M. Pearson
CLERK TO THE AUTHORITY

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

SERVICE HEADQUARTERS
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Our ref :
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RESOURCES COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

Friday 19 October 2012

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

A G E N D A

1. Apologies

2. Minutes of the meeting held on 20 July 2012 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 declare any **disclosable pecuniary interests** they may have in relation to items on the agenda for this meeting and to declare any such interests at this time..

PART 1 – OPEN COMMITTEE

5. Financial Performance Report 2012/13: Quarter 2

Report of the Treasurer to the Authority (RC/12/10) attached (page 6).

6. Treasury Management Performance 2012/13: Quarter 2

Report of the Treasurer (RC/12/11) attached (page 20).

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), Woodman (Vice Chair), Bakewell MBE, Horsfall, Hughes OBE, D Smith and Yeomans.

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NOTES:

1. Substitute Members

Members are reminded that, in accordance with Standing Order 35, the Clerk (or his representative) MUST be advised of any substitution prior to the start of the meeting.

2. Access to Information

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

RESOURCES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

20 July 2012

Present:-

Councillors Gordon (Chair), Bakewell MBE, Hughes OBE, D Smith, Woodman and Yeomans

Apologies:-

Councillor Horsfall

***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 May 2013.

***RC/2. Minutes**.

RESOLVED that the Minutes of the meeting held on 18 May 2012 be signed as a correct record.

***RC/3. Declarations of Interest**

Members were asked to declare any disclosable pecuniary interests they may have in relation to any items on the agenda for this meeting.

No disclosable pecuniary interests were declared.

***RC/4. Election of Vice Chair**

RESOLVED that Councillor Woodman be elected Vice Chair of the Committee until the first meeting after the Annual General Meeting of the Authority in May 2013.

RC/5. Financial Performance Report 2012/13 - Quarter 1

The Committee considered a report of the Treasurer to the Authority (RC/12/6) that set out the Authority's performance against the agreed financial targets for the current financial year as at 31 March 2012.

The Treasurer referred to the 7 targets that had been set for 2012/13 in particular against which the Committee would monitor financial performance. The targets set were:

- Spending within the agreed revenue budget;
- Spending within the agreed capital programme;
- External borrowing to be within the Prudential Indicator limit;
- On-going budget savings since e2010/11;
- Debt ratio (debt charges over total revenue budget;
- General Reserve Balance as a percentage of total budget (minimum), and;
- Aged debt (debtors more than 85 days old).

In terms of spending against the approved revenue budget, the Treasurer advised the Committee that the indicative position at this stage of the financial year was good. The forecast spending against the approved 2012/13 revenue budget of £77.578million showed an indicative underspend to the end of June 2012 of £0.037million, representing 0.05% of the total budget. He added that, whilst every effort was made for projected spending to be as accurate as possible, there were areas that were subject to variation. One of these areas of variation in spending was on retained salaries which was difficult to predict due to factors outside the Service's control. He commented that there was likely to be a higher level of underspend during the year as a result of the Chief Fire Officer's requirement for budget managers to achieve a 5% reduction in spending to contribute to the overall budget strategy. This would be reflected in future monitoring reports to the Committee.

Reference was made to the Capital Programme for 2012/13 as set out within Table 5 of the report. The latest projection for capital spending was £8.746million against a total programme of £9.859million. This included slippage of £0.912million from 2011/12 (for extension works to Axminster and Ilminster stations) together with an additional £0.350million for Exeter Airport as agreed by the Fire and Rescue Authority at its meeting on 30 May 2012. The proposed revised Capital Programme for 2012/13 to 2014/15 was set out in Appendix A of report RC/12/6 for reference.

In terms of the Prudential Indicators, the Committee was advised that it was unlikely that these would be breached during the year. The Authority's borrowing had increased to £29.066million, forecast to reduce to £27.167million by 31 March 2012. This was well within the authorised limit for external debt.

The Treasurer drew attention to the position in respect of outstanding debt for the Service as at 30 June 2012. There was an aged debt (over 85 days overdue) as a consequence of one debtor (Ocean Training) defaulting on a payment of £2,068 in relation to attendance at a training course. The Chair stated that it was unacceptable for this to occur and the Committee sought an assurance that processes were in place to ensure that the credit worthiness of new suppliers to the Service was validated and this was given by the Treasurer.

RESOLVED

(a) That the Devon and Somerset Fire and Rescue Authority be recommended to approve the revised capital programme for 2012/13 to 2014/15, as identified in report RC/12/6 and summarised in the table appended to these Minutes;

(b) That, subject to (a) above, the monitoring position in relation to projected spending against the 2012-2013 revenue and capital budgets as indicated in report RC/12/6 be noted;

(c) That the performance against the 2012-2013 financial targets as indicated in this report be noted.

RC/6. Treasury Management Performance 2012/13 - Quarter 1

The Committee considered a report of the Treasurer (RC/12/7) that detailed the Authority's treasury management activities between March and June 2012 in accordance with the approved Treasury Management Strategy.

Adam Burleton of Sector, the Authority's Treasury Management Adviser, attended the meeting to update the Committee on the current position. He stated that, whilst the market continued to be weak and showed little sign of economic recovery in the short term, the Authority's investment Strategy continued to bring in an optimum return commensurate with the investment principles set of:

- Security of capital, and;
- Liquidity.

The benchmark set against the 3 month LIBID rate was 0.87% and the return achieved was 0.90% which indicated that the Authority was on target to achieve the budget figure for investment return of £0.100M by 31 March 2013. In view of the security of capital, there had been investigations made into the potential for using alternatives to bank call accounts which typically pay a rate of return less than base. The Committee was advised that the Treasury Management Policy permitted the Authority to do this and money had already been moved from call accounts to AAA money market funds. Other alternatives that all offered a low risk and had been explored included:

- Treasury Bills;
- Certificate of Deposits (CDs), and;
- Gilts.

The Committee was advised that, of these, the use of Treasury Bills was already an approved mechanism within the Policy, but CDs and Gilts required approval. It was recommended to the Authority that these also be added to the list of approved investment instruments that could be utilised.

In terms of the borrowing strategy, it was noted that the Authority's total external borrowing had increased to £29.066million (Minute RC/5 above also refers) at 30 June 2012 compared with a figure of £27.066million as at 31 March 2012. This was within the Prudential Indicators and it was not intended that any further borrowing was undertaken in this financial year.

RESOLVED

(a) That the Authority be recommended to approve an amendment to its Treasury Management Policy to include the use of Certificate Deposits (CDs) and UK Government Gilts as Approved Investment Instruments, as outlined in paragraph 3 of report RC/12/7; and

(b) That, subject to (a) above, the performance in relation to the treasury management activities of the Authority for 2012-2013 (to June) as set out in this report be noted.

***RC/7. Material Asset Disposal - Bronto Skylift Aerial Appliances**

The Committee considered a report of the Director of Service Delivery Support and Treasurer to the Authority (RC/12/8) that set out a proposal for the disposal of three of the five units which were at the end of their life following the successful replacement programme of the five new aerial appliances.

RESOLVED that, in accordance with Financial Regulations, the end of life disposal of three Bronto Skylift aerial appliances as identified in this report be approved.

***RC/8. Annual Grant to Service Ceremonial Unit 2012/13**

The Committee considered a report of the Chief Fire Officer (RC/12/9) that sought approval, in accordance with Financial Regulations, to the making of a grant to the Service Ceremonial Unit to cover events in the year 2012/13 and particularly, attendance at the Ypres Remembrance Day parade.

RESOLVED that a grant of £6,000 be made towards the costs of Ceremonial Unit activities during the current financial year and particularly towards the cost of attendance at the Ypres Remembrance parade in November.

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

The meeting started at 10.00hours and finished at 12.00hours

APPENDIX TO THE MINUTES OF THE MEETING OF THE RESOURCES COMMITTEE HELD ON 20 JULY 2012

REVISED CAPITAL PROGRAMME 2012-2013 TO 2014-15

Revised Capital Programme (2012/13 to 2014/15)

2011/2012 Budget (£000)	2011/2012 outturn (£000)	Item	PROJECT	2012/13 (£000)	2013/14 (£000)	2014/15 (£000)
			Estate Development			
30	31	1	Exeter Middlemoor			
10	1	2	Exeter Danes Castle			
96	4	3	SHQ major building works	92		
			Control project			
1,000	111	4	Major Projects - Training Facility at Exeter Airport	3,239		
		5	Minor improvements & structural maintenance	1,650	1,750	1,750
37	22	6	Welfare Facilities	15		
		7	Diversity & equality			
610	515	8	USAR works	95		
1,689	1,542	9	Minor Works slippage from 2010-11	343		
1,871		10	Minor Works 2011-12	1,674		
5,343	2,226		**Estates Sub Total**	7,108	1,750	1,750
			Fleet & Equipment			
397	*749*	11	Appliance replacement	700	1,900	1,900
1,315	*74*	12	Specialist Operational Vehicles	920	600	0
89	*89*	13	Vehicles funded from revenue			
127	*45*	14	Equipment	242	200	200
129	*0*	15	Asset Management Plan (Miquest) software			
180	*180*	16	Systems integration			
		17	BA Replacement		1,400	
		18	Specialist Operational Vehicles Slippage 2011-12	889		
2,237	1,137		**Fleet & Equipment Sub Total**	2,751	4,100	2,100
7,580	**3,363**		**SPENDING TOTALS**	**9,859**	**5,850**	**3,850**
			Programme funding			
3,508			Main programme	4,194	5,350	3,350
1,527	818		Revenue funds	3,644		
2,545	2,545		Grants	2,021	500	500
7,580	**3,363**		**FUNDING TOTALS**	**9,859**	**5,850**	**3,850**

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/12/10**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**19 OCTOBER 2012**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2012-2013 – QUARTER 2**
LEAD OFFICER	**Treasurer to the Authority**
RECOMMENDATIONS	***(a) That the budget virement outlined in paragraph 10.1 of this report, be approved;*** ***(b) That, in accordance with Financial Regulations, the increases in the 2012-13 capital programme (to be funded from revenue contributions), as outlined in paragraph 14.2 of this report be approved;*** ***(c) That, subject to recommendations (a) and (b) above, the monitoring position in relation to projected spending against the 2012-2013 revenue and capital budgets be noted.*** **(d)** ***That the performance against the 2012-2013 financial targets be noted.***
EXECUTIVE SUMMARY	This report provides the Committee with the second quarter performance against agreed financial targets for the current financial year. In particular, it provides a forecast of spending against the 2012-2013 revenue budget with explanations for the major variations. At this stage in the financial year it is forecast that spending will be £1.402m less than budget, equivalent to 1.78% of the total budget.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Summary of Prudential Indicators 2012-2013.
LIST OF BACKGROUND PAPERS	None.

1. INTRODUCTION

1.1 This report provides the second quarterly financial monitoring report for the current financial year, based upon the position as at the end of September 2012. As well as providing projections of spending against the 2012-2013 revenue and capital budgets, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators.

1.2 Table 1 below provides a summary of performance against the key financial targets.

TABLE 1 – FORECAST PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2012-2013

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 2	Previous Quarter	Quarter 2 %	Previous Quarter %
1	Spending within agreed revenue budget	£78.676m	£77.274m	£78.639m	(1.78)%	(0.05)%
2	Spending within agreed capital budget	£10.060m	£8.106m	£8.746m	(19.42)%	(11.29)%
3(a)	External Borrowing within Capital Financing Requirement (CFR).	£26.464m	£27.167m	£27.167m	2.66%	(2.85)%
3(b)	External Borrowing within Authorised Borrowing Limit (Maximum Agreed Borrowing)	£34.159m	£27.167m	£27.167m	(20.46)%	(20.46)%
4	On-going Budget Savings since 2010-11	£2.642m	£3.271m	£2.642m	(23.81)%	0.00%
5	Debt Ratio (debt charges over total revenue budget)	3.98%	3.67%	3.98%	(0.31)bp	0.00bp
6	General Reserve Balance as %age of total budget (minimum)	5.00%	6.28%	6.28%	(1.28)bp	(1.28)bp
			Actual as at 30 Sept 2012	**Previous Quarter**	**Variance at 30 Sept 2012 %**	**Previous Quarter %**
7	Aged Debt (debtors more than 85 days old)	5.00%	13.67%	5.29%	8.67bp	0.29bp

1.3 The remainder of the report is split into the three sections, consisting of:

- **SECTION A** – Revenue Budget 2012/2013.
- **SECTION B** – Capital Budget and Prudential Indicators 2012/2013.
- **SECTION C** – Other Financial Indicators.

1.4 Each of these sections provides a more detailed analysis of performance, including commentary relating to the major variances.

2. <u>SECTION A - REVENUE BUDGET 2012-2013</u>

2.1 Table 2 overleaf provides a summary of the forecast spending against all agreed subjective budget heads, e.g. employee costs, transport costs etc. This table indicates that spending by the year end will be £77.274m compared with an agreed budget figure of £78.676m, representing an underspend of £1.402m, equivalent to 1.78% of the total budget.

2.2 This underspend position is largely attributable to the instruction given by the Chief Fire Officer and Senior Management Board to all budget holders across the organisation to trim costs wherever possible with a view to reducing their areas of budget responsibility secure £1m of savings by the end of the financial year. Delivery of in-year savings form an important part of our overall strategy to build reserve balances at this time to provide additional financial contingency during the next four year period when the more severe budget reductions are anticipated. Based on the work so far we are confident that this target can be achieved and the £1m savings are therefore reflected in the figures contained in Table 2.

2.3 A further significant contribution to the overall underspend position is a forecast reduction in retained pay costs of approximately £0.4m as a result of the positive work of recent years to reduce the number of operational incidents. It should be emphasised, however, that at this time we are still awaiting the final outcome of negotiations relating to the employment tribunal under the Part-Time Workers (less than favourable working conditions), which has ruled that retained firefighters should have had the same access to a pension scheme as their wholetime firefighter colleagues since the year 2000. As the largest employer of retained firefighters in the country it is anticipated that the costs falling on the Authority as a result of this ruling will be significant. To date, Members have agreed that a financial Provision be set aside from previous year underspends, current balance of £1m, to fund these costs when they fall. However, depending on the number of retained firefighters, both existing and retired, who opt to join the pension scheme and back date, there is a risk that this amount will not be sufficient to cover all of the costs. Should it be the case that the level of Provision is deemed insufficient then a further charge will be required against the 2012-13 underspend to increase the Provision balance.

2.4 These forecasts are based upon the spending position at the end of September 2012, historical trends, and information from budget managers on known commitments. 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 e.g. 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. Explanations of the more significant variations from budget (over £50k variance) are explained in paragraphs 3 to 9 of the report.

TABLE 2 – REVENUE MONITORING STATEMENT 2012-2013

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY

Revenue Budget Monitoring Report 2012/13

Line No		2012/13 Budget £000 (1)	Year To Date Budget £000 (2)	Spending to Month 6 £000 (3)	Projected Outturn £000 (4)	Projected Variance over/ (under) £000 (5)
	SPENDING					
	EMPLOYEE COSTS					
1	Wholetime uniform staff	31,844	15,812	16,031	32,405	561
2	Retained firefighters	12,198	5,877	4,847	11,780	(418)
3	Control room staff	1,556	767	823	1,669	113
4	Non uniformed staff	10,283	5,139	5,009	10,151	(132)
5	Training expenses	1,300	650	544	976	(324)
6	Fire Service Pensions recharge	2,103	1,226	1,316	1,954	(149)
		59,284	**29,471**	**28,570**	**58,935**	**(349)**
	PREMISES RELATED COSTS					
7	Repair and maintenance	1,602	801	716	1,430	(172)
8	Energy costs	593	268	191	581	(12)
9	Cleaning costs	450	225	95	442	(8)
10	Rent and rates	1,479	818	1,053	1,511	32
		4,124	**2,112**	**2,055**	**3,964**	**(160)**
	TRANSPORT RELATED COSTS					
11	Repair and maintenance	619	309	262	614	(5)
12	Running costs and insurances	1,271	635	518	1,214	(57)
13	Travel and subsistence	1,813	813	652	1,560	(253)
		3,703	**1,757**	**1,432**	**3,388**	**(315)**
	SUPPLIES AND SERVICES					
14	Equipment and furniture	2,459	1,230	1,213	2,329	(130)
15	Hydrants-installation and maintenance	108	54	48	108	-
16	Communications	1,868	934	698	1,832	(36)
17	Uniforms	1,267	633	471	1,115	(152)
18	Catering	174	87	92	175	1
19	External Fees and Services	224	112	208	353	129
20	Partnerships & regional collaborative projects	141	70	74	141	-
		6,241	**3,120**	**2,804**	**6,053**	**(188)**
	ESTABLISHMENT COSTS					
21	Printing, stationery and office expenses	442	237	197	432	(10)
22	Advertising	57	28	20	55	(2)
23	Insurances	403	221	93	311	(92)
		902	**486**	**310**	**798**	**(104)**
	PAYMENTS TO OTHER AUTHORITIES					
24	Support service contracts	592	284	176	559	(33)
		592	**284**	**176**	**559**	**(33)**
	CAPITAL FINANCING COSTS					
25	Capital charges	4,753	2,055	1,282	4,597	(156)
26	Revenue Contribution to Capital spending	2,718	5	0	2,718	-
		7,471	**2,060**	**1,282**	**7,315**	**(156)**
27	**TOTAL SPENDING**	**82,317**	**39,290**	**36,629**	**81,012**	**(1,305)**
	INCOME					
28	Treasury management investment income	(100)	(50)	(56)	(227)	(127)
29	Grants and Reimbursements	(1,778)	(853)	(1,231)	(2,021)	(243)
30	Other income	(1,620)	(810)	(579)	(1,354)	266
31	Internal Recharges	(143)	(72)	(32)	(136)	7
32	**TOTAL INCOME**	**(3,641)**	**(1,785)**	**(1,898)**	**(3,738)**	**(97)**
33	**NET SPENDING**	**78,676**	**37,505**	**34,731**	**77,274**	**(1,402)**

3. EMPLOYEE COSTS

Wholetime Staff

3.1 At this stage it is projected that spending on wholetime pay costs will be £0.561m more than the budget figure equivalent to 1.76% of the total wholetime pay budget. This projection includes the agreed 1% pay award from 1 July 2012, and makes assumptions as to the timing of potential retirees during the course of the financial year.

Retained Pay Costs

3.2 Current forecast is for retained pay costs to be £0.418m below the agreed budget figure. In making this projection an assumption has 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.

Control Room Staff

3.3 The main reason for a forecast overspend against the control room staffing budget is the need to overstaff to provide adequate cover during the period of the consolidation of two control rooms, and long term sickness issues. .

Training costs

3.4 An underspend of £0.324m is currently forecast from training costs, primarily as a result of the cancellation of some planned courses e.g. Assessment Development Centres (ADC), together with a contribution from the Training Department to the overall savings strategy.

Non-Uniformed staff Costs

3.5 It is anticipated that spending against non-uniformed posts will be £0.132m less than budget from vacancy management.

Pension Costs

3.6 It is anticipated that fewer ill-health retirements than had been budgeted for will result in some savings against pension costs.

4. PREMISES RELATED COSTS

Repair and Maintenance

4.1 A forecast underspend against repair and maintenance costs of £0.172m is primarily as a consequence of a delay in the completion of improvement works at Service Headquarters associated with the fire control consolidation project.

5. TRANSPORT RELATED COSTS

Travel and Subsistence

5.1 As a result of the overall strategy to secure in-year savings it is forecast that costs associated with travel and subsistence will be £0.253m less than budget.

6. SUPPLIES AND SERVICES

Equipment and Furniture

6.1 As a result of the overall strategy to secure in-year savings it is forecast that costs associated with replacement equipment will be £0.130m less than budget.

Personal Protective Equipment (PPE)

6.2 As a result of delays in the phased roll out of replacement PPE across the Service it is forecast that this budget head will be underspent by £0.152m.

External Fees and Services

6.3 Whilst this budget head is forecast to overspend by £0.129m, as a result of external support costs to deliver projects within the Change and Improvement Programme, this cost is well within the overall budget allocated to Change and Improvement.

7. ESTABLISHMENT COSTS

Insurances

7.1 It is forecast that insurance costs will be £0.092m less than budget as a result of a fewer claims against the self-insurance fund i.e. claims less than the £5k insurance excess.

8. CAPITAL FINANCING COSTS

Capital Charges

8.1 External debt charges will be less than budget primarily as a result of slippage in capital spending against last year's capital programme and the consequential impact on financing costs.

9. INCOME

Treasury Management Investment Income

9.1 As is reported elsewhere on the agenda, within the Treasury Management Performance Report Quarter 2, higher levels of cash balances than anticipated has resulted in higher returns on temporary investments.

Grants and Reimbursements

9.2 It is anticipated that grant income will exceed budget by an amount of £0.243m primarily as a result of a Section 106 grant receipt relating to development at Hinckley Point, and grant receipts from the CLG to fund USAR initiatives.

Other Income

9.3 A forecast shortfall of £0.266m against the other income budget is a reflection of the difficult market conditions which, in particular, is having an impact on external training customers. This shortfall is partly offset by a reduction in training staff costs.

10. BUDGET VIREMENTS

10.1 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). Table 3 overleaf provides details of one proposed virement which exceeds £50,000 in total, and therefore requires the approval of Resources Committee.

TABLE 3 – REQUEST FOR BUDGET VIREMENT

Budget Line	From £m	To £m	Reason
Grants and Reimbursements (Table 2 Line 29)	(0.073)		The receipt of a capital grant of £0.073m from the Department of Communities and Local Government (CLG) to be utilised to fund the provision of an Enhanced Logistics Command Vehicle within the Urban Search and Rescue Team.
Revenue Contribution to Capital Spending (Table 2 Line 26)		0.073	

10.2 For presentation purposes, the impact of this virement has already been included in Table 2 on the basis that it is approved.

11. BUDGET SAVINGS

11.1 Members will recall that in setting the 2012-13 revenue budget on-going savings of £1.6m were identified as part of our savings strategy to manage the 25% reductions in government grants over the four year period 2011-12 to 2014-15, as announced in the Comprehensive Spending Review 2010 (CSR 2010). This £1.6m of savings are in addition to £1.042m of on-going savings identified the previous year, therefore increasing the amount of savings removed from the base budget over the last two financial years to £2.642m. Table 4 below provides an analysis of how these savings have been targeted together with forecast performance against these targets by the end of the financial year.

TABLE 4 – SUMMARY OF ON-GOING BUDGET SAVINGS OVER 2010-2011

	Savings Target £m	Forecast Savings by 31 March 2013 £m
Vacancy Management	(0.575)	(0.575)
Adoption of Zero Base Budgeting and efficiency savings identified from Budget Holders	(0.647)	(1.647)
Additional Revenue from Commercial Activities	(0.495)	(0.168)
Amalgamation of control rooms	(0.503)	(0.503)
Senior Management Board restructure	(0.154)	(0.154)
Changes to mobilisation arrangements to co-responder calls	(0.075)	(0.075)
Change in policy to Automatic Fire Alarm (AFA) calls	(0.109)	(0.065)
Change in payroll provider	(0.059)	(0.059)
Dissolution of Regional Management Board	(0.025)	(0.025)
TOTAL SAVINGS	**(2.642)**	**(3.271)**

11.2 At this stage it is forecast that total savings achieved by the end of the financial year will be £3.271m, which is £0.629m more than target.

11.3 This overachievement is primarily as a result of the work with budget managers across the organisation to scrutinise their areas of budget with a view to reducing budget spend in the current year.

12. RESERVES AND PROVISIONS

12.1 As well as the funds available to the authority by setting an annual budget, the Authority also holds reserve and provision balances.

Reserves

12.2 There two types of Reserves held by the Authority:

Earmarked Reserves – these reserves are held to fund a **specific** purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

General Reserve – usage from this Reserve is **non-specific** and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant retained pay costs.

Provisions

12.3 In addition to reserves the Authority may also hold provisions which can be defined as:

Provisions – a Provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

12.4 A summary of predicted balances on Reserves and Provisions is shown in Table 5 overleaf. These figures exclude any potential in-year transfers to/from the revenue budget in the current financial year.

TABLE 5 – FORECAST RESERVES AND PROVISION BALANCES 31 MARCH 2013

RESERVES	Balance as at 1 April 2012 £000	Spending to Quarter 2 £000	Projected Outturn £000	Projected Balance as at 31 March 2013 £000	
Earmarked reserves					
Lundy Island Fire Cover	12	-	12	0	
Positive pressure ventilation training	4	-	4	0	
Mobilisation equipment	57	-	57	0	
Welfare building works	15	-	15	0	
Change & improvement training	6	-	6	0	
Gold command courses	24	-	24	0	
Interagency liaison officer costs	10	-	10	0	
Grants unapplied	2,521	-	916	1,605	
Change & improvement programme	673	-	-	673	
Commercial Services	300	-	150	150	
Direct Funding to Capital	1,044	-	1,044	0	
CSR 2010	1,817	-	-	1,817	
Total earmarked reserves	**6,483**	**0**	**2,238**	**4,245**	
General reserve					
General fund balance	**4,873**			**4,873**	
Percentage of general reserve compared to net budget					6.28%
TOTAL RESERVE BALANCES	**11,356**			**9,118**	
PROVISIONS					
Part time workers - retained fire fighters	1,853	762	990	863	
TOTAL PROVISIONS	**1,853**	762	990	**863**	

13. SUMMARY OF REVENUE SPENDING

13.1 At this stage of the financial year it is forecast that revenue spending will be £1.402m less than the agreed budget figure of £78.676m, which is primarily as a result of a contribution of £1m made from budget holders across the organisation who have looked to trim costs wherever possible to secure additional savings.

13.2 No recommendations are included in this report as to how any underspend is to be utilised as there are still six months spending remaining, and the figures will be subject to change. However it is anticipated that at the year-end we will be in a position to make a further contribution to reserve balances, as part of our overall strategy to manage the significant budget reductions to come over the next four year period. Further updates on forecast performance will be reported to each meeting of Resources committee in the remainder of the financial year.

14. SECTION B – CAPITAL PROGRAMME 2012-2013 AND PRUDENTIAL INDICATORS

Monitoring of Capital Spending in 2012-2013

14.1 Table 6 overleaf provides a summary of forecast spending against the 2012-2013 capital programme. Latest projection is for capital spending to be £8.106m against a total programme of £10.060m, resulting in slippage in spending of £1.954m.

14.2 It should be noted that the 2012-13 programme agreed at the last meeting of this Committee has increased by £0.201m from £9.859m to £10.060m as a result of:

a. **New Ship Structure (£0.052m)** - The demand for maritime Firefighter training is increasing. The existing ship structure at Camels Head runs close to capacity and has down time requirements for maintenance. With one ship DSFRS has no resilience for the delivery of maritime training. The lecture, BA and domestic facilities at Camels Head are temporary (incurring on-going costs) and when in use meet only the most basic requirements .The introduction of a ship structure to the fire house at Service Training Centre, Plympton increases capacity to meet the new demand, provides resilience for our internal and external training needs and gives access to fit for purpose lecture and domestic facilities. The design of the new ship is such that it can be removed and reinstated or salvaged with relative ease, should it be required to be relocated at any future date

   The small revenue investment required to develop these facilities contributes significantly to the commercial business plan targets and the costs can be recovered in less than 12 months (dependent upon orders received and instructor capacity).. Members of the Commercial Services Committee have considered this initiative and have agreed to support the investment from the earmarked reserve set aside for commercial services activities. This means that this investment of £52k does not incur any additional debt charges to the Service budget.

b. **Enhanced Logistics Command Vehicle (£0.094m)** – Further grant monies have been received from the CLG to fund the provision of an Enhanced Logistics Command Vehicle as part of the USAR fleet. The total cost is to be funded £0.073m from CLG grant received during 2012-13 (paragraph 10.1 refers) and £0.021m from earmarked reserves.

c. **Exeter Airport – (£0.045m)** – Additional costs have been identified relating to the major development of an enhanced training facility at Exeter Airport associated with an enhanced power supply and accommodation facilities. As these costs are to fully funded from revenue savings within the Training Budget there is no associated increase in debt charges as a result of this investment.

d. **Urban Search and Rescue (£0.010m)** – Grant income received last year from the CLG being held in earmarked reserves for USAR is to be utilised to provide a temporary building within the Urban Search and Rescue (USAR) facility.

14.3 It should be emphasised that as each of these costs are to be fully funded from revenue contributions or grant income, there is no increase in the external borrowing requirement as a result of these additions. However, given that the Authority Financial Regulations require that any individual scheme, or addition to scheme, to be funded from revenue contributions in excess of £50k, require the approval of the Resources Committee, the Committee is asked to approve items (a) and (b) above.

TABLE 6 – CAPITAL MONITORING 2012-13

Capital Programme 2012/13				
Item	PROJECT	2012/13 £000 Budget	2012/13 £000 Predicted outturn	2012/13 £000 Variation to budget
	Estate Development			
1	SHQ major building works	92	77	(15)
2	Major Projects - Training Facility at Exeter Airport	3,284	2,571	(713)
3	Minor improvements & structural maintenance	1,650	738	(912)
4	Welfare Facilities	15	15	-
5	USAR works	105	104	(1)
6	Minor Works slippage from 2010-11	343	343	-
7	Minor Works slippage from 2011-12	1,674	1,363	(311)
8	STC - Ship Structure	52	52	-
	Estates Sub Total	**7,215**	**5,263**	**(1,952)**
	Fleet & Equipment			
9	Appliance replacement	700	700	-
10	Specialist Operational Vehicles	920	920	-
11	Vehicles funded from revenue	94	94	-
12	Equipment	242	240	(2)
13	Appliance and Specialist Operational Vehicles slippage	889	889	-
	Fleet & Equipment Sub Total	**2,845**	**2,843**	**(2)**
	Overall Capital Totals	**10,060**	**8,106**	**(1,954)**
	Programme funding			
	Main programme	4,194	2,240	(1,954)
	Revenue funds	3,845	3,845	-
	Grants	2,021	2,021	-
		10,060	**8,106**	**(1,954)**

Slippage in Capital Spending 2012-13

14.4 At this stage in the financial year capital spending in 2012-13 is projected to be £1.954m less than the agreed programme. Whilst a good start has been made on the Estates projects, it is anticipated that there will be some slippage against some projects which will require unused funding to be carried forward into 2013-14. In particular, in relation to the Training Academy Exeter Airport project, whilst the contract has been placed with the contractor and a start has been made on site, the contract period is set at 45 weeks but the current and forecast weather conditions over the next month or two do give some cause for concern in terms of delays to progress on site. Current cashflow projections indicate that there will be circa £713k of the project cost carried through to 2013-14.

Prudential Indicators (including Treasury Management)

14.5 Appendix A provides a summary of forecast performance against all of the agreed Prudential Indicators for 2012-2013, which illustrates that at this time there is no anticipated breach of any of these indicators.

External Borrowing

14.6 Table 6 illustrates how the forecast spending of £8.106m is to be financed, which includes additional borrowing of £2.240m to finance capital spending. As was reported in the previous report, additional borrowing of £2m was taken during the first quarter of the financial year which increased total borrowing as at 30 June 2012 to £29.066m. No further borrowing has been taken during the second quarter and an amount of £0.699m has been repaid to the PWLB resulting in the external borrowing figure reducing to £28,367m, forecast to reduce to £27.167m by 31 March 2013. This level of borrowing is well within the Authorised Limit for external debt of £34.159m (the absolute maximum the Authority has agreed as affordable).

Treasury Management Income

14.7 At this stage of the year income from the investment of working balances into short-term deposits is anticipated to exceed the target figure of £0.100m by 31 March 2013, as a result of higher cash balances than anticipated. Investment returns for quarter 2 have yielded an average return of 0.67%, which outperforms the LIBID 3 Month return (industry benchmark) of 0.60% for the quarter.

15. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

15.1 Total debtor invoices outstanding as at 30 September 2012 is £99,920, compared to £175,997 as at 30 June 2012.

15.2 Of this figure an amount of £13,667 (£9,306 as at 30 June 2012) was due from debtors relating to invoices that are more than 85 days old, equating to 13.67% (5.29% as at 30 June 2012) of the total debt outstanding. Table 7 below provides a summary of all debt outstanding as at 30 September 2012.

TABLE 7 – OUTSTANDING DEBT AS AT 30 SEPTEMBER 2012

	Total Value £	**%**
Current (allowed 28 days in which to pay invoice)	49,702	49.74%
1 to 28 days overdue	32,182	32.21%
29-56 days overdue	2,919	2.93%
57-84 days overdue	1,450	1.45%
Over 85 days overdue	13,667	13.67%
Total Debt Outstanding as at 30 September 2012	**99,920**	**100.00%**

15.3 As the Committee will be aware from previous reports on this issue, more stringent procedures were introduced during 2011-12 to the collection of long term debt resulting in a significant improvement to the Aged Debt Ratio. However during the last quarter the 5% target has been breached (13.67%). This is partly as a result of the overall debt being so low in quarter 2 that one specific debt for £6,479 moving into the over 85 days category has had a disproportionate increase in the over 85 days ratio. This specific debt relates to compensation monies due to the Authority for salaries paid to a member of staff during a period of absence, as a result of injuries sustained in an accident outside of work. Whilst there is no reason to suggest that this debt will not be paid, actual settlement is subject to the matter being resolved by solicitors.

Payment of Supplier Invoices within 30 days

15.4 The authority attempts to pay its suppliers promptly. The target is that 98% of invoices should be paid within 30 days (or other agreed credit terms). At the end of September our performance stood at 96.26%, which is just below our target.

KEVIN WOODWARD
Treasurer to the Authority

PRUDENTIAL INDICATORS 2012-2013

Prudential Indicators and Treasury Management Indicators	**Forecast £m**	**Target £m**	**Variance (favourable) /adverse**
Capital Expenditure	**8.106**	**10.060**	**(£1.954m)**
Capital Financing Requirement (CFR) - Total - Borrowing - Other long term liabilities	**28.022** 26.464 1.558	**29.961** 28.403 1.558	**(£1.939m)**
Authorised limit for external debt - Total - Borrowing - Other long term liabilities	**28.725** 27.167 1.558	**35.746** 34.159 1.587	**(£7.021m)**
Debt Ratio (debt charges as a %age of total revenue budget	**3.67%**	**3.98%**	**(0.31)bp**
Cost of Borrowing – Total - Interest on existing debt as at 31-3-12 - Interest on proposed new debt in 2012-13	**1.197** 1.147 0050	**1.246** 1.147 0.099	**(£0.049m)**
Investment Income – full year	**0.227**	**0.100**	**(£0.127m)**
	Actual (30 Sept 2012) %	**Target for quarter %**	Variance (favourable) /adverse
Investment Return	**0.67%**	**0.60%**	**(0.07) bp**

Prudential Indicators and Treasury Management Indicators	**Forecast (31 March 2013) %**	**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	3.51%	30.00%	0.00%	(26.49%)
12 months to 2 years	0.99%	30.00%	0.00%	(29.01%)
2 years to 5 years	1.15%	50.00%	0.00%	(48.85%)
5 years to 10 years	5.03%	75.00%	0.00%	(69.97%)
10 years and above	89.31%	100.00%	50.00%	(10.69%)

DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	**RC/12/11**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**19 OCTOBER 2012**
SUBJECT OF REPORT	**TREASURY MANAGEMENT PERFORMANCE 2012-2013 – QUARTER 2**
LEAD OFFICER	**TREASURER**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2012-2013 (to September), as set out in this report, 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. 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 RISKS AND BENEFITS ASSESSMENT (ERBA)	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Investments held as at 30 September 2012.
LIST OF BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) Report DSFRA/12/3 – as approved at the meeting of the DSFRA meeting held on the 17 February 2012.

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) 2011 Treasury Management in Public Services Code of Practice (the Code) and the CIPFA Prudential Code. The most recent revision of the Code was adopted at the meeting of the DSFRA on the 17th February 2012. 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 The preparation of this report demonstrates that the Authority is implementing best practice in accordance with the code.

2. ECONOMIC BACKGROUND

Economic performance to date

2.1 Economic sentiment, in respect of the prospects for the UK economy to recover swiftly from recession, suffered a major blow in August when the Bank of England substantially lowered its expectations for the speed of recovery and rate of growth over the coming months and materially amended its forecasts for 2012 and 2013. It was noted that the UK economy is heavily influenced by worldwide economic developments, particularly in the Eurozone, and that on-going negative sentiment in that area would inevitably permeate into the UK's economic performance.

2.2 With regard to the Eurozone, investor confidence remains weak because successive "rescue packages" have first raised, and then disappointed, market expectations. However, the uncertainty created by the continuing Eurozone debt crisis is having a major effect in undermining business and consumer confidence not only in Europe and the UK, but also in America and the Far East/China.

2.3 In the UK, consumer confidence remains very depressed with unemployment concerns, indebtedness and a squeeze on real incomes from high inflation and low pay rises, all taking a toll. Whilst inflation has fallen considerably (CPI @ 2.6% in July), UK GDP fell by 0.5% in the quarter to 30 June, the third quarterly fall in succession. This means that the UK's recovery from the initial 2008 recession has been the worst and slowest of any G7 country apart from Italy (G7 = US, Japan, Germany, France, Canada, Italy and UK). It is also the slowest recovery from a recession of any of the five UK recessions since 1930 and total GDP is still 4.5% below its peak in 2008.

2.4 This weak recovery has caused social security payments to remain elevated and tax receipts to be depressed. Consequently, the Chancellor's plan to eliminate the annual public sector borrowing deficit has been pushed back further into the future. The Monetary Policy Committee has kept Bank Rate at 0.5% throughout the period while quantitative easing was increased by £50bn to £375bn in July. In addition, in June, the Bank of England and the Government announced schemes to free up banking funds for business and consumers.

2.5 On a positive note, despite all the bad news on the economic front, the UK's sovereign debt remains one of the first ports of call for surplus cash to be invested in and gilt yields, prior to the ECB bond buying announcement in early September, were close to zero for periods out to five years and not that much higher out to ten years.

Outlook for the next six months of 2012/13

2.6 The risks in economic forecasts continue unabated from the previous treasury strategy. Concern has been escalating that the Chinese economy is heading for a hard landing, rather than a gentle slowdown, while America is hamstrung by political deadlock which prevents a positive approach to countering weak growth. Whether the presidential election in November will remedy this deadlock is debatable but urgent action will be required early in 2013 to address the US debt position. However, on 13 September the Fed announced an aggressive stimulus programme for the economy with a third round of quantitative easing focused on boosting the stubbornly weak growth in job creation, and this time with no time limit. They also announced that it was unlikely that there would be any increase in interest rates until at least mid-2015.

2.7 Eurozone growth will remain weak as austerity programmes in various countries curtail economic recovery. A crunch situation is rapidly developing in Greece as it has failed yet again to achieve deficit reduction targets and so may require yet another (third) bail out. There is the distinct possibility that some of the northern European countries could push for the ejection of Greece from the Eurozone unless its financial prospects improve, which does not seem likely at this juncture.

2.8 A financial crisis was also rapidly escalating over the situation in Spain. However, in early September the ECB announced that it would purchase unlimited amounts of shorter term bonds of Eurozone countries which have formally agreed the terms for a bailout. Importantly, this support would be subject to conditions (which have yet to be set) and include supervision from the International Monetary Fund. This resulted in a surge in confidence that the Eurozone has at last put in place the framework for adequate defences to protect the Euro. However, it remains to be seen whether the politicians in charge of Spain and Italy will accept such loss of sovereignty in the light of the verdicts that voters have delivered to the politicians in other peripheral countries which have accepted such supervision and austerity programmes. The Eurozone crisis is therefore far from being resolved as yet. The immediate aftermath of this announcement was a rise in bond yields in safe haven countries, including the UK. Nevertheless, this could prove to be as short lived as previous "solutions" to the

Eurozone crisis.

2.9 The Bank of England Quarterly Inflation Report in August pushed back the timing of the return to trend growth and also lowered its inflation expectations. Nevertheless, concern remains that the Bank's forecasts of a weaker and delayed robust recovery may still prove to be over optimistic given the world headwinds the UK economy faces. Weak export markets will remain a drag on the economy and consumer expenditure will continue to be depressed due to a focus on paying down debt, negative economic sentiment and job fears. The Coalition Government, meanwhile, is likely to be hampered in promoting growth by the requirement of maintaining austerity measures to tackle the budget deficit.

2.10 The overall balance of risks is, therefore, weighted to the downside:

- We expect low growth in the UK to continue, with Bank Rate unlikely to rise in the next 24 months, coupled with a possible further extension of quantitative easing. This will keep investment returns depressed.
- The expected longer run trend for PWLB borrowing rates is for them to eventually rise, primarily due to the need for a high volume of gilt issuance in the UK and the high volume of debt issuance in other major western countries. However, the current safe haven status of the UK may continue for some time, tempering any increases in yield.
- This interest rate forecast is based on an assumption that growth starts to recover in the next three years to a near trend rate (2.5%). However, if the Eurozone debt crisis worsens as a result of one or more countries having to leave the Euro, or low growth in the UK continues longer, then Bank Rate is likely to be depressed for even longer than in this forecast.

<u>Sector's interest rate forecast</u>

2.11 The Sector forecasts below for PWLB rates incorporate the introduction of the **PWLB certainty rate** in November 2012 which will reduce PWLB borrowing rates by 0.20% for this authority.

	as at 17/9/12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%
3 Month Libid	0.55%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.70%	0.90%	1.10%	1.40%
6 Month Libid	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	1.00%	1.10%	1.30%	1.50%	1.80%
12 Month Libid	1.30%	1.30%	1.30%	1.30%	1.40%	1.50%	1.70%	1.90%	2.10%	2.30%	2.60%
5 yr PWLB Rate	1.89%	1.50%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.30%
10 yr PWLB Rate	2.91%	2.50%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.20%	3.30%
25 yr PWLB Rate	4.15%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%
50 yr PWLB Rate	4.32%	3.90%	3.90%	3.90%	4.00%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%

3. TREASURY MANAGEMENT STRATEGY STATEMENT

Annual Investment Strategy

3.1 The Authority's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement (TMSS) was approved by the Authority on the 17th February 2012. It 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 a significant proportion of investments short term to cover short term cash flow needs but also to seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions using the Sector suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Sector.

3.3 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

3.4 A full list of investments held as at 30 September 2012 are shown in Appendix A.

3.5 Investment rates available in the market have continued at historically low levels.

3.6 The average level of funds available for investment purposes during the quarter was £25.048m (£17.980m in previous quarter). 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 for quarter
3 Month LIBID	0.60%	0.67%	£77,658

3.7 As illustrated above, the authority has outperformed the 3 month LIBID benchmark by 0.07 bp. It is anticipated that the budgeted investment return for the year of £0.100m will be overachieved. Our performance so far indicates that the figure will be overachieved by £0.127m.

Borrowing Strategy

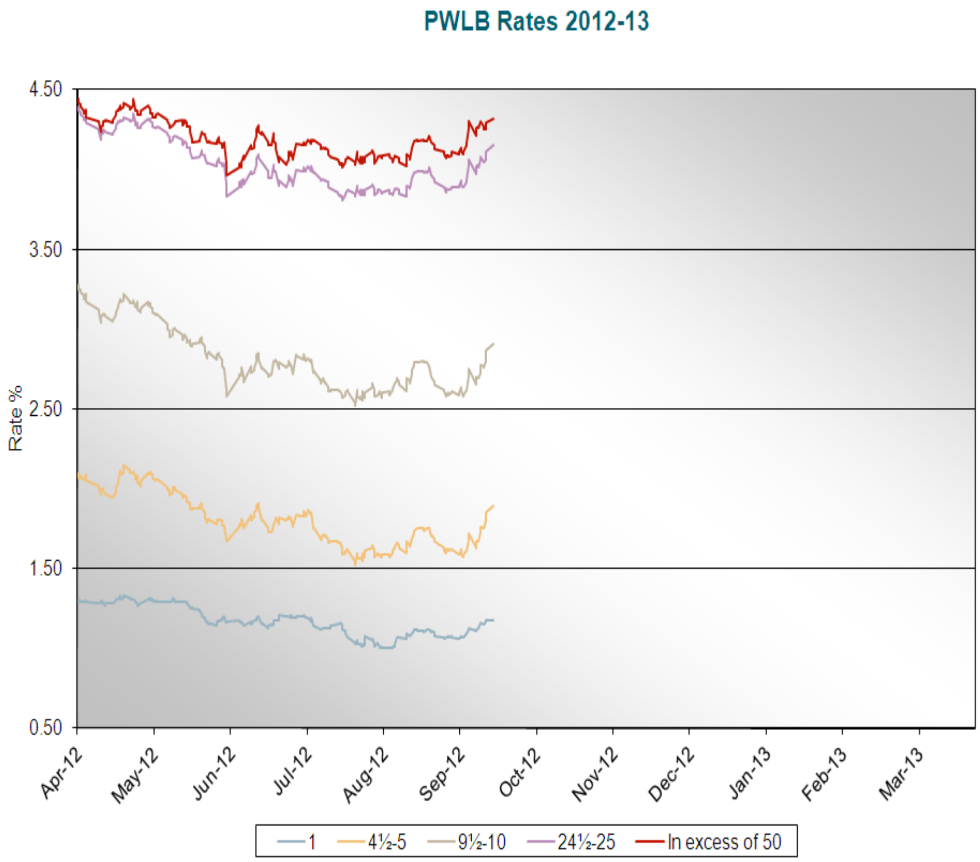
Prudential Indicators:

3.8 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.

3.9 A full list of the approved limits (as amended) are included in the Financial Performance Report 2012-2013, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to September 2012 and that there are no concerns that they will be breached during the financial year.

3.10 Total external borrowing as at 30 September 2012 stood at £28.637m, compared to a figure as at 30 June 2012 of £29.066m. No new borrowing was taken out during the quarter with an amount of £0.699m being repaid. No debt rescheduling was taken out during the quarter.

3.11 The graph and table below show the movement in PWLB rates for the first six months of the year (to 10.9.12): It is anticipated that internal borrowing and available grants will reduce the call on any further borrowing and therefore it is unlikely that any further borrowing will be undertaken this financial year.



4. SUMMARY

4.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides members with a second quarter report of the treasury management activities for 2012-2013. 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 are still low as a consequence of the fall in interest rates, the Authority is still anticipating that the investment returns will be greater than originally budgeted.

KEVIN WOODWARD
Treasurer

Investments as at 30th September 2012

% of total investments	Counterparty	Maximum to be invested (£m)	Total amount invested (£m)	Call or Term	Date if Term	Interest Rate
19.64%	Bank of Scotland	5.0	1.500	T	04/07/2013	3.00%
			1.500	T	04/07/2013	3.00%
			2.000	T	01/02/2013	2.00%
30.44%	Barclays	10.0	2.000	T	30/11/2012	1.24%
			1.750	T	07/12/2012	1.19%
			1.500	T	12/12/2012	0.52%
			2.500	T	16/10/2012	0.76%
19.64%	Ignis Money Market Fund	5.0	5.000	C		Variable
16.54%	Black Rock	5.0	4.210	C		Variable
5.89%	Nationwide B/S	1.5	1.500	T	29/11/2012	0.54%
7.86%	Local Authority	1.5	2.000	T	15/07/2013	0.34%
			25.460			