June 2010), providing an early indication of projected spending against the agreed Revenue Budget for 2010/11. The report also set out details of the Capital Budget and Prudential Indicators for 2010/11, together with other financial performance indicators.

The Treasurer indicated that the current projection for total revenue spending in 2010/11 to be £74.649million, as compared to an approved budget of £75.135million, representing an underspend of £0.486million, equivalent to 0.65% of the total budget. He added that the underspend was attributable largely to the point that the national pay settlement in 2010 for wholetime, non uniformed and retained staff was anticipated to be 0% as compared to the 1.0% provision made in the budget.

Given the anticipated reduction in the Authority's Revenue Support Grant (RSG) settlement in 2011/12 (expected to be announced under the Comprehensive Spending Review – CSR 2010), it was likely that savings would be needed to bridge a budget deficit next year. With this in mind, the Service had already commenced work to examine options for next year. These will be reported to a future meeting of the Committee.

Members of the Committee expressed the view that all stakeholders should be kept fully informed of the position. The Chief Fire Officer commented that Members would be presented with a wide range of budget options in the future but it was anticipated that the outcome of the CSR would not become clear to the Authority until late November 2010. Consideration was being given as to whether the Service should publish a series of proposals prior to the outcome of the CSR or alternatively, whether to wait until the CSR was finalised to give complete clarity on any proposals being put forward. This may mean it could be necessary to reschedule some of the Authority's meetings to accommodate this.

Attention was drawn to the point that it had been rumoured that the Government's proposal for a zero % increase in Council Tax would only apply to District, Borough County and Unitary Authorities. The Chief Fire Officer stated that the Service had not received any information on this but suggested that clarification could be sought from the Minister, Mr Pickles. A letter would be sent on behalf of the Authority and this would be copied to Members of this Committee for information.

In terms of the Capital Programme, the report provided an updated programme in respect of the revisions made as a result of additional slippage in spending in 2009/2010 (£0.404million), although it was stressed that this did not represent any change to the overall programme costs. Reference was made to the point that the Authority had borrowed a further £3million in accordance with the Prudential Indicators in order to fund the projects set out within the Capital Programme. The Committee questioned the need for additional borrowing but after discussions with the Treasurer, recognised that the Capital Programme had been agreed by the Full Authority in February 2010 and was within the Prudential Indicators also agreed by members.

The Treasurer advised that the work within the Capital Programme needed to be adequately financed and that the Prudential Indicators set the maximum level of borrowing that the Authority could afford to repay. He added that in addition to the borrowing limits previously agreed by the Authority, a report to the Devon and Somerset Fire and Rescue Authority had set an 'in principle' parameter that debt charges emanating from borrowing decisions should not exceed 5% of the total revenue budget. He indicated that he would make more explicit the amount of additional borrowing required to fund future capital programme in future reports.

The report also covered other areas of financial performance, including efficiency savings, aged debt analysis and payment of supplier invoices. In terms of aged debt, the point was made that there were two debtors that accounted for the majority of the total debt over 85 days. This matter had been through the due legal process but the debt had still not been repaid and so further action may now be instigated.

RESOLVED

- (a) That the Devon and Somerset Fire and Rescue Authority be recommended to approve:
 - (i) the revised capital programme for 2010/2011 to 2012/2013, as included as Appendix C to report RC/10/11;
 - (ii) the revised Prudential Indicators, as included as Appendix D to the report; and
 - (iii) the revised Minimum Revenue Provision (MRP) Statement 2010/2011 as included as Appendix E to the report.
- (b) That, subject to (a) above, the budget monitoring position in relation to projected spending against the 2010/2011 revenue budget together with the performance against 2010/2011 financial targets, as set out in the report, be noted.

***RC/7. Treasury Management Performance 2010/11**

The Committee received for information a report of the Treasurer (RC/10/12) that provided details of the Authority's borrowing and investment activities during the first three months of 2010/11 (to June 2010) and which compared this performance against the approved Treasury Management Strategy in accordance with best practice recommended by the Chartered Institute of Public Financial Accountancy (CIPFA).

In the absence of the Authority's treasury management adviser, the Treasurer highlighted the following points:

- The new Government's emergency budget had been announced, setting the scene for a severe tightening of fiscal policy;
- The economic recovery continued in the first 3 months of the year with 0.3% expansion and there had been some stability in the interest rates as a result;
- None of the Prudential Indicators had been breached and a prudential approach had been taken in relation to investment decisions taken during the year to date with priority being given to liquidity and security over yield;
- Whilst investment returns had reduced from the previous year as a consequence of the fall in interest rates, the Authority was still achieving returns above the LIBID 7 day rate, which is the benchmark for this type of short term investment.

RC/8. Property Asset Management Plan

The Committee considered a report of the Director of Support Services and Improvement (RC/10/13) that set out details of the draft Property Asset Management Plan (PAMP) which detailed the Authority's property portfolio and which set the key strategic policy and resources influences affecting the Devon and Somerset Fire and Rescue Authority, setting a broad direction for asset management over the short to medium term and enabling the optimisation of performance to meet identified needs. It was noted that the PAMP had already been considered by the Capital Programme Working Party, which would continue to review the document in the future.

The Director of Support Services and Improvement stated that he was aware of the impact of borrowing to fund the capital programme and that this was being reviewed in the light of the current economic climate with a view to reporting to the Senior Management Board in respect of projects which may be vulnerable.

RESOLVED that the Devon and Somerset Fire and Rescue Authority be recommended to approve the draft Property Asset Management Plan.

RC/9. Member Champion for Carbon Management and Sustainability - Role Profile

The Committee considered a report of the Director of Support Services and Improvement (RC/10/14) that contained details of proposals for a role profile for a Member Champion for Climate Change and Sustainability.

RESOLVED that the Authority be recommended to approve the Role Profile for the Member Champion for Climate Change and Sustainability as appended to report RC/10/14.

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

The meeting started at 10.00hours and finished at 11.45hours

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	RC/10/15
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	21 OCTOBER 2010
SUBJECT OF REPORT	FINANCIAL PERFORMANCE REPORT 2010/2011
LEAD OFFICER	Treasurer to the Authority
RECOMMENDATIONS	<p>1. <i>That the Devon and Somerset Fire and Rescue Authority be recommended to approve:</i></p> <p>(a) <i>the virements in excess of £150,000 as identified in Section 8 of this report in accordance with Financial Regulations;</i></p> <p>(b) <i>the revised Capital Programme for 2010/2011 to 2012/2013 as outlined in paragraph 10.2 of this report.</i></p> <p>2. <i>That, subject to (a) and (b) above, the Committee notes:</i></p> <p>(a) <i>That the budget monitoring position in relation to projected spending against the 2010/2011 revenue and capital budgets be noted.</i></p> <p>(b) <i>That the performance against the 2010/2011 financial targets, be noted.</i></p>
EXECUTIVE SUMMARY	<p>This is the second financial performance report to be considered for the current financial year which, in particular, provides an indication of projected spending against the 2010/2011 agreed revenue budget.</p> <p>At this stage, projections indicate that revenue spending will be £0.879m less than budget, equivalent to 1.17% of the total budget. It should be emphasised that this projection is net of a proposed transfer of £0.726m to an Earmarked Reserve, to be set aside to provide some financial contingency towards budget setting during the next four years (CSR 2010 period), as the Authority formulates its strategy to manage the impact of expected reductions in government grant levels from 2011/2012.</p> <p>This report also provides a summary of the Authority's forecast performance against its financial targets.</p>

RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	<p>Appendix A – Summary of Forecast Performance against 2010/2011 Financial Targets.</p> <p>Appendix B – Subjective Analysis of 2010/2011 Revenue Spending.</p> <p>Appendix C – Revision to 2010/2011 to 2012/2013 Capital Programme.</p> <p>Appendix D – Capital Monitoring Statement 2010/2011.</p>
LIST OF BACKGROUND PAPERS	<p>Personal Preventative Equipment (PPE) Replacement - Integrated Clothing Project (ICP) Report RC/09/9 to Resources Committee 16 November 2009.</p> <p>Financial Performance Report 2010/2011 RC/10/11 to Resources Committee 16 July 2010.</p>

1. **INTRODUCTION**

1.1 This report provides the second financial performance report for the current financial year. As well as providing projections of spending against the 2010/2011 revenue budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators.

1.2 The report is presented in three sections;

SECTION A – Revenue Budget 2010/2011.

SECTION B – Capital Budget and Prudential Indicators 2010/2011.

SECTION C – Other Financial Indicators.

1.3 Appendix A to this report provides a summary of performance against each of our targets. The key issues relating to our forecast performance against each of these targets are explained within each section of this report.

2. **SECTION A - REVENUE BUDGET 2010/2011**

2.1 Current projections are for total revenue spending in 2010/2011 to be £74.256m, as compared to an approved budget of £75.135m, representing an underspend of £0.879m, equivalent to 1.17% of the total budget. The Chief Fire Officer and Senior Management Board have instructed budget holders that only essential spending should be undertaken in year. This has resulted in budget managers trimming back spend across the whole organisation, significantly contributing to the underspend in year. This is in addition to the money allocated within the 10/11 budget for pay awards which are not as high as forecasted within the budget setting process

2.2 It should be emphasised that the projected underspend figure includes the impact of a proposed transfer of £0.726m to an Earmarked Reserve (CSR 2010 Budget Strategy Reserve), to provide some financial assistance towards the strategy to be adopted to manage the impact of the expected reduction in government grants over the next four years.

2.3 The figure of £0.726m has been generated from efficiency savings identified by the officer-led Service Improvement Group (SIG). In anticipation of reductions in government grant levels over the next four years from 2011/2012, an exercise to identify in-year savings of 10% from non-salary budget heads has been undertaken by SIG. This exercise involved all budget managers throughout the organisation scrutinising their local budgets and making proposals to SIG for reductions of 10% savings. Each of the proposals were then risk assessed by the Senior Management Board to assess the impact of each proposal against the Corporate Plan and Service Delivery.

2.4 The range of proposals varies from the smaller savings from better local management of costs e.g. travel, utilities, equipment, conference/seminars attendance, to the larger savings from cessation of non-essential work programmes or deferral of projects e.g. savings on leasing costs from the extension of the life of existing vehicles and equipment.

- 2.5 The overall projection is based upon the spending position at the end of September 2010, historical trends, and information from budget managers on known commitments and savings. It should be noted that whilst every effort is made for projections to be as accurate as possible, some budget lines are susceptible to volatility in spending patterns during the year, in particular retained pay costs which are linked to activity levels, and it is inevitable therefore that final spending figures for the financial year will differ than those projected in this report. Appendix B provides an analysis of projected spending against each of the subjective budget headings, and explanations of the more significant variations from budget are explained below in paragraphs 3 to 7 below.

3. EMPLOYEE COSTS

Wholetime Staff

- 3.1 At this stage spending against wholetime pay costs is anticipated to be £0.406m less than budget. This projection has been made on the assumption of a zero pay increase from July 2010, as compared to the 1.0% provision that had been made in setting the 2010/2011 budget. Should the nationally negotiated settlement be anything more than zero, then those additional costs would need to be factored into future projections.

Retained Staff

- 3.2 Spending is forecast to be £0.120m under budget primarily from assumed savings from a zero per cent pay award. In making this projection an assumption has also been made that activity levels in the remainder of the financial year are consistent with the average for the same period for the last three financial years. It should be emphasised that by its very nature retained pay costs can be subject to significant variations e.g. volatility to spending caused from spate weather conditions.

Non-Uniformed Staff

- 3.3 The saving of £0.104m against non-uniformed pay costs again makes an assumption that the national pay settlement will result in a zero pay award from April 2010. Further savings from this budget line result from the Senior Management restructure which resulted in the deletion of two non-uniformed posts.

Training Expenses

- 3.4 A projected underspend of £0.109m from training costs is as a result of an anticipated slippage in the delivery of courses.

Fire Service Pension Costs

- 3.5 It is anticipated that Fire Service Pension costs will be £0.120m less than budget as a result of the recovery of overpaid pensions relating to injury awards.

4. TRANSPORT RELATED COSTS

Repair and Maintenance

- 4.1 At this stage it is projected that savings of £0.077m will be achieved against vehicle repair and maintenance costs.

5. SUPPLIES AND SERVICES

Equipment and Furniture

- 5.1 An anticipated underspend against the equipment budget line primarily relates to ICT projects that are unlikely to have been completed by the end of the financial year. Depending on the final outturn position at the year-end it is anticipated that any underspend against the ICT budget will be required to be carried forward in order that those incomplete projects can be delivered in the next financial year.

Uniforms and Personal Protective Equipment

- 5.2 At its meeting on 16 November 2009, this Committee considered a monitoring report outlining, amongst other things, proposals in relation to procuring replacement Personal Protective Equipment (PPE) through the Integrated Clothing Project (ICP). The Committee resolved, amongst other things, to commend to the Authority that, from the total projected underspend for 2009/10, an amount of £0.357m be set aside to part fund the total additional costs associated with this approach (Minute RC/11(a) refers). This was subsequently approved by the Authority at its meeting on 14 December 2009 (Minute DSFRA/33(c)(i) refers). In the event, the final outturn position for 2009/2010 did not provide sufficient underspend for this total amount to be set aside, and only £0.066m was able to be set aside, leaving the project £0.291m short of its implementation plan. The projections included in this report provide for this shortfall to be funded from the 2010/2011 revenue budget.

6. INCOME

Treasury Management Investment Income

- 6.1 At this stage it is anticipated that investment income will be £0.074m more than budgeted for, as a result of an improved cash flow position following early borrowing in the financial year when borrowing rates were particularly low.

Other Income

- 6.2 It is anticipated that income targets are unlikely to be achieved this financial year as a result of the economic downturn. At this stage it is forecast that the income levels will be £0.125m short of the budgeted target, primarily from a drop in training course income.

7. CONTRIBUTION TO/FROM RESERVES

- 7.1 An exercise carried out through SIG to identify 10% savings from non-salary budget heads has identified an amount of £0.726m savings from in-year budgets. It is proposed that this amount is transferred to an Earmarked Reserve, to be called "CSR 2010 Budget Strategy Reserve", to be utilised to provide some financial contingency towards the budget strategy to be adopted in response to the anticipated reductions in government grants over the next four years from 2011/2012. A summary of the proposed budget virements which make up this amount is provided in paragraph 8 below.

8. BUDGET VIREMENTS

- 8.1 Financial Regulations stipulate that in-year virements between subjective budget lines in excess of £50,000 require the approval of the Resources Committee, and the full Authority where the amount exceeds £150,000 (Regulations A19 and A20 refers). Tables 1 and 2 overleaf provide details of two proposed virements, both of which exceed £150,000 in total and therefore require the approval of the full Authority.

(i) **Establishment of CSR 2010 Budget Strategy Reserve from 10% in-year savings**

TABLE 1

Budget Line	From £	To £	Reason
Training Costs	(36,700)		
Wholetime uniform (Removal Expenses)	(10,000)		
Retained Firefighters (recruitment costs)	(10,000)		
Premises - Repair and Maintenance (Grounds Mtce)	(7,000)		
Energy Costs	(22,400)		
Cleaning Costs	(11,900)		
Rent and Rates	(140,500)		
Transport – Repair and Mtce	(23,800)		
Transport – Running Costs	(106,800)		
Travel and Subsistence (including Members expenses)	(20,200)		
Equipment and Furniture	(48,300)		
Communications	(50,700)		
Linen Hire	(900)		
Catering	(5,100)		
External Fees and charges	(2,800)		
Establishment Costs	(37,500)		
Advertising	(27,400)		
Insurances	(17,000)		
Support Service Contracts	(37,300)		
Capital Charges	(110,000)		
Earmarked Reserve		726,300	To make provision for a new Earmarked Reserve “CSR 2010 Budget Strategy Reserve”
TOTAL	(726,300)	726,300	

(ii) **Regional Control Centre (RCC) Transitional Staffing**

- 8.2 In setting the original base revenue budget for 2010/2011 assumptions had been made in relation to the employment of the Initial staffing Pool (ISP) as part of the transition to the RCC. Given that a number of Initial Staffing Pool (ISP) staff have now been transferred to the employment of the Local Authority Controlled Company (LACC), the budget for Control Room staff can now be reduced accordingly, to be fully offset by a reduction in New Burdens grant which will now be paid direct to the LACC.

TABLE 2

Budget Line	From £	To £	Reason
Control Room staff	(280,000)		Transfer of ISP staff to the LACC.
Grants and Reimbursements		280,000	Transfer of New Burdens grant to the LACC
TOTAL	(280,000)	280,000	

8.3 For presentation purposes the impact of these two virements has already been included in Appendix A on the basis that they are both approved.

9. SUMMARY OF REVENUE SPENDING

9.1 Whilst the Authority has not suffered any in-year reduction to its government grant, it is anticipated that the CSR 2010 announcement will confirm that future local authority grants will suffer significant reductions over a four year period from 2011/2012. The proposal included in this report to set aside an amount of £0.726m from this year's budget to an Earmarked Reserve, is considered a prudent measure to provide some financial contingency to support the strategy to be adopted to manage the impact of the grant reductions.

9.2 Even after this proposal the revenue position for 2010/2011 is still one of a projected underspend position of £0.879m (primarily from a zero pay award) which will provide a financial buffer against any unforeseen costs in the remainder of the financial year.

9.3 Further updates of forecast spending will be provided at each future meeting of Resources Committee, together with any proposed actions in relation to significant variations from budget.

10. SECTION B – CAPITAL PROGRAMME 2010/2011 AND PRUDENTIAL INDICATORS

Proposed Revision to 2010/2011 to 2012/2013 Capital Programme

10.1 The current capital programme for the years 2010/2011 to 2012/2013 was approved at the last meeting of Resources Committee held on the 16 July 2010 (minute RC/6 refers). The levels agreed were:

2010/2011	£7.251m
2011/2012	£4.069m
2012/2013	£4.069m

Total **£15.389m**

10.2 Appendix C to this report provides a proposed revision to the agreed programme to increase the overall programme from £15.389m to £15.934m over the three year period. It should be emphasised that whilst this revision represents an increase in capital spending of £0.545m, no additional borrowing will be required to fund this spending as all of the increase will be funded from other sources of funding other than borrowing i.e. capital grants and revenue contributions to spending. The agreed Prudential Indicators will consequently not be impacted by this change. The revision to the programme is required to include three new projects, as outlined in Table 3 overleaf:

TABLE 3 – PROPOSED NEW PROJECTS FOR INCLUSION IN CAPITAL PROGRAMME

Project	Funding
Urban Search and Rescue (USAR) - Enhance training facility at Station 60 Service Headquarters.	Project Cost £570,000 <u>Funding</u> £470,000 grant allocated by the CLG to support New Dimensions issues, and £100,000 from the rescheduling of other agreed capital projects.
Diversity and Equality Issues	Project Cost £34,000 <u>Funding</u> Capital grant of £34,000 allocated by the CLG to support diversity and equality capital investment.
Light vehicles purchases	Project Cost £41,000 <u>Funding</u> Contribution from the 2010/2011 revenue budget of £41,000 to support capital spending.

Monitoring of Capital Spending in 2010/2011

- 10.3 Appendix D to this report provides a summary of the projected spend against the revised current year capital programme. This indicates that overall spending will be £4.992m, as compared to a revised programme of £7.476m, resulting in slippage of spending of £2.484m.
- 10.4 In relation to spending on the Estates programme most of the agreed projects will have been started during the financial year but some delays in project starts will result in some slippage, which will be required to be carried forward into 2011/2012 to fund the completion of those projects.
- 10.5 As regards spending against the fleet and equipment programme it is anticipated that the planned 7 'B' type appliances will have been delivered by the year-end, but slippage will occur against the remainder of the programme as a consequence of the deferral of any further commitments, subject to the outcome of the Service Delivery Review, and a better understanding of the impact of the CSR 2010 announcement.
- 10.6 Also included in Appendix D are details of how the projected spending of £4.992m is to be financed.

Prudential Indicators (including Treasury Management)

- 10.7 As a consequence of capital spending being forecast to be below the capital programme targets none of the agreed prudential indicators will be breached. Actual external borrowing as at 30 September 2010 stood at £29.380m, forecasting to fall to £28.609m by 31 March 2011, which is well below the authorised limit for external debt of £40.488m (the absolute maximum that the Authority has agreed as affordable).
- 10.8 In relation to investment returns, it is forecast that the income target of £0.070m will be exceeded as a consequence of better than anticipated working balance levels available for short-term investment. The current estimate is that an amount of £0.144m will be achieved. An average return of 0.81% has been achieved to the end of September 2010, as compared to the average LIBID 7 day rate (industry benchmark), for the same period of 0.43%.
- 10.9 Current external borrowing has been taken at an average borrowing rate of 4.24%. This compares with a target of 4.09% assumed in setting the debt charges budget for 2010/2011. Whilst at this time the actual performance is more than the budgeted target, as a result of £3m borrowing undertaken early in the financial year (May 2010), it is forecast that this position will improve to within target by the end of the financial year.

11. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Efficiency Savings

- 11.1 The Authority's forward looking Annual Efficiency Statement for 2010/2011 was submitted to the Department of Communities and Local Government (CLG) in July 2010. This return has targeted additional cashable savings of £1.223m to be achieved in 2010/2011. These savings primarily relate to further on-going savings from the combination of ex-Devon FRS and ex-Somerset FRS, vacancy management, a reduction in call activity and better procurement. At this stage of the financial year monitoring has indicated that we are on course to achieve this saving target.
- 11.2 In relation to the savings to be achieved from the combination, the original business case had identified that cumulative savings of between £1.6m and £3.0m would be achieved by the year 2011/2012. Actual savings achieved to the end of 2009/2010 was £1.5m, with a further £2.1m forecast in the next two years resulting in forecast savings of £3.6m by 2011/2012.

Aged Debt Analysis

- 11.3 As at 30 September 2010, an amount of £48,000 (£55,860 as at 30 June 2010) was due from debtors relating to invoices that are more than 85 days old, equating to 16.97% (23.41% as at 30 June 2010) of the total debt outstanding. Table 2 below provides a summary of all debt outstanding as at 30 September 2010.

TABLE 2 – OUTSTANDING DEBT AS AT 30 SEPTEMBER 2010

	Total Value £	%age
Within 28 days	220,502	77.94%
29-56 days	6,335	2.24%
57-84 days	8,063	2.85%
Over 85 days	48,000	16.97%
Total Debt Outstanding as at 30 Sept 2010	£282,900	100.00%

11.4 It should be emphasised that of the total debt over 85 days of £48,000, an amount of £34,974 relates to two specific debtors who are currently subject to advanced legal proceedings to recover the outstanding debts. If those two debtors were removed from our analysis then the ratio would drop to 5.25%, and therefore within our set target of 10%.

Payment of Supplier Invoices within 30 days

11.5 The ratio of supplier invoices paid within 30 days (or other agreed credit terms) is 98.27%, compared to our target figure of 98.00%. It should also be noted that the majority of suppliers are now being paid within 20 days, as a result of a Service decision to make a temporary change to the payment period down from 30 days to 20 days during the period of the recession, to assist smaller suppliers, in particular, with their cash flow position.

KEVIN WOODWARD
Treasurer to the Authority

APPENDIX A TO REPORT RC/10/15

FINANCIAL PERFORMANCE INDICATORS 2010/2011

Revenue Budget	Forecast £m	Target £m	Variance (favourable) /adverse %
Forecast Spending	74.256	75.135	(1.17)%
Efficiency Savings to be achieved in 2010/2011	1.223	1.223	-
Cumulative Efficiency Savings from Combination by 2012/1013	3.659	3.000	(21.97)%

Prudential Indicators and Treasury Management Indicators	Forecast £m	Target £m	Variance (favourable) /adverse %
Capital Expenditure	4.992	7.476	(33.23)%
Capital Financing Requirement (CFR) - (excluding other long term liabilities)			
- Borrowing	29.660	32.128	(7.68)%
- Other long term liabilities	1.916	1.916	(0.00)%
Authorised limit for external debt	28.609	40.488	(29.33)%
Operational boundary for external debt	28.609	37.276	(23.25)%
Investment Income	0.144	0.070	(105.14)%
	Actual (30 Sept 2010) %	Target %	Variance (favourable) /adverse %
Investment Return	0.81%	0.43%	(0.38)%
Cost of Borrowing	4.24%	4.09%	0.15%

Prudential Indicators and Treasury Management Indicators	Actual (30 Sept 2010) %	Target Upper limit %	Target Lower limit %	Variance (favourable) /adverse %
Limit of fixed interest rates based on net debt	100.00%	100.00%	70.00%	0.00%
Limit of variable interest rates based on net debt	0.00%	30.00%	0.00%	(30.00)%
Maturity structure of borrowing limits				
Under 12 months	3.52%	10.00%	0.00%	(6.48)%
12 months to 2 years	5.20%	15.00%	0.00%	(9.80)%
2 years to 5 years	9.62%	30.00%	0.00%	(20.38)%
5 years to 10 years	2.28%	50.00%	0.00%	(47.72)%
10 years and above	79.38%	100.00%	50.00%	(20.62)%

Other Indicators	Actual (30 Sept 2010) %	Target %	Variance (favourable) /adverse %
Aged Debt over 85 days	16.97%	10.00%	6.97%
Payments to Suppliers within 30 days	98.27%	98.00%	(0.27)%

APPENDIX B TO REPORT RC/10/15

SUBJECTIVE ANALYSIS OF REVENUE SPENDING 2010/2011

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY						
Revenue Budget Monitoring Report 2010/11						
Line No	SPENDING	2010/11 Budget	Year To Date Budget	Spending to Month 6	Projected Outturn	Projected Variance over/ (under) £000
		£000 (1)	£000 (2)	£000 (3)	£000 (4)	£000 (5)
	EMPLOYEE COSTS					
1	Wholetime uniform staff	32,582	16,235	16,116	32,176	(406)
2	Retained firefighters	12,202	6,050	5,622	12,082	(120)
3	Control room staff	2,160	1,210	1,028	2,106	(54)
4	Non uniformed staff	9,204	4,602	4,493	9,100	(104)
5	Training expenses	1,183	592	660	1,074	(109)
6	Fire Service Pensions recharge	1,939	1,206	1,220	1,819	(120)
		59,270	29,895	29,139	58,357	(913)
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,060	530	459	1,049	(11)
8	Energy costs	626	313	142	595	(31)
9	Cleaning costs	380	190	131	362	(18)
10	Rent and rates	1,238	602	612	1,229	(9)
		3,304	1,635	1,344	3,235	(69)
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	674	337	161	597	(77)
12	Running costs and insurances	1,088	604	458	1,088	-
13	Travel and subsistence	1,498	650	526	1,479	(19)
		3,260	1,591	1,145	3,164	(96)
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,653	1,328	1,114	2,553	(100)
15	Hydrants-installation and maintenance	115	58	32	115	-
16	Communications	1,130	565	714	1,107	(23)
17	Uniforms	1,060	530	334	1,351	291
18	Catering	244	122	83	235	(9)
19	External Fees and Services	177	88	128	163	(14)
20	Partnerships & regional collaborative projects	120	60	20	120	-
21	USAR Equipment	25	13	1	25	-
		5,524	2,764	2,426	5,669	145
	ESTABLISHMENT COSTS					
22	Printing, stationery and office expenses	430	233	160	408	(22)
23	Advertising	55	33	8	25	(30)
24	Insurances	319	256	167	318	(1)
		804	522	335	751	(53)
	PAYMENTS TO OTHER AUTHORITIES					
25	Support service contracts	616	258	242	612	(4)
		616	258	242	612	(4)
	CAPITAL FINANCING COSTS					
26	Capital charges	4,858	2,115	835	4,834	(24)
27	Revenue Contribution to Capital spending	0	0	0	41	41
		4,858	2,115	835	4,875	17
28	TOTAL SPENDING	77,636	38,780	35,466	76,663	(973)
	INCOME					
29	Treasury management investment income	(70)	(35)	(29)	(144)	(74)
30	Grants and Reimbursements	(2,056)	(1,168)	(1,809)	(2,013)	43
31	Other income	(1,033)	(517)	(446)	(908)	125
32	Internal Recharges	(68)	(34)	(31)	(68)	-
33	Contribution to Earmarked Reserve	726	0	0	726	-
34	TOTAL INCOME	(2,501)	(1,754)	(2,315)	(2,407)	94
35	NET SPENDING	75,135	37,026	33,151	74,256	(879)

APPENDIX C TO REPORT RC/10/15

PROPOSED REVISION TO CAPITAL PROGRAMME 2010-2013

Capital Programme (2010/11 to 2012/13)				
Item PROJECT	2010/11 (£000)	2011/12 (£000)	2012/13 (£000)	Total 2010- 2013 (£000)
	Budget	Budget	Budget	Budget
<u>Estate Development</u>				
1 Exeter Middlemoor	44			44
2 Exeter Danes Castle	169			169
3 SHQ major building/New Dimensions (USAR) major project	135			135
4 Major building works	0	1,000	1,000	2,000
5 Minor improvements & structural maintenance	2,761	650	750	4,161 *
6 Welfare facilities 2009/10	127			127
7 Diversity & equality	34			34 *
8 New Dimensions (USAR) works	150	420		570 *
9 Other building works	5			5
Estates Sub Total	3,425	2,070	1,750	7,245
<u>Fleet & Equipment</u>				
10 Appliance replacement	2,061	2,119	2,119	6,299
11 Specialist Operational Vehicles	1,163			1,163
12 Vehicles -funded from revenue (new)	41			41 *
13 Equipment	634	200	200	1,034
14 Asset Management Plan (Miquest) software	152			152
Fleet & Equipment Sub Total	4,051	2,319	2,319	8,689
Overall Capital Totals	7,476	4,389	4,069	15,934
<u>Programme funding</u>				
Main programme	5,926	4,069	4,069	14,064
Revenue funds	41	0	0	41 *
Grants	1,377	320	0	1,697 *
Earmarked Reserves	132	0	0	132
	7,476	4,389	4,069	15,934

** reflects revision from previously agreed programme*

CAPITAL MONITORING STATEMENT 2010/2011

Capital Programme (2010/11 to 2012/13)			
Item PROJECT	2010/11 (£000) Budget	2010/11 (£000) Predicted outturn	2010/11 (£000) Variation to budget
Estate Development			
1 Exeter Middlemoor	44	19	(25)
2 Exeter Danes Castle	169	44	(125)
3 SHQ major building/New Dimensions (USAR) major project	135	75	(60)
4 Major building works	0	0	-
5 Minor improvements & structural maintenance	2,761	2,212	(549)
6 Welfare facilities 2009/10	127	111	(16)
7 Diversity & equality	34	34	-
8 New Dimensions (USAR) works	150	150	-
9 Other building works	5	5	-
Estates Sub Total	3,425	2,650	(775)
Fleet & Equipment			
10 Appliance replacement	2,061	1,251	(810)
11 Specialist Operational Vehicles	1,163	800	(363)
12 Vehicles -funded from revenue	41	41	-
13 Equipment	634	200	(434)
14 Asset Management Plan (Miquest) software	152	50	(102)
Fleet & Equipment Sub Total	4,051	2,342	(1,709)
Overall Capital Totals	7,476	4,992	(2,484)
Programme funding			
Main programme	5,926	3,458	(2,468)
Revenue funds	41	41	-
Grants	1,377	1,377	-
Earmarked Reserves	132	116	(16)
	7,476	4,992	(2,484)

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	RC/10/16
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	21 OCTOBER 2010
SUBJECT OF REPORT	TREASURY MANAGEMENT PERFORMANCE 2010/2011 (TO SEPTEMBER 2010)
LEAD OFFICER	TREASURER
RECOMMENDATIONS	That the performance in relation to the treasury management activities of the Authority for 2010/2011 (to September) be noted.
EXECUTIVE SUMMARY	The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code of Practice for Treasury Management in November 2009, following consultation with Local Authorities during the summer. The revised Code suggests that members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This report therefore ensures this Authority is embracing Best Practice in accordance with CIPFA's revised Code of Practice.
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Investments held as at 30 Sept 2010.
LIST OF BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) Report DSFRA/10/3Policy – as approved at the meeting of the DSFRA meeting held on the 19 February 2010.

1. INTRODUCTION

1.1 The Treasury Management Strategy for Devon and Somerset FRA had been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2001. The adoption of the Code was originally made at the meeting of the DSFRA held on the 16th March 2007. A revised Code of Practice has recently been issued which was adopted by the authority at the budget meeting held on 19 February 2010. The Authority fully complies with the primary requirements of the Code, which includes:

- The creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Authority's treasury management activities.
- The creation and maintenance of Treasury Management Practices, which set out the manner in which the Authority will seek to achieve those policies and objectives.
- The Receipt by the full Authority of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
- The delegation by the authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

1.2 Treasury management in this context is defined as:

“The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”

1.3 This mid-year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first six months of 2010/11
- A review of the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy
- A review of the Council's investment portfolio for 2010/11
- A review of the Council's borrowing strategy for 2010/11
- A review of any debt rescheduling undertaken during 2010/11
- A review of compliance with Treasury and Prudential Limits for 2010/11

2. ECONOMIC UPDATE

2.1 **Global Economy**

- The sovereign debt crisis peaked in May 2010 prompted, in the first place, by major concerns over the size of the Greek government's total debt and annual deficit. However, any default or write down of Greek debt would have substantial impact on other countries, in particular, Portugal, Spain and Ireland. This crisis culminated in the EU and IMF putting together a €750bn support package in mid May.

- Growth in the US, UK and the Euro zone in quarter 2 of 2010 was particularly driven by strong growth in the construction sector catching up from inclement weather earlier in the year and is unlikely to be repeated; general expectations are for much more subdued figures for the remainder of 2010. Market expectations for all three sectors of the economy is that these have all peaked and are pointing downwards, though not necessarily in to negative territory.

2.2 UK Economy

- Following the general election in May 2010, the coalition government has put in place an austerity plan to carry out correction of the public sector deficit over the next five years. The inevitable result of fiscal contraction will be major job losses during this period, in particular in public sector services. This will have a knock on effect on consumer and business confidence. House prices have started a negative trend during the summer and mortgage approvals are at very weak levels and also declining.
- **Economic Growth** – GDP growth is likely to have peaked at 1.2% in quarter 2 of 2010.
- **Unemployment** – the trend of falling unemployment (on the benefit claimant count) has now been replaced since July with small increases which are likely to be the start of a new trend of rising unemployment.
- **Inflation and Bank Rate** – CPI has remained high so far during 2010. It peaked at 3.7% in April and has fallen back to 3.1% in August. RPI remains high, at 4.7% in August. Although inflation has remained stubbornly above the MPC's 2% target, the MPC is confident that inflation will fall back under the target over the next two years. The last quarterly Inflation Report in August showed a significant undershoot after the end of 2011.
- The Bank of England finished its programme of quantitative easing with a total of £200bn in November 2009 (although there is currently some increase in expectations that there might be a second round of quantitative easing).

2.3 It is the Authority's Treasury advisers, Sector's, view is that there is unlikely to be any increase in Bank Rate until the middle of 2011.

- **AAA rating** – prior to the general election, credit rating agencies had been issuing repeated warnings that unless there was a major fiscal contraction, then the AAA sovereign rating was at significant risk of being downgraded. Sterling was also under major pressure during the first half of the year. However, after the Chancellor's budget on 22 June, Sterling has strengthened against the US dollar and confidence has returned that the UK will retain its AAA rating. In addition, international investors now view UK government gilts as being a safe haven from EU government debt. The consequent increase in demand for gilts has helped to add downward pressure on gilt yields and PWLB rates.

Economic Forecast

2.4 Sector provides the following forecast:

	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
Bank rate	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.50%	3.00%	3.25%
5yr PWLB rate	2.20%	2.20%	2.20%	2.40%	2.60%	2.80%	3.00%	3.30%	3.60%	3.80%	4.10%	4.40%
10yr PWLB rate	3.30%	3.30%	3.30%	3.40%	3.70%	3.90%	4.00%	4.30%	4.40%	4.60%	4.60%	4.90%
25yr PWLB rate	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.70%	4.70%	4.80%	5.00%	5.00%	5.00%
50yr PWLB rate	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.70%	4.70%	4.80%	5.00%	5.00%	5.00%

2.5 It is currently difficult to have confidence as to exactly how strong the UK economic recovery is likely to be, and there are a range of views in the market. Sector has adopted a moderate view. There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas:

- the speed of economic recovery in the US and EU
- the degree to which government austerity programmes will dampen economic growth
- the speed of rebalancing of the UK economy towards exporting and substituting imports
- changes in the consumer savings ratio
- the potential for more quantitative easing, and the timing of this in both the UK and US
- the speed of recovery of banks' profitability and balance sheet imbalances
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy

2.6 The overall balance of risks is weighted to the downside and there is some risk of a double dip recession and deleveraging, creating a downward spiral of falling demand, falling jobs and falling prices, although this is currently viewed as being a small risk.

2.7 Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.

3. TREASURY MANAGEMENT STRATEGY STATEMENT

Annual Investment Strategy

3.1 The Authority's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Authority's investment priorities as follows:

- Security of Capital
- Liquidity

- 3.2 The Authority will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using the Sector suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Sector.
- 3.3 A full list of investments held as at 30 September 2010 are shown in Appendix A.
- 3.4 Borrowing rates have been at historically low rates during the first six months of the 2010/11 financial year. As outlined in Section 2 above, there is still considerable uncertainty and volatility in the financial and banking market, both globally and in the UK. In this context, it is considered that the strategy is still fit for purpose in the current economic climate.
- 3.5 The average level of funds available for investment purposes in the first quarter of 2010/11 was £17.217m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

Benchmark	Benchmark Return	Authority Performance	Investment Interest Earned
7 day LIBID	0.43%	0.81%	£18,692

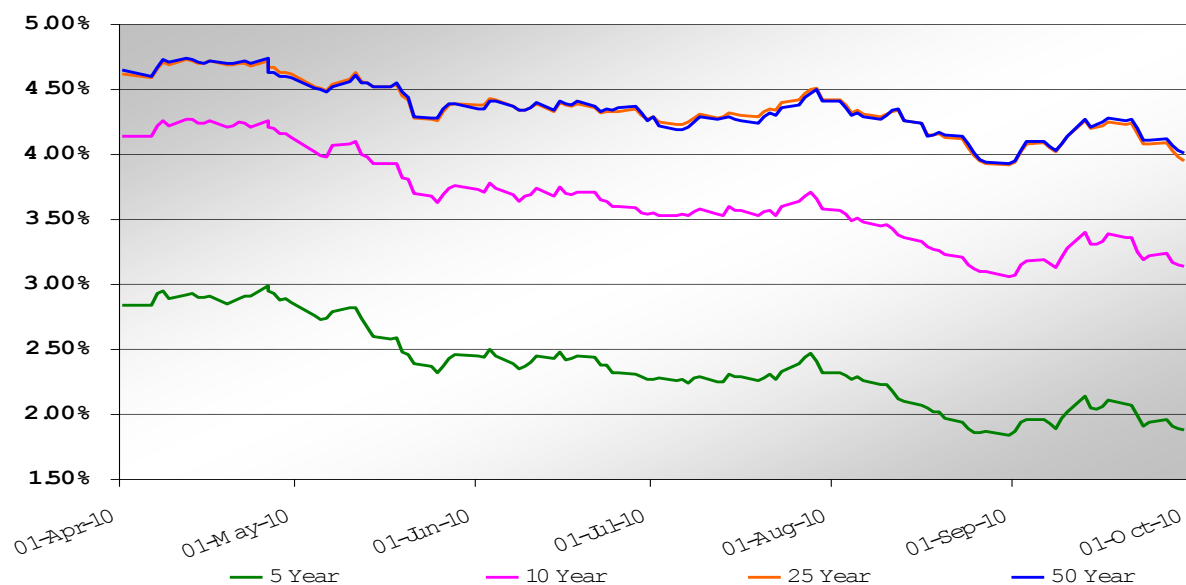
- 3.6 As illustrated, the Authority outperformed the benchmark by 38 bp. The Authority's budgeted investment return for 2010/11 is £0.070m, and performance so far this year indicates that this figure will be exceeded.

Borrowing Strategy

Prudential Indicators:

- 3.7 It is a statutory duty for the Authority to determine and keep under review the "Affordable Borrowing Limits". The Authority's approved Prudential Indicators (affordability limits) are outlined in the approved TMSS.
- 3.8 A full list of the approved limits (as amended) are included in the Financial Performance Report 2010/2011, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to September 2010.
- 3.9 No new borrowing was taken during the second quarter of the year.
- 3.10 No debt rescheduling has been undertaken during the second quarter of the year.
- 3.11 Sector's central target rate for new external long term borrowing (25 years) for the first six months of 2010/11 started at 4.65% and fell progressively to 4.20%. The general trend has been a reduction in interest rates during the six months, across all bands, with the low points occurring in the middle to end of August. The high points were in early to mid April. The graph and table below show the movement in PWLB rates for the first six months of the year and provide benchmarking data showing high and low points.

PW LB RATES 2010-11



PWLB BORROWING RATES 2010/11 for 1 to 50 years

	1	2	3	4	5	10	25	50
1.4.2010	0.81%	1.37%	1.91%	2.40%	2.84%	4.14%	4.62%	4.65%
30.9.2010	0.64%	0.91%	1.22%	1.55%	1.88%	3.14%	3.95%	4.01%
HIGH	0.93%	1.52%	2.07%	2.56%	2.99%	4.27%	4.73%	4.74%
LOW	0.60%	0.89%	1.20%	1.52%	1.84%	3.06%	3.92%	3.93%
spread	0.33%	0.63%	0.87%	1.04%	1.15%	1.21%	0.81%	0.81%
average	0.73%	1.15%	1.58%	1.99%	2.37%	3.65%	4.35%	4.35%
high date	26/04/2010	26/04/2010	26/04/2010	26/04/2010	26/04/2010	12/04/2010	12/04/2010	26/04/2010
low date	15/06/2010	24/08/2010	25/08/2010	31/08/2010	31/08/2010	31/08/2010	31/08/2010	31/08/2010

4. SUMMARY

4.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides members with a summary report of the treasury management activities for the second quarter of 2010/2011. As is indicated in this report, none of the Prudential Indicators have been breached, and a prudent approach has been taken in relation to investment decisions taken so far, with priority being given to liquidity and security over yield. Whilst investment returns have reduced from the previous year, as a consequence of the fall in interest rates, the authority is still achieving returns above the LIBID 7 day rate, which is the benchmark return for this type of short term investments.

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT RC/10/16

Investments as at 30th September 2010						
% of total investments	Counterparty	Maximum to be invested (£m)	Total amount invested (£)	Call or Term	Date if Term	Interest Rate
16.95%	Santander UK & Cater Allen	5.0	1.000	T	17/01/2011	1.32%
			1.500	T	01/02/2011	1.33%
			0.245	C		0.80%
28.71%	Bank of Scotland	5.0	1.500	T	29/10/2010	1.35%
			1.000	T	15/07/2011	2.00%
			2.150	C		0.75%
9.26%	Barclays	10.0	1.500	T	17/01/2011	0.98%
9.26%	Kent Reliance B/S	1.5	1.500	T	15/10/2010	0.75%
8.03%	Newcastle B/S	1.5	1.300	T	30/11/2010	0.83%
9.26%	Skipton B/S	1.5	1.500	T	15/10/2010	0.70%
9.26%	Stroud & Swindon B/S	1.5	1.500	T	29/10/2010	0.63%
9.26%	West Bromwich B/S	1.5	1.500	T	01/11/2010	0.77%
			16.195			