



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

To: The Chair and Members of the Resources
Committee

(see below)

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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

Thursday, 15th November, 2018

A meeting of the Resources Committee will be held on the above date, **commencing at 10.00 am in Committee Room B in Somerset House, Service Headquarters, Exeter** to consider the following matters.

M. Pearson
Clerk to the Authority

A G E N D A

PLEASE REFER TO THE NOTES AT THE END OF THE AGENDA LISTING SHEETS

- 1 Apologies**
- 2 Minutes (Pages 1 - 4)**
of the previous meeting held on 5 September 2018 attached.
- 3 Items Requiring Urgent Attention**
Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.

PART 1 - OPEN COMMITTEE

- 4 Treasury Management Performance 2018-19 - Quarter 2 (Pages 5 - 12)**
Report of the Director of Finance (Treasurer) (RC/18/17) attached.

5 Financial Performance Report 2018-19 - Quarter 2 (Pages 13 - 24)

Report of the Director of Finance (Treasurer) (RC/18/18) attached.

6 Reserves Benchmarking (Pages 25 - 32)

Presentation to be given at the meeting by the Director of Finance (Treasurer). Slides attached FOR INFORMATION.

7 Exclusion of the Press and Public

RECOMMENDATION that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of Dr. Sian George and Lisa Compton – Red One Limited) be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the following Paragraph of Part 1 of Schedule 12A (as amended) to the Act:

- Paragraph 3 (information relating to the financial and business affairs of any particular person – including the authority holding that information);

PART 2 - ITEMS WHICH MAY BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC

8 Restricted Minutes of the Resources Committee held on 5 September 2018 (Pages 33 - 34)

Restricted Minutes of the meeting held on 5 September 2018 attached.

9 Red One Financial Performance 2018-19 - Quarter 2

Report of the Director of Finance (Treasurer) (RC/18/19) TO FOLLOW.

10 Red One Limited Credit Risk (Pages 35 - 38)

Report of the Director of Finance (Treasurer) (RC/18/20) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Coles (Chair), Biederman, Drean (Vice Chair), Hendy, Peart, Radford and Hook

NOTES

| | |
|-----------|---|
| 1. | <u>Access to Information</u> Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda. |
| 2. | <u>Reporting of Meetings</u> Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chair - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority. Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening. |
| 3. | <u>Declarations of Interests at meetings (Authority Members only)</u> If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must: <ul style="list-style-type: none">(i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a “sensitive” interest – the nature of that interest; and then(ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest. If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have an interest of a sensitive nature. You must still follow (i) and (ii) above. Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation. Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared. |
| 4. | <u>Part 2 Reports</u> Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal. |
| 5. | <u>Substitute Members (Committee Meetings only)</u> Members are reminded that, in accordance with Standing Order 37, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings. |

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RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

5 September 2018

Present:-

Councillors Coles (Chair), Biederman, Drean, Hendy, Peart and Radford

Apologies:-

Councillors Hook.

Also in attendance:

Cllr. Randall Johnson

Dr Sian George, Andrew Andreou, Lisa Compton [Red One Ltd.] and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd] (for Minutes *RC/12 and *RC/13 only)

* RC/1

Minutes

RESOLVED that, subject to the amendment of the attendance list to add “(vice Peart)” after Councillor Randall Johnson, the Minutes of the meeting held on 16 May 2018 be signed as a correct record.

* RC/2

Treasury Management Performance 2018-19 - Quarter 1

The Committee received for information a report of the Director of Finance (Treasurer) that set out details of the treasury management performance for the first quarter of 2018-19 (to June 2018) as compared to the agreed targets for the year.

Adam Burleton, representing Link Asset Services – the Authority’s Treasury Management Adviser – was present at the meeting and gave an overview of the Service’s performance to date against the approved Treasury Management Strategy. He made reference to the following points:

- That economic growth had been weak in the first quarter of 2018-19 at 0.1 to 0.2% although initial indications in quarter 2 were that this had picked up to around 0.4%. Whilst inflation had been running higher than pay growth until recently, this had changed which had impacted on growth although it was anticipated that this would fall back with inflation returning to around 2% later this year;
- There had been increase in the bank base rate to 0.75% in August 2018 although no further rises were forecast until around September 2019;
- The Authority’s focus in past years had been on security and liquidity of its assets over yield;
- The Authority had outperformed the 3 month LIBID benchmark of 0.53% with a return of 0.71% in quarter 1 and investment interest of £0.021m; and
- There had been no new borrowing in this quarter with none planned and current external borrowing reducing to £25.584m by the end of the financial year; and
- the Authority had not breached its Prudential Indicators (affordability limits).

Reference was made at this juncture to the level of Reserves held by the Authority and whether this was being reviewed in the light of statements in the media in terms of local authorities holding too much in Reserves at the expense of keeping precept increases low. The Director of Finance (Treasurer) advised the Committee that this was covered in a report later in the agenda (Minute RC/3 below refers). A Reserves Strategy had been approved by the Authority in July 2018 and it was noted that there would be expenditure of £6.4m from reserves this year which would bring down the level held. Councillor Biederman commented that it would be useful for Members to have a briefing note available to them in the event that they received questions on such media statements to enable them to make an immediate and informed response. The Director of Finance (Treasurer) undertook to action this.

A discussion was also held on the need to maximise the amount of income received and, in respect of the Community Infrastructure Levy (CIL) which could be applied for in terms of new housing developments in particular, that the Authority should ensure that it was on the 1-2-3 list for local authorities.

RC/3

Financial Performance Report 2018-19 - Quarter 1

The Committee considered a report of the Director of Finance (Treasurer) (RC/18/15) that set out the Service's financial performance during the first quarter of 2018-19 against the targets agreed for the current financial year. The report provided a forecast of spending against the 2018-19 revenue budget with explanation of the major variations.

The Committee noted that, at this early stage in the financial year, it was forecast that spending would be £0.750m (1.02%) less than budget. The Director of Finance (Treasurer) advised this was attributable largely to the savings on whole-time pay costs due to high numbers of expected retirements together with additional grant income that had been received due to late changes in National Non-Domestic Rates (NNDR).

The Director of Finance (Treasurer) also explained the reasons behind the proposed budget transfers set out at Table 3 of the report.

RESOLVED

- (a) That the budget transfers shown in Table 3 of this report (and as set out at Appendix A to these Minutes for ease of reference) be recommended to the Devon & Somerset Fire & Rescue Authority for approval;
- (b) That the monitoring position in relation to projected spending against the 2018-19 revenue and capital budgets be noted;
- (c) That the performance against the 2018-19 financial targets be noted.

* **RC/4**

Local Government Financial Settlement 2019-20: Technical Consultation

The Committee considered a report of the Director of Finance (Treasurer) (RC/18/16) that set out a proposed response to the technical consultation issued by the Ministry of Housing, Communities and Local Government in respect of the 2019-20 Local Government Finance Settlement.

The Committee raised the need to comment on the point that flexibility was required in respect of the ability to raise the precept locally in the same way as the Devon & Cornwall Constabulary in 2018-19. The Director of Finance (Treasurer) advised that the Authority could request such changes if the parameters were clear but suggested that the Authority would be better requesting £5 as a cap due to the relative size of precept.

The Director of Finance (Treasurer) added that the complexities of local government funding precept flexibilities needed to be addressed and this had been covered in the paragraph at 4.7 of the report circulated. The Committee noted that an additional suggested comment was included in the response that would cover these matters.

RESOLVED that the proposed consultation response outlined in the report (together with the additional comment at paragraph 4.7) be approved by the Committee for submission to the Ministry of Housing, Communities and Local Government.

* **RC/5** **Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public, with the exceptions of Dr Sian George, Andrew Andreou and Lisa Compton [Red One Ltd.] and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd] be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in the Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

* **RC/6** **Restricted Minutes of the Resources Committee held on 16 May 2018**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972, during which the press and public, with the exceptions of Dr Sian George, Andrew Andreou, Lisa Compton [Red One Ltd.] and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd], were excluded from the meeting).

RESOLVED that the Restricted Minutes of the meeting held on 16 May 2018 be signed as a correct record.

* **RC/7** **Red One Limited Financial Performance: Q1**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972, during which the press and public, with the exceptions of Dr Sian George, Andrew Andreou, Lisa Compton [Red One Ltd.] and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd], were excluded from the meeting).

(Councillors Saywell and Thomas each declared a personal interest in this matter but participated in the debate in accordance with the dispensation granted by the Authority at its Annual Meeting on 8 June 2018 – Minute DSFRA/5(a) refers).

The Committee received for information a report of the Director of Finance (Treasurer) (RC/18/17) that gave an update on the current financial position in respect of Red One Ltd. for Quarter 1 of 2018-19.

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

The Meeting started at 10.00 am and finished at 12.28 pm

APPENDIX A – BUDGET TRANSFERS (MINUTE RC/3 ABOVE REFERS)

| Line Ref | Description | Debit £m | Credit £m |
|----------|--|--------------|----------------|
| | <i>Transfer of budget for staff and office costs from Business Intelligence Hub to the newly formed Data Architecture and Management Team.</i> | | |
| 4 | Non-Uniformed Staff | 0.279 | |
| 5 | Training | 0.003 | |
| 14 | Equipment & Furniture | 0.004 | |
| 22 | Publications/Subscriptions | 0.001 | |
| 4 | Non-Uniformed Staff | | (0.279) |
| 5 | Training | | (0.003) |
| 14 | Equipment & Furniture | | (0.004) |
| 22 | Publications/Subscriptions | | (0.001) |
| | | 0.287 | (0.287) |
| | <i>Maintenance of the New Dimensions assets will no longer be charged or reimbursed through the Service accounts</i> | | |
| 30 | Grants and Reimbursements | 0.273 | |
| 12 | Vehicle Repair & Maintenance | | (0.273) |
| | <i>It was anticipated at budget setting that the full grant for the National Resilience New Dimensions grant would be received in advance in 2017/18 and transferred to an Earmarked Reserve. Only £129,713 was received in advance, with the remaining £815,586 to be received in year.</i> | | |
| 35 | Reduce Transfer from Reserves budget | 0.816 | |
| 30 | Increase Grant budget | | (0.816) |
| | <i>The Airwave grant for 2018/19 was budgeted as grant income whereas it was actually received in 2017/18 and transferred to an Earmarked Reserve.</i> | | |
| 30 | Decrease Grant budget | 0.890 | |
| 35 | Increase Transfer from Reserves budget | | (0.890) |
| | | 2.265 | (2.265) |

Agenda Item 4

| | |
|-----------------------------------|--|
| REPORT REFERENCE NO. | RC/18/17 |
| MEETING | RESOURCES COMMITTEE |
| DATE OF MEETING | 15 NOVEMBER 2018 |
| SUBJECT OF REPORT | TREASURY MANAGEMENT PERFORMANCE 2018-19 – QUARTER 2 |
| LEAD OFFICER | DIRECTOR OF FINANCE (TREASURER) |
| RECOMMENDATIONS | <i>That the performance in relation to the treasury management activities of the Authority for 2018-19 (to September 2018) be noted.</i> |
| EXECUTIVE SUMMARY | The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of Practice for Treasury Management. The 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 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 September 2018. |
| LIST OF BACKGROUND PAPERS | Treasury Management Strategy (including Prudential and Treasury Indicators) as approved at the meeting of the Fire & Rescue Authority held on the 16 February 2018 – Minute DSFRA/64c refers. |

1. **INTRODUCTION**

- 1.1. The Treasury Management Strategy for Devon and Somerset Fire & Rescue Authority has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in Public Services Code of Practice (the Code) and the CIPFA Prudential Code. The Code recommends that Members be updated on treasury management activities regularly (TMSS, annual and midyear reports). This report, therefore, ensures this Authority is implementing best practice in accordance with the Code and 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**

- 2.1. **UK.** The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019. Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

- 2.2. As for the labour market, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.
- 2.3. In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.
- 2.4. **EUROZONE.** Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.
- 2.5. **USA.** President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Federal Bank increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Federal Bank in the second half of 2019.
- 2.6. **China.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.
- 2.7. **Japan.** has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Interest Rate Forecasts

- 2.8. The Authority's treasury advisor, Link Asset Services, has provided the following forecast and commentary in paragraphs 2.9 to 2.10:

| Link Asset Services Interest Rate View | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 |
| Bank Rate View | 0.75% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% | 1.50% | 1.50% |
| 3 Month LIBID | 0.75% | 0.80% | 0.80% | 0.90% | 1.10% | 1.10% | 1.20% | 1.40% | 1.50% | 1.60% | 1.60% |
| 6 Month LIBID | 0.85% | 0.90% | 0.90% | 1.00% | 1.20% | 1.20% | 1.30% | 1.50% | 1.60% | 1.70% | 1.70% |
| 12 Month LIBID | 1.00% | 1.00% | 1.00% | 1.10% | 1.30% | 1.30% | 1.40% | 1.60% | 1.70% | 1.80% | 1.80% |
| 5yr PWLB Rate | 2.00% | 2.00% | 2.10% | 2.20% | 2.20% | 2.30% | 2.30% | 2.40% | 2.50% | 2.50% | 2.60% |
| 10yr PWLB Rate | 2.40% | 2.50% | 2.50% | 2.60% | 2.70% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.10% |
| 25yr PWLB Rate | 2.80% | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.50% | 3.50% |
| 50yr PWLB Rate | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.30% | 3.30% |

- 2.9. The flow of generally positive economic statistics since the last quarter meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However the MPC emphasised again that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019 before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.
- 2.10. The balance of risks to the UK
- The overall balance of risks to economic growth in the UK is probably neutral.
 - The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

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 16 February 2018. It outlines the Authority's investment priorities as follows:
- Security of Capital;
 - Liquidity; and
 - Yield

- 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. This will not only cover short term cash flow needs but will also seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions using the Link suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Link.
- 3.3. The average level of funds available for investment purposes during the quarter was £45.041m (£36.284m at the end of Q.1). These funds were available on a temporary basis and the level of funds was dependent on the level of reserves, timing of precept payments, receipt of grants and progress on the Capital Programme.

| Benchmark | Benchmark Return | Authority Performance | Investment interest to Quarter 2 |
|---------------|------------------|-----------------------|----------------------------------|
| 3 Month LIBID | 0.61% | 0.86% | £0.043m. |

- 3.4. As illustrated, the Authority outperformed the 3 month LIBID benchmark by 0.25bp. It is currently anticipated that the actual investment return for the whole of 2018-19 will exceed the Authority's budgeted investment target by £77k. A full list of investments held as at 30 September 2018 are shown in Appendix A.

Borrowing Strategy

Prudential Indicators:

- 3.5. 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.
- 3.6. A full list of the approved limits are included in the Financial Performance Report 2018-19, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to September 2018 and that there are no concerns that they will be breached during the financial year.

Current external borrowing

- 3.7. The Authority has not taken any external loans since June 2012 and has been using cash resources to meet any capital expenditure. The amount of outstanding external borrowing as at 30 September 2018 was £25.584m, forecast to reduce to £25.537m by the end of the financial year as a result of standard loan repayments. All of this debt is at fixed rate with the remaining principal having an average rate of 4.10% and average life of 25.5 years.

Loan Rescheduling

- 3.8. No debt rescheduling was undertaken during the quarter. The Authority will continue to work closely with our treasury advisors to explore any opportunities to repay existing loans, however current Public Works Loan Board (PWLB) early repayment rates mean there is no financial benefit in undertaking premature loan repayment at this time.

New Borrowing

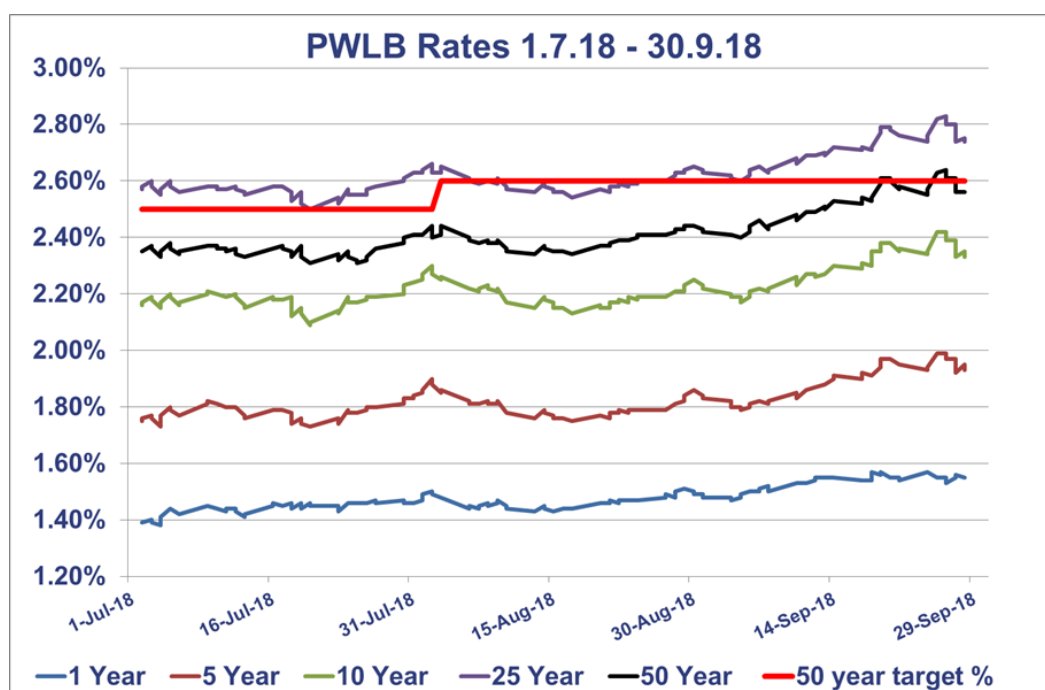
- 3.9. PWLB rates have not been on any consistent trend in this quarter. During the quarter, the 50 year PWLB target (certainty) rate for new long term borrowing was marginally reduced to 2.40%.

- 3.10. No new borrowing was undertaken during the quarter and none is planned during 2018-19 as a result of the Authority's adopted financial strategy to utilise revenue and reserve funds to finance capital investment needs for the medium term.

PWLB rates quarter ended 30 September 2018

| | 1 Year | 5 Year | 10 Year | 25 Year | 50 Year |
|---------|------------|------------|------------|------------|------------|
| 3.4.18 | 1.48% | 1.84% | 2.22% | 2.55% | 2.27% |
| 30.9.18 | 1.55% | 1.93% | 2.33% | 2.74% | 2.56% |
| Low | 1.28% | 1.67% | 2.09% | 2.50% | 2.25% |
| Date | 01/06/2018 | 29/05/2018 | 20/07/2018 | 20/07/2018 | 29/05/2018 |
| High | 1.57% | 1.99% | 2.43% | 2.83% | 2.64% |
| Date | 17/04/2018 | 25/09/2018 | 25/04/2018 | 25/09/2018 | 25/09/2018 |
| Average | 1.46% | 1.84% | 2.25% | 2.64% | 2.41% |

- 3.11. Borrowing rates for this quarter are shown below.



- 3.12. The Authority has not borrowed in advance of need during this quarter.

4. CONCLUSION

- 4.1. In compliance with the requirements of the Chartered Institute of Public Finance and Accountancy Code of Practice of Treasury Management, this report provides the Committee with the first quarter report on treasury management activities for 2018-19 to September 2018. 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. Now that investment returns are recovering from historic lows as a result of the increase in interest rates, the Authority is anticipating that investment returns will exceed the budgeted target due to strong performance of the portfolio; the 2018-19 budget was set assuming higher interest rates throughout the year.

AMY WEBB

Director of Finance (Treasurer)

APPENDIX A TO REPORT RC/18/17

| Counterparty | Maximum to be invested | Amount Invested | Call or Term | Period invested | Interest rate(s) |
|------------------------------|------------------------|-----------------|--------------|-----------------|------------------|
| | £m | £m | | | |
| Bank of Scotland | 7.000 | 2.100 | T | 12 mths | 0.85% |
| | | 3.400 | T | 12 mths | 0.90% |
| | | 1.500 | T | 12 mths | 0.90% |
| Barclays Bank | 8.000 | 3.000 | T | 6 mths | 0.81% |
| | | 2.000 | T | 6 mths | 0.78% |
| | | 3.000 | T | 6 mths | 0.82% |
| Barclays FIBCA | | 0.001 | C | Instant Access | Variable |
| Blackrock | 5.000 | 0.500 | C | Instant Access | Variable |
| Coventry | 4.000 | 3.100 | T | 6 mths | 0.79% |
| Goldman Sachs | 7.000 | 2.000 | T | 6 mths | 0.80% |
| | | 5.000 | T | 6 mths | 0.91% |
| Lloyds Bank | 2.000 | 2.000 | T | 12 mths | 0.90% |
| Santander | 7.000 | 1.000 | T | 6 mths | 0.84% |
| | | 1.000 | T | 6 mths | 0.68% |
| | | 3.000 | T | 12 mths | 0.94% |
| | | 1.000 | T | 6 mths | 0.88% |
| | | 1.000 | T | 6 mths | 0.86% |
| Standard Life | 6.000 | 0.805 | C | Instant Access | Variable |
| Sumitomo Mitsui | 7.000 | 5.000 | T | 12 mths | 0.85% |
| | | 2.000 | T | 6 mths | 0.82% |
| Thurrock Borough Council | 5.000 | 3.500 | T | 12 mths | 0.97% |
| Total amount Invested | | 45.906 | | | |

Agenda Item 5

| | |
|-----------------------------------|---|
| REPORT REFERENCE NO. | RC/18/18 |
| MEETING | RESOURCES COMMITTEE |
| DATE OF MEETING | 15 NOVEMBER 2018 |
| SUBJECT OF REPORT | FINANCIAL PERFORMANCE REPORT 2018-19 – QUARTER 2 |
| LEAD OFFICER | Director of Finance (Treasurer) |
| RECOMMENDATIONS | <p>(a) <i>That the budget transfer shown in Table 3 of this report, be approved;</i></p> <p>(b) <i>That the monitoring position in relation to projected spending against the 2018-19 revenue and capital budgets be noted;</i></p> <p>(c) <i>That the performance against the 2018-19 financial targets be noted.</i></p> |
| 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 2018-19 revenue budget with explanations of the major variations. At this stage in the financial year it is forecast that spending will be £0.825m less than budget, a saving of 1.12% of 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 2018-19. |
| LIST OF BACKGROUND PAPERS | None. |

1. INTRODUCTION

1.1 This report provides the first quarterly financial monitoring report for the current financial year, based upon the position as at the end of September 2018. As well as providing projections of spending against the 2018-19 revenue and capital budget, 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 –PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2018-19

| | Key Target | Target | Forecast Outturn | | Forecast Variance | |
|------------------------|---|----------|------------------|------------------|-------------------|--------------------|
| | | | Quarter 2 | Previous Quarter | Quarter 2 % | Previous Quarter % |
| Revenue Targets | | | | | | |
| 1 | Spending within agreed revenue budget | £73.871m | £73.046m | £73.121m | 1.12% | 1.02% |
| 2 | General Reserve Balance as %age of total budget (minimum) | 5.00% | 7.19% | 7.19% | (2.19)bp* | (2.19)bp* |
| Capital Targets | | | | | | |
| 4 3 | Spending within agreed capital budget | £6.423m | £4.580m | £6.423m | (28.69%) | (0.00%) |
| 4 | External Borrowing within Prudential Indicator limit | £27.029m | £26.747m | £26.896m | (1.04%) | (0.49%) |
| 5 | Debt Ratio (debt charges over total revenue budget) | 5.00% | 3.93% | 3.95% | (1.07)bp* | (1.05)bp* |

*bp = base points

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

- **SECTION A** – Revenue Budget 2018-19.
- **SECTION B** – Capital Budget and Prudential Indicators 2018-19.
- **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. SECTION A - REVENUE BUDGET 2018-19

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 £73.046m, representing a saving against the budget of £0.825m equivalent to 1.12% of the total budget. The forecast incorporates the budget virements requested in Table 3 within this report.

TABLE 2 – REVENUE MONITORING STATEMENT 2018-19

| DEVON & SOMERSET FIRE AND RESCUE AUTHORITY | | | | | | |
|---|--|--------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|--|
| Revenue Budget Monitoring Report 2018/19 | | | | | | |
| Line No | SPENDING | 2018/19 Budget £000 | Year To Date Budget £000 | Spending to Month 6 £000 | Projected Outturn £000 | Projected Variance over/ (under) £000 |
| EMPLOYEE COSTS | | | | | | |
| 1 | Wholetime uniform staff | 28,651 | 14,281 | 14,092 | 28,444 | (208) |
| 2 | On-call firefighters | 12,820 | 6,119 | 5,419 | 12,641 | (179) |
| 3 | Control room staff | 1,597 | 792 | 695 | 1,422 | (175) |
| 4 | Non uniformed staff | 10,878 | 5,433 | 5,218 | 10,713 | (165) |
| 5 | Training expenses | 726 | 513 | 595 | 721 | (5) |
| 6 | Fire Service Pensions recharge | 2,703 | 1,564 | 1,309 | 2,706 | 3 |
| | | 57,375 | 28,702 | 27,329 | 56,646 | (729) |
| PREMISES RELATED COSTS | | | | | | |
| 7 | Repair and maintenance | 1,136 | 527 | 652 | 1,146 | 10 |
| 8 | Energy costs | 573 | 241 | 98 | 553 | (20) |
| 9 | Cleaning costs | 458 | 229 | 404 | 509 | 51 |
| 10 | Rent and rates | 1,747 | 1,027 | 1,054 | 1,790 | 43 |
| | | 3,914 | 2,024 | 2,208 | 3,998 | 84 |
| TRANSPORT RELATED COSTS | | | | | | |
| 11 | Repair and maintenance | 601 | 437 | 348 | 690 | 89 |
| 12 | Running costs and insurances | 1,204 | 771 | 605 | 1,221 | 17 |
| 13 | Travel and subsistence | 1,455 | 640 | 1,024 | 1,482 | 27 |
| | | 3,260 | 1,849 | 1,977 | 3,393 | 133 |
| SUPPLIES AND SERVICES | | | | | | |
| 14 | Equipment and furniture | 3,037 | 1,518 | 1,456 | 3,149 | 112 |
| 16 | Hydrants-installation and maintenance | 190 | 95 | 43 | 183 | (7) |
| 17 | Communications | 2,086 | 1,043 | 1,715 | 2,048 | (38) |
| 18 | Uniforms | 644 | 322 | 278 | 681 | 37 |
| 19 | Catering | 65 | 32 | 29 | 62 | (3) |
| 20 | External Fees and Services | 144 | 72 | 77 | 158 | 14 |
| 21 | Partnerships & regional collaborative projects | 237 | 119 | 113 | 237 | - |
| | | 6,401 | 3,201 | 3,712 | 6,516 | 115 |
| ESTABLISHMENT COSTS | | | | | | |
| 22 | Printing, stationery and office expenses | 306 | 172 | 117 | 339 | 33 |
| 23 | Advertising | 20 | 10 | 20 | 23 | 3 |
| 24 | Insurances | 356 | 336 | 179 | 356 | - |
| | | 682 | 518 | 315 | 718 | 36 |
| PAYMENTS TO OTHER AUTHORITIES | | | | | | |
| 25 | Support service contracts | 669 | 297 | 308 | 678 | 9 |
| | | 669 | 297 | 308 | 678 | 9 |
| CAPITAL FINANCING COSTS | | | | | | |
| 26 | Capital charges | 3,802 | 576 | 90 | 3,802 | - |
| 27 | Revenue Contribution to Capital spending | 2,084 | 0 | 0 | 2,084 | - |
| | | 5,886 | 576 | 90 | 5,886 | - |
| 28 | TOTAL SPENDING | 78,187 | 37,166 | 35,939 | 77,834 | (352) |
| INCOME | | | | | | |
| 29 | Investment income | (201) | (101) | (43) | (278) | (77) |
| 30 | Grants and Reimbursements | (2,300) | (1,324) | (1,194) | (2,750) | (450) |
| 31 | Other income | (777) | (302) | (395) | (712) | 65 |
| 32 | Internal Recharges | (18) | (9) | (20) | (29) | (11) |
| 33 | TOTAL INCOME | (3,296) | (1,735) | (1,652) | (3,768) | (473) |
| 34 | NET SPENDING | 74,891 | 35,430 | 34,287 | 74,066 | (825) |
| TRANSFERS TO EARMARKED RESERVES | | | | | | |
| 35 | Transfer to (from) Earmarked Reserve | (1,020) | - | (1,020) | (1,020) | - |
| 38 | NET SPENDING | 73,871 | 35,430 | 33,267 | 73,046 | (825) |

2.2 These forecasts are based upon the spending position at the end of September 2018, 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.

2.3 Explanations of the more significant variations from budget (over £50k variance) are explained below.

3. NARRATIVE ON VARIANCES AGAINST BUDGET

Since the last report to the Resources Committee a pay award of 2% has been accepted and paid to Uniformed staff. The forecasts for Wholetime, On Call and Control Room staff have been amended to reflect this.

Wholetime Staff

3.1 At this stage it is projected that spending on wholetime pay costs will be £0.208m less than budget. The forecast saving is mainly due to the saving against budgeted pay award of 1%, there are also a high number of retirements expected during the year, the resulting vacancies will be covered by fixed term contracts with existing on call staff.

On Call Staff

3.2 On Call staffing costs are forecast at £12.641m against a budget of £12.820m, an under spend of £0.179m, largely due to savings on pay award. Due to the nature of the On Call service, there is potential for the forecast to fluctuate throughout the year.

Control Room Staff

3.3 Savings of £0.175m are expected against the budget for Control staff. When the budget was set, an additional staff member on each shift was included to cover control technology training but this is no longer required. Savings on the pay award have also contributed to the under spend.

Non Uniformed Staff

3.4 In- year savings of £0.165m are expected against the budget of £10.878m for Non Uniformed staff. The under spend is as a result of vacancies pending recruitment or being held pending reorganisation.

Cleaning Costs

3.5 Cleaning costs are expected to be £0.051m over budget. This is due to a new cleaning contract being let in the year since the budget was set and reflects cost pressures such as minimum wage inflation.

Transport Repair and Maintenance

3.6 Repair and Maintenance costs are forecast to be £0.089m higher than budget due to an increase in unscheduled repairs and a new requirement to fit out National Incident Liaison Officer vehicles with additional kit. As the Capital Programme progresses and newer vehicles are brought in to service these costs should come down.

Equipment and Furniture

- 3.7 Equipment & Furniture is forecast to be overspent by £0.112m. Of this amount, £0.052m is for thermal imaging cameras and £0.023m for equipment bags – neither of these items were in the original budget but are needed for operational requirements. Replacing the equipment stolen from Dartmouth Fire Station will cost £0.040m and there may be some delay in recovering those costs from insurers (when received that will be credited to other income).

Investment Income

- 3.8 Interest on the Authority's investments is expected to outperform the budget of £0.201m by £0.077m, this is due to careful investment planning by the Finance Team which enables longer term investments to be made with a stronger yield.

Grants and Reimbursements

- 3.9 Grants & reimbursements - forecasting a positive variance at £0.450m over budget. £0.288m is additional income since the budget was set due to late notifications of changes to National Non-Domestic Rates (NNDR) income and Rural Services Delivery Grant. Additionally, £0.031m of unbudgeted income is included for the inflationary element of the Airwave grant. A further £0.160m income is expected to be recovered from the secondment of two Officers from the Service to the Data Analytics project, as these are now agreed to the end of the financial year.

Other Income

- 3.10 Other Income is forecast to be £0.065m less than budget. Positive variances of £0.082m due to Procurement Framework income and the Heartstart initiative are offset by under recovery in other areas; most notably co-responding income is predicted at £0.122m below budget due to a change in the category of call outs, Red One recharges are expected to be £0.019m less than budget due to forecast turnover.
- 3.11 The Committee is asked to recommend to the Devon & Somerset Fire & Rescue Authority the budget virements (transfers between budget lines) shown in Table 3 below for approval. The transfers are reflected in Table 2 - budget monitoring statement and a narrative behind each budget transfer is provided within the table below.

TABLE 3 – BUDGET TRANSFERS

| Line Ref | Description | Debit £m | Credit £m |
|----------|---|--------------|----------------|
| | <i>Reinvestment of back dated site sharing income to Estate maintenance</i> | | |
| 7 | Premises Repair and Maintenance | 0.081 | |
| 31 | Other income | | (0.081) |
| | | 0.081 | (0.081) |

4. **RESERVES AND PROVISIONS**

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

Reserves

4.2 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

4.3 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.

4.4 A summary of predicted balances on Reserves and Provisions is shown in Table 4 overleaf. These figures include the changes made to Reserves as a result of the Reserves Strategy which was approved by the Fire Authority on 30 July 2018.

TABLE 4 – FORECAST RESERVES AND PROVISION BALANCES 30 SEPTEMBER 2018

| RESERVES AND PROVISIONS | | | | | |
|--|---------------------------------------|-------------------------------|---------------------------------|---------------------------------------|---|
| | Balance as at 1 April 2018 £000 | Approved Transfers £000 | Spending to Month 06 £000 | Forecast Spend 2018- 19 £000 | Proposed Balance as at 31 March 2019 £000 |
| RESERVES | | | | | |
| Earmarked reserves | | | | | |
| Grants unapplied from previous years | (1,376) | - | 14 | 1,067 | (308) |
| Invest to Improve | (6,424) | - | 354 | 903 | (5,521) |
| Budget Smoothing Reserve | (918) | (900) | - | - | (1,818) |
| Direct Funding to Capital | (16,647) | - | - | 273 | (16,374) |
| Projects, risks, & budget carry forwards | | | | | |
| PFI Equalisation | (295) | - | - | - | (295) |
| Emergency Services Mobile Communications Programme | (921) | - | 35 | 39 | (882) |
| Breathing Apparatus Replacement | (1,650) | - | 215 | 1,000 | (650) |
| Mobile Data Terminals Replacement | (800) | - | 75 | 798 | (2) |
| PPE & Uniform Refresh | (504) | - | 16 | 31 | (473) |
| Pension Liability reserve | (1,525) | 900 | - | 593 | (32) |
| National Procurement Project | (215) | - | 93 | 127 | (88) |
| Budget Carry Forwards | (598) | - | 168 | 415 | (183) |
| Commercial Services | (72) | - | - | 20 | (52) |
| Total earmarked reserves | (31,944) | - | 968 | 5,267 | (26,676) |
| General reserve | | | | | |
| General Fund balance | (5,315) | - | - | - | (5,315) |
| Percentage of general reserve compared to net budget | | | | | 7.19% |
| TOTAL RESERVE BALANCES | (37,259) | | | 5,267 | (31,991) |
| PROVISIONS | | | | | |
| Fire fighters pension schemes | (754) | - | - | 100 | (654) |

5. **SUMMARY OF REVENUE SPENDING**

5.1 At this stage early stage in the year, it is forecast that spending will be £0.875m below the budget figure for 2018-19. Cost pressures arising in year are offset by additional income so the savings are arising from staffing efficiencies and pay settlements. At the moment, no recommendations are made as the use of these savings.

6. **SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2018-19**

Monitoring of Capital Spending in 2018-19

6.1 Table 5 below provides a summary of anticipated expenditure for this financial year and demonstrates the funding requirements.

6.2 At the end of Quarter 2 there is a forecast timing difference of £1.843m against the capital programme of £6.423m.

6.3 **Estates** £0.100m of timing differences have arisen at the planning stage of the new Brixham station as a result of sewerage issues with South West Water. On the maintenance programme several projects will now be completed in the next financial year, the rebuild of Camel's Head station being the most significant at £0.378m.

6.4

Fleet Several projects are subject to timing differences which means they will now be delivered in 2019/20; £0.400m for eight 4x4 vehicles and £0.125m for a water bowser as a new procurement specification is required; the replacement of two Incident Support Units is now awaiting the result of the Change and Improvement plan at £0.210m.

TABLE 5 – FORECAST CAPITAL EXPENDITURE 2018-19

| Capital Programme 2018/19 | | | | | |
|---------------------------|---|--------------------------------------|--|--|---|
| Item | PROJECT | 2018/19 £000 Revised Budget | 2018/19 £000 Forecast Outturn | 2018/19 £000 Timing Differences | 2018/19 £000 Re- scheduling / Savings |
| | Estate Development | | | | |
| 1 | Site re/new build | 200 | 100 | (100) | 0 |
| 2 | Improvements & structural maintenance | 3,113 | 2,105 | (1,008) | 0 |
| | Estates Sub Total | 3,313 | 2,205 | (1,108) | 0 |
| | Fleet & Equipment | | | | |
| 3 | Appliance replacement | 2,129 | 1,519 | (610) | 0 |
| 5 | Specialist Operational Vehicles | 125 | 0 | (125) | 0 |
| 6 | Equipment | 583 | 583 | 0 | 0 |
| 7 | ICT Department | 227 | 227 | 0 | 0 |
| 8 | Water Rescue Boats | 46 | 46 | 0 | 0 |
| | Fleet & Equipment Sub Total | 3,110 | 2,375 | (735) | 0 |
| | Overall Capital Totals | 6,423 | 4,580 | (1,843) | 0 |
| | Programme funding | | | | |
| | Earmarked Reserves: | | | | |
| 9 | Capital reserve | 2,116 | 273 | (1,843) | 0 |
| 10 | USAR - Water Rescue Boats | 12 | 12 | 0 | 0 |
| | Earmarked Reserves: | 2,128 | 285 | (1,843) | 0 |
| | Revenue funds: | | | | |
| 11 | Revenue contribution to capital in year | 2,084 | 2,084 | 0 | 0 |
| 12 | Red One contribution to capital | 300 | 300 | 0 | 0 |
| | Revenue funds: | 2,384 | 2,384 | 0 | 0 |
| 14 | Application of existing borrowing | 1,911 | 1,911 | 0 | 0 |
| | Total Funding | 6,423 | 4,580 | (1,843) | 0 |

Prudential Indicators (including Treasury Management)

- 6.5 Total external borrowing with the Public Works Loan Board (PWLB) as at 30 September 2018 stands at £25.584m and is forecast to reduce to £25.537m as at 31 March 2019. This level of borrowing is well within the Authorised Limit for external debt of £27.029m (the absolute maximum the Authority has agreed as affordable). No further external borrowing is planned in this financial year.
- 6.5 Investment returns in the quarter yielded an average return of 0.86% which outperforms the LIBID 3 Month return (industry benchmark) of 0.61%. It is forecast that investment returns from short-term deposits will surpass the budgeted figure by £0.077m at 31 March 2019.
- 6.6 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2018-19, which illustrates that there is no anticipated breach of any of these indicators.

7. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

- 7.1 Total debtor invoices outstanding as at Quarter 1 were £875,765, table 6 below provides a summary of all debt outstanding as at 30 September 2018.
- 7.2 Of this figure an amount of £558,987 (£351,904 at Quarter 1) was due from debtors relating to invoices that are more than 85 days old, equating to 64.57% (53.9% at Quarter 1) of the total debt outstanding.

TABLE 6 – OUTSTANDING DEBT AT END OF QUARTER

| | Total Value £ | % |
|---|--------------------------|----------------|
| Current (allowed 28 days in which to pay invoice) | 0 | 0.00% |
| 1 to 28 days overdue | 193,642 | 22.37% |
| 29-56 days overdue | 45,662 | 5.27% |
| 57-84 days overdue | 67,474 | 7.79% |
| Over 85 days overdue | 558,987 | 64.57% |
| Total Debt Outstanding as at 30 September 2018 | 865,766 | 100.00% |

7.3

Table 7 below provides further analysis of those debts in excess of 85 days old.

TABLE 7 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

| | No | Total Value | Action Taken |
|---------------------|-----------|--------------------|---|
| Name not disclosed. | 4 | £1,305 | This debt results from the vehicle costs of an ex-employee (being paid in instalments) and salary overpayments which are subject to instalment plans and 1 x debt recovery procedures |
| Red One Ltd | 45 | £553,210 | Discussions are ongoing with Red One Ltd regarding settlement of the outstanding balance. |
| Various | 2 | £1,147 | Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery officer where appropriate. |

AMY WEBB
Director of Finance (Treasurer)

PRUDENTIAL INDICATORS 2018-19

| Prudential Indicators and Treasury Management Indicators | | Forecast Outturn £m | Target £m | Variance (favourable) /adverse £m |
|--|----------------------------------|-------------------------------|----------------------------|--|
| Capital Expenditure | | 4.580 | 6.423 | (1.843) |
| External Borrowing vs Capital Financing Requirement (CFR) - Total | | 26.746 | 26.747 | (0.001) |
| - Borrowing | | 25.537 | 25.538 | |
| - Other long term liabilities | | 1.209 | 1.209 | |
| External borrowing vs Authorised limit for external debt - Total | | 26.746 | 28.367 | (1.621) |
| - Borrowing | | 25.537 | 27,007 | |
| - Other long term liabilities | | 1.209 | 1.359 | |
| Debt Ratio (debt charges as a %age of total revenue budget) | | 3.92% | 5.00% | (1.07)bp |
| Cost of Borrowing – Total | | 1.084 | 1.084 | (0.000) |
| - Interest on existing debt as at 31-3-18 | | 1.084 | 1.084 | |
| - Interest on proposed new debt in 2018-19 | | 0.000 | 0.000 | |
| Investment Income – full year | | 0.278 | 0.201 | (0.077) |
| | | Actual (30 Sept 2018) % | Target for quarter % | Variance (favourable) /adverse |
| Investment Return | | 0.86% | 0.61% | (0.25)bp |
| Prudential Indicators and Treasury Management Indicators | Forecast (30 March 2019) % | 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 | 0.36% | 30.00% | 0.00% | (29.64%) |
| 12 months to 2 years | 2.31% | 30.00% | 0.00% | (27.69%) |
| 2 years to 5 years | 4.21% | 50.00% | 0.00% | (45.79%) |
| 5 years to 10 years | 14.95% | 75.00% | 0.00% | (60.05%) |
| 10 years and above | 77.80% | 100.00% | 50.00% | (22.20%) |
| - 10 years to 20 years | 11.24% | | | |
| - 20 years to 30 years | 15.61% | | | |
| - 30 years to 40 years | 49.00% | | | |
| - 40 years to 50 years | 1.95% | | | |

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**DEVON &
SOMERSET**
FIRE & RESCUE SERVICE

Reserves Benchmarking

**Resources Committee
15 November 2018**

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Agenda Item 6



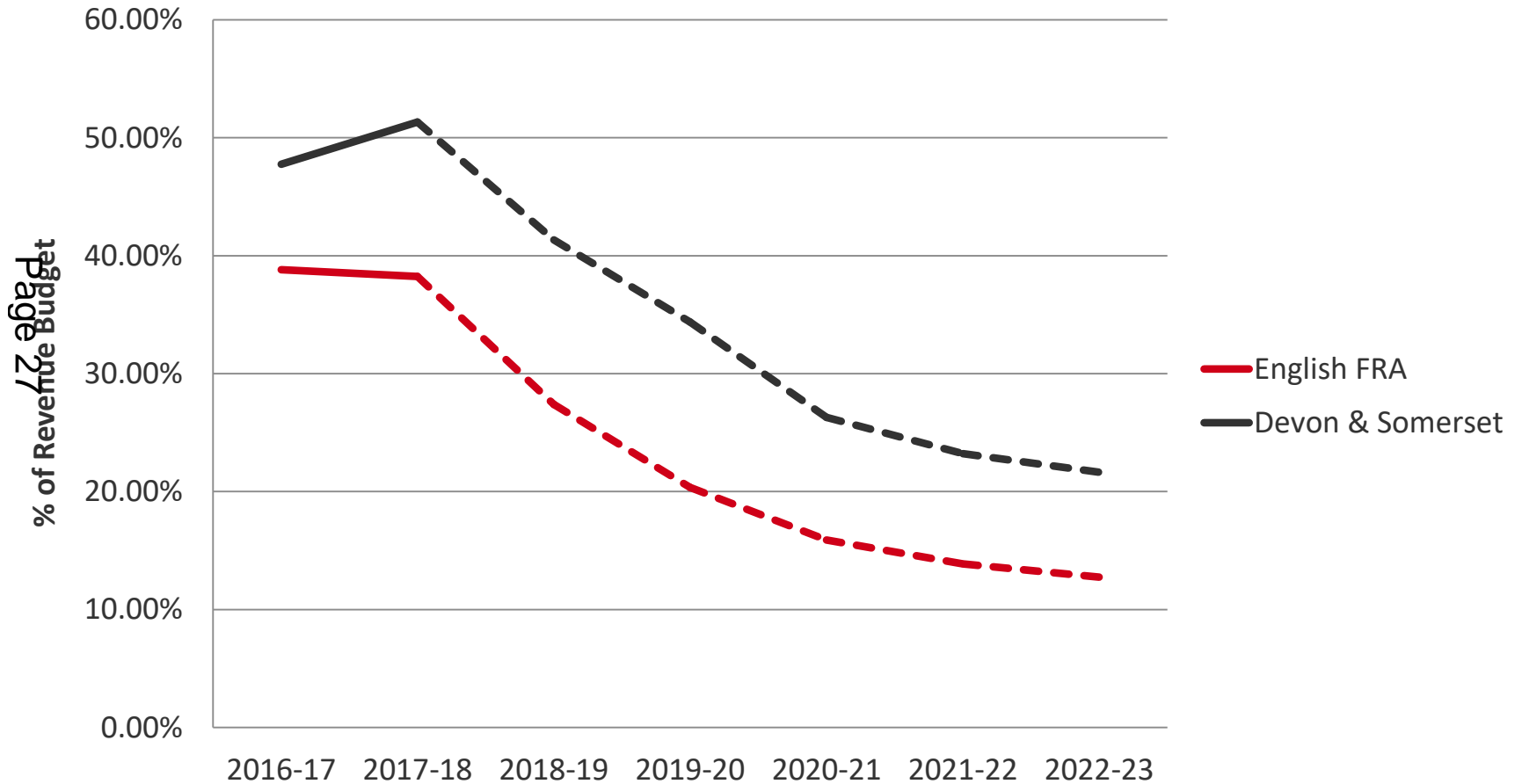
Reserves Survey Development

- Led by Devon & Somerset
- Used for narrative to support the NFCC finance committee in its submission for the next Spending Review
- Consolidates information for all English Fire and Rescue Authorities



Total Reserves

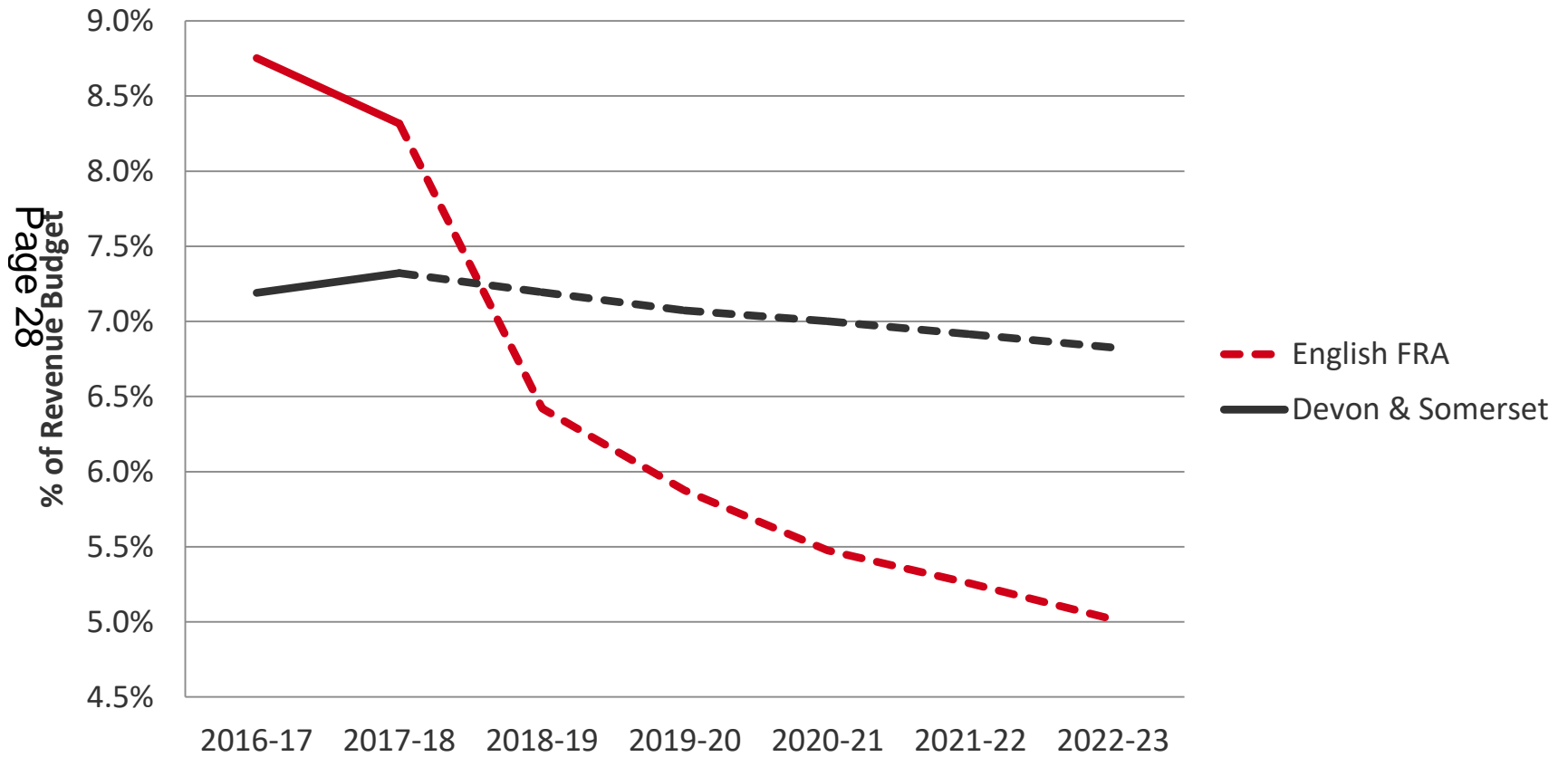
Useable Reserves vs. Revenue Budget





General Fund

General Reserves vs. Revenue Budget





Reminder: General Fund

- Framework requires justification of General Fund > 5% of Revenue Budget
- DSFRA General Fund is 7.19% - has not been enhanced recently but Revenue Budget has shrunk
- Risk Assessment based on financial risks x likelihood of occurrence = £5.329m
- DFSRA General Fund = £5.315m

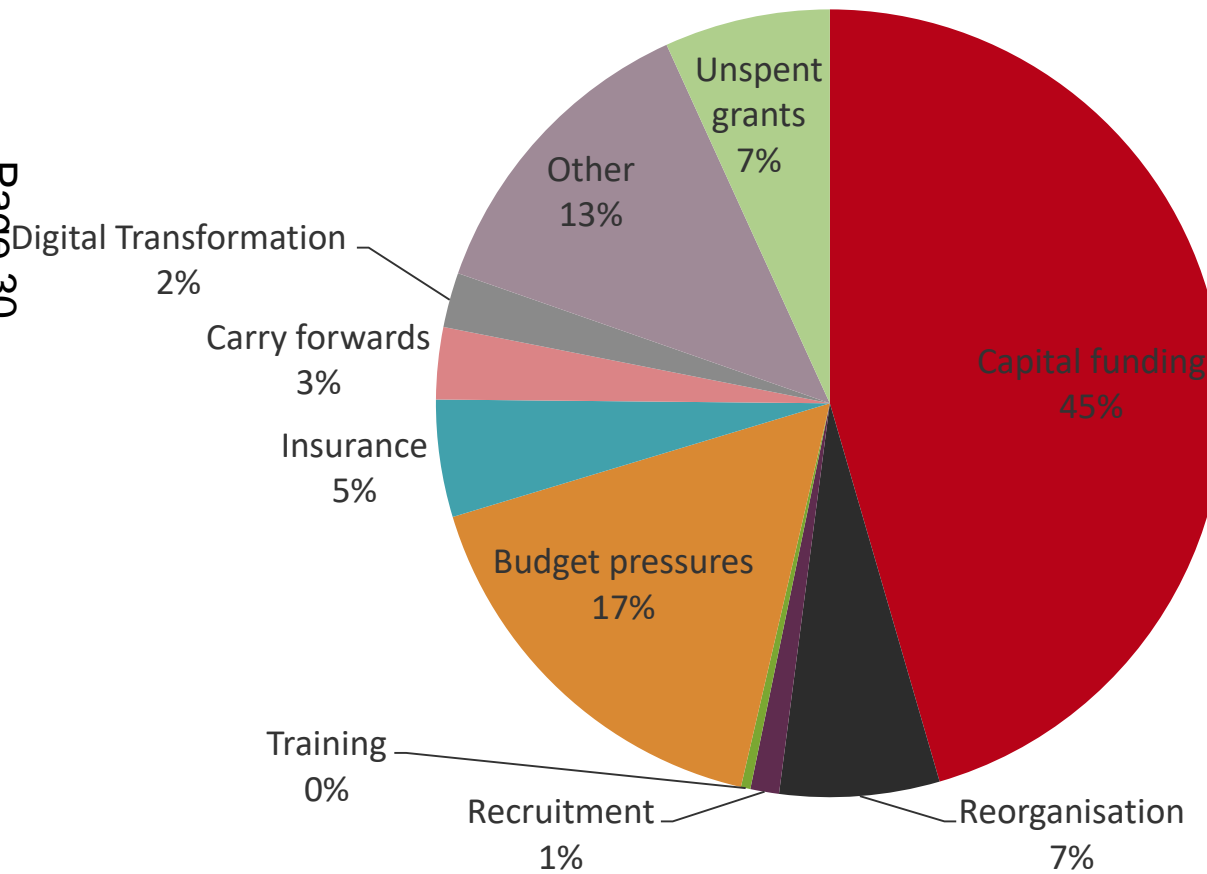
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Reserves make-up

Make up of Reserves 2018/19 - English FRA

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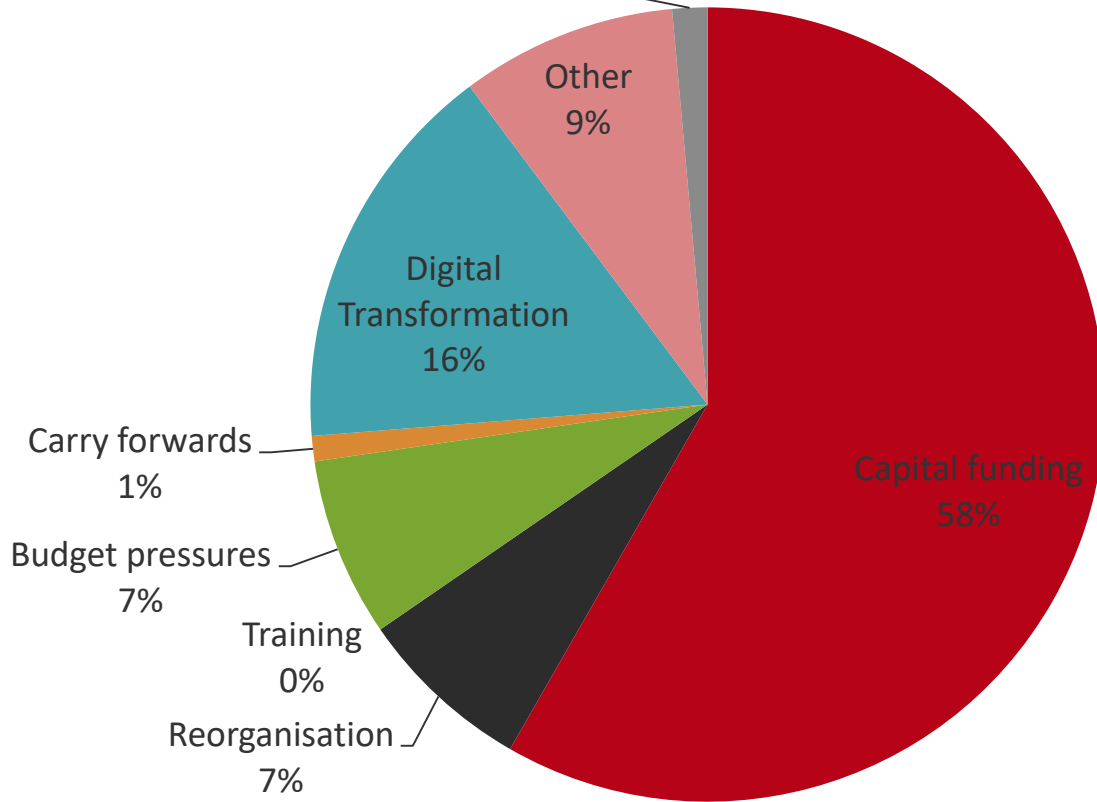


Reserves Make Up

Unspent grants
2%

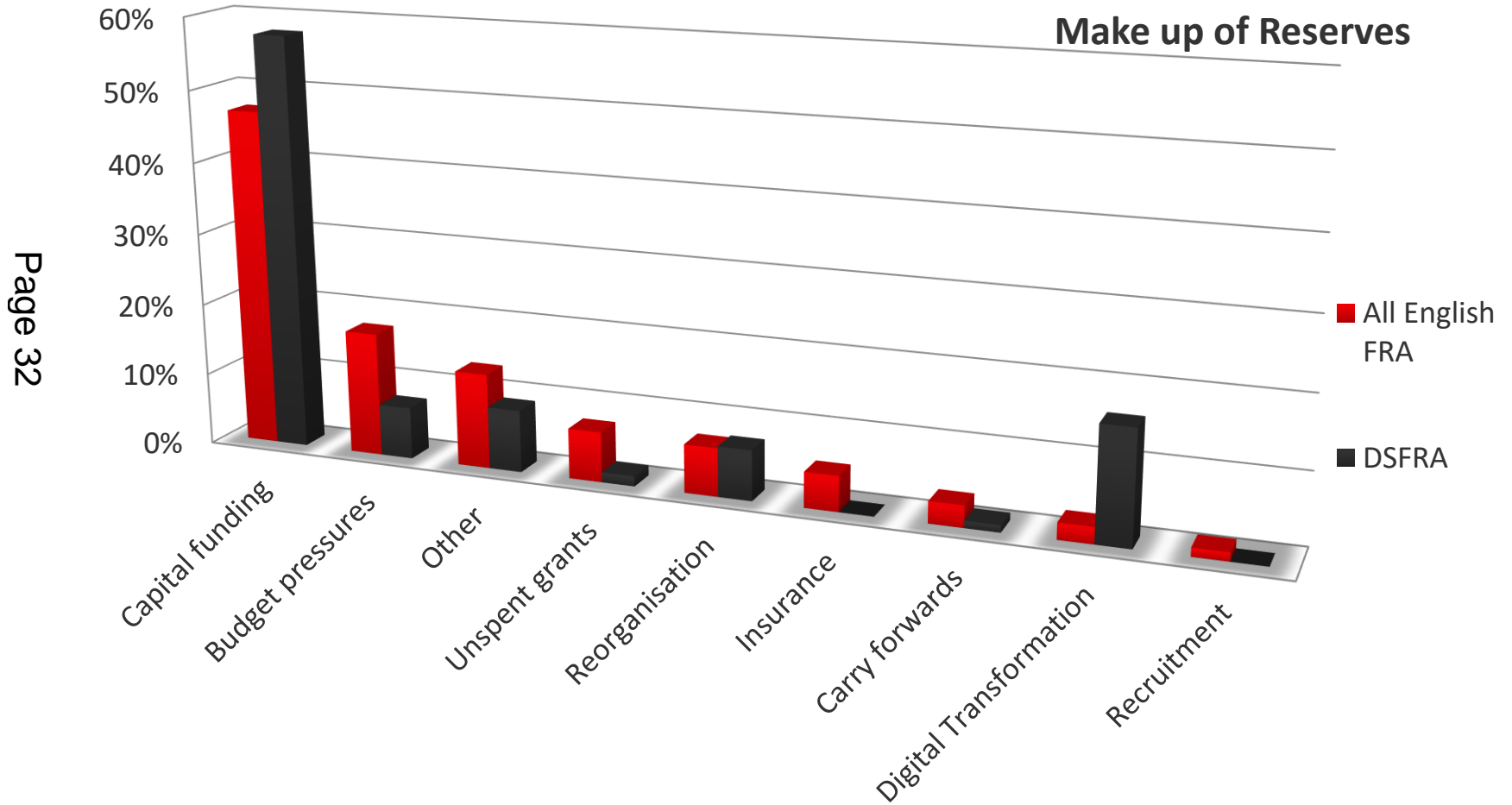
Make up of Reserves 2018/19 - DSFRA

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Comparison



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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