



# DEVON & SOMERSET FIRE & RESCUE AUTHORITY

M. Pearson  
CLERK TO THE AUTHORITY

To: The Chair and Members of the Resources  
Committee

(see below)

SERVICE HEADQUARTERS  
THE KNOWLE  
CLYST ST GEORGE  
EXETER  
DEVON  
EX3 0NW

Your ref :  
Our ref : RC/MP/SS  
Website : [www.dsfire.gov.uk](http://www.dsfire.gov.uk)

Date : 13 November 2019  
Please ask for : Sam Sharman  
Email : [ssharman@dsfire.gov.uk](mailto:ssharman@dsfire.gov.uk)

Telephone : 01392 872200  
Fax : 01392 872300  
Direct Telephone : 01392 872393

## **RESOURCES COMMITTEE** **(Devon & Somerset Fire & Rescue Authority)**

**Thursday 21 November 2019**

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 4 September 2019 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 2019-20 - Quarter 2 (Pages 5 - 12)**  
Report of the Director of Finance & Resourcing (Treasurer) (RC/19/18) attached.

**5     Financial Performance Report 2019-20 - Quarter 2 (Pages 13 - 22)**

Report of the Director of Finance & Resourcing (Treasurer) (RC/19/19) attached.

**6     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 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 involve the likely disclosure of exempt information as defined in the following Paragraph of Part 1 of Schedule 12A (as amended) to the Act, namely:

- 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**

**7     Restricted Minutes of Resources Committee held on 4 September 2019 (Pages 23 - 24)**

The Restricted Minutes of the meeting held on 4 September 2019 attached.

**8     Red One Limited Financial Performance 2019-20: Quarter 2 (Pages 25 - 30)**

Report of the Director of Finance & Resourcing (Treasurer) and Dr Sian George (Chair of the Board of Red One Limited) (RC/19/20) attached.

**MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER**

Membership:-

Councillors Coles (Vice-Chair), Biederman, Drean (Chair), Peart, Radford, Tuffin and Yabsley

**NOTES**

<b>1.</b>	<b><u>Access to Information</u></b> 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.
<b>2.</b>	<b><u>Reporting of Meetings</u></b> 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.
<b>3.</b>	<b><u>Declarations of Interests at meetings (Authority Members only)</u></b> 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"><li>(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</li><li>(ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest.</li></ul> 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.
<b>4.</b>	<b><u>Part 2 Reports</u></b> 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.
<b>5.</b>	<b><u>Substitute Members (Committee Meetings only)</u></b> 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.

This page is intentionally left blank

## RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

4 September 2019

### Present:-

Councillors Drean (Chair), Coles (Vice-Chair), Biederman, Peart, Radford and Yabsley.

### Apologies:-

Councillor Singh

### In attendance:-

Councillor Randall Johnson (Authority Chair) - in accordance with Standing Order 38

#### \* **RC/1**      **Minutes**

**RESOLVED** that the non-restricted Minutes of the meeting held on 15 May 2019 be signed as a correct record.

#### \* **RC/2**      **Treasury Management Performance 2019-20: Quarter 1**

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

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) (RC/19/15) that set out the Authority's treasury management performance relating to the first quarter of 2019-20 (to June 2019) in accordance with the Treasury Management in Public Service Code of Practice (published by the Chartered Institute of Public Finance and Accountancy's – CIPFA) and the CIPFA Prudential Code.

The report set out how this Authority was demonstrating best practice in accordance with these Codes and notably:

- That the annual treasury management strategy continued on a prudent approach, being underpinned by investment priorities based on security of capital, liquidity and yield with investment income of £0.063m in quarter 1 (to June 2019) outperforming the LIBID benchmark rate of 0.68% by 0.13bp;
- None of the Prudential Indicators (affordability limits) had been breached in quarter 1 with external borrowing at 30 June 2019 being £25.537m, forecast to reduce to £25.444m by the end of the financial year with no new borrowing undertaken.

The Committee noted that there was concern in respect of the general weakening of growth in the major world economies. The UK had seen growth of 0.5% in quarter 1 as opposed to 1.4% in 2018 with CPI inflation at around 2% although this could rise to around 4% if there was a "no deal" Brexit. There was still a lot of uncertainty as a result of Brexit and markets were suffering with potential volatility predicted for the 2<sup>nd</sup> quarter. For the UK, however, the Public Works Loan Board (PWLB) rate was at its lowest with local authorities able to borrow at 1.5%.

In response to a question in respect of further borrowing to assist the proposed new service operating model, the Director of Finance & Resourcing (Treasurer) advised that the Authority could only borrow for capital projects although this had to be within its affordability limits. The Authority was seeking to reduce its level of debt, however, and although it was much cheaper to borrow currently, provision had to be made for repayment of debt charges out of revenue with the current repayment charge being £3m per year. This was being reduced to free up funding for front line services. The Authority had prudently set aside £20m in reserves for capital projects so no new borrowing would be required within the next 5 years. The Director of Finance & Resourcing (Treasurer) advised that the Authority's Capital Strategy was available on the website for reference.

RC/3

### **Financial Performance Report 2019-20: Quarter 1**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/19/16) that set out the Service's financial performance during the first quarter of 2019-20 against the targets agreed for the current financial year. The report provided a forecast of spending against the 2019-20 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 £0.175m (0.22%) less than budget. The Director of Finance & Resourcing (Treasurer) advised this was attributable largely to the savings on wholetime pay costs due to a high number of expected retirements during this year.

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

Reference was made to the following points:

- Resourcing of hydrants installation and maintenance - there had been an increase in staffing within the hydrants team and more efficient approach had been instigated with risk based inspections to achieve safe water supplies at a total cost of about £400k per year (including staffing and supplies) and the Director of Finance & Resourcing agreed to clarify this position separately;
- costs of the Fire Service pensions - costs of the scheme were met by the Authority together with employee contributions, with the balance being funded by a central government grant. Under the 2015 Firefighters' Pension Scheme, the 'Normal Retirement Age' was increased from 50 (in the 1992 Scheme) to 60 and, because of the transition regulations, a lot of staff now had a pension split between the two schemes. The Director of Finance & Resourcing (Treasurer) stated that she had been working on a briefing on this matter for Members of Parliament which would explain the Authority's position more clearly and that she would circulate this by email to the Committee for reference;
- the terminology in Table 3 was questioned in terms of "uniformed" and "non-uniformed" staff because it was felt that it was not inclusive. However, it was reported that it was not a simple issue to resolve as there were 'front line' and 'support' staff under both Grey Book (uniformed) and Green Book (non-uniformed) conditions of employment. This made it difficult to distinguish between the two groups of employees (as required under national accounting reporting arrangements) in a way that it could be easily understood in public reports. The Finance Team was asked to review this and consider whether it was possible to make the terminology more inclusive in future reports.

## RESOLVED

- (a) That the budget transfers shown in Table 3 below be recommended to the Devon & Somerset Fire & Rescue Authority for approval;

Line Ref	Description	Debit £m	Credit £m
	<i>Transfer of budget relating to the Airwave Grant moving it to match where the income has been credited.</i>		
31	Decrease Grants and Reimbursements	0.949	
36	Increase Transfer to (from) Earmarked Reserve		(0.949)
	<i>An additional amount of grant was received to assist with the impact of the pension costs increase. It is proposed to move this to the Pensions earmarked reserve.</i>		
31	Increase Grants and Reimbursements		(0.559)
36	Increase Transfer to (from) Earmarked Reserve	0.559	
	<i>Savings from the middle management restructure were invested in Prevention and Protection activities, at 2019/20 budget setting funds were held within wholetime pay line. Transfer will move budet to the correct heading</i>		
1	Decrease Wholetime Uniformed Staff		(0.479)
3	Increase Non uniformed staff	0.400	
12	Increase Vehicle Running costs and insurances	0.035	
14	Increase Equipment and furniture	0.044	
	<i>To align on-call pay budgets to match changes to Group structure</i>		
2	Increase on-call budget (Cost Code changes only)	1.029	
2	Decrease on-call budget (Cost Code changes only)		(1.029)
		<b>3.016</b>	<b>(3.016)</b>

- (b) That the monitoring position in relation to projected spending against the 2019-20 revenue and capital budgets be noted;
- (c) That the performance against the 2019-20 financial targets be noted.

\* RC/4

### Exclusion of the Press and Public

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of Dr Sian George {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 may involve the likely disclosure of exempt information as defined in the following paragraphs 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.

\* **RC/5**      **Restricted Minutes of the Resources Committee held on 15 May 2019**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public [with the exception of Dr Sian George, [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).

*NB. Councillors Saywell and Thomas were present for this item in a non-voting capacity as Non-Executive Directors of Red One Ltd. (in support of Dr Sian George) but did not speak.*

**RESOLVED** that the Restricted Minutes of the meeting held on 15 May 2019 be signed as a correct record.

\* **RC/6**      **Red One Limited Financial Performance 2019-20: Quarter 1**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public [with the exception of Dr Sian George, [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).

*NB. Councillors Saywell and Thomas were present for this item in a non-voting capacity as Non-Executive Directors of Red One Ltd. (in support of Dr Sian George) but did not speak.*

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) and Dr Sian George (Chair of the Board of Red One Ltd.) (RC/19/17) on the financial performance of Red One Ltd. in quarter 1 of 2019-20.

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

The meeting started at 10.00 am and finished at 11.30 am



<b>REPORT REFERENCE NO.</b>	<b>RC/19/18</b>
<b>MEETING</b>	<b>RESOURCES COMMITTEE</b>
<b>DATE OF MEETING</b>	<b>21 NOVEMBER 2019</b>
<b>SUBJECT OF REPORT</b>	<b>TREASURY MANAGEMENT PERFORMANCE 2019-20 – QUARTER 2</b>
<b>LEAD OFFICER</b>	<b>Director of Finance and Resourcing (Treasurer)</b>
<b>RECOMMENDATIONS</b>	<i><b>That the performance in relation to the treasury management activities of the Authority for 2019-20 (to September 2019) be noted.</b></i>
<b>EXECUTIVE SUMMARY</b>	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.
<b>RESOURCE IMPLICATIONS</b>	As indicated within the report.
<b>EQUALITY IMPACT ASSESSMENT</b>	An initial assessment has not identified any equality issues emanating from this report.
<b>APPENDICES</b>	Appendix A – Investments held as at 30 September 2019.
<b>LIST OF BACKGROUND PAPERS</b>	Treasury Management Strategy (including Prudential and Treasury Indicators) as approved at the meeting of the Fire & Rescue Authority held on the 19 February 2019 – Minute DSFRA/36c 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.** After only tepid annual **economic growth** of 1.4% in 2018, growth in quarter 1 was unexpectedly strong at 0.5%. However, this was boosted by stock building ahead of the original March Brexit deadline so quarter 2 was expected to be slightly negative and duly came in at -0.2% q/q, +1.3% y/y. After the Monetary Policy Committee (MPC) raised **Bank Rate** from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a no deal exit, it is likely that Bank Rate would be cut in order to support growth. Nevertheless, the MPC does have concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.9% in June before edging back to 3.8% in July, (excluding bonuses). Growth in employment fell to only 31,000 in the three months to July, well below the 2018 average, while the unemployment rate remained at 3.8 percent, its lowest rate since 1975.

- 2.2. As for **CPI inflation** itself, this fell to 1.7% in August and is likely to remain close to 2% over the next two years. If there was a no deal Brexit though, it could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound. The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 2.1%, i.e. a real terms increase. 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
- 2.3. **Brexit.** The Conservative minority government is now led by a new Prime Minister in Boris Johnson, who has spoken strongly of being adamant that the UK will leave the EU on 31 October, even if there is no deal. However, his proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs have now voted to hold a general election scheduled for the 12th December 2019. 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. **USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the rate of growth to 2.9% for 2018, just below his target of 3%. Growth in quarter 1 of 2019 was a strong 3.1% but growth fell back to 2.0% in quarter 2. The strong growth in employment numbers during 2018 has reversed into a falling trend during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening. After the Federal Bank increased rates by 0.25% in December 2018 to between 2.25% and 2.50%, it has taken decisive action to reverse monetary policy by cutting rates by 0.25% in each of July and September in order to counter the downturn in the outlook for US and world growth. There are expectations that it could cut again in December.
- 2.5. **EUROZONE (EZ).** The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a third round of Targeted Longer-Term Refinancing Options (TLTROs); this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy.

- 2.6. **CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. The trade war with the US does not currently appear to be having a significant impact on growth. Major progress still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs 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.
- 2.8. **WORLD GROWTH.** The trade war between the US and China on tariffs is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks.

#### ***Interest Rate Forecasts***

- 2.9. The Authority's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View										
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

- 2.10. The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture. The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

### 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 19 February 2019. It outlines the Authority's investment priorities as follows:
- Security of Capital
  - Liquidity
  - 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. A full list of investments held as at 30 September 2019 are shown in Appendix A.
- 3.4. The average level of funds available for investment purposes during the quarter was £45.904m (£37.486m at the end of Quarter 1 2019/20). 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	0.66%	0.85%	£0.098m.

- 3.5. As illustrated, the Authority outperformed the 3 month LIBID benchmark by 0.19bp. It is anticipated that the actual investment return for the whole of 2019-20 will surpass the Authority's budgeted investment target of £0.201m by £0.071m.
- 3.6. Finance officers have been prioritising liquidity of funds in the lead up to a potential No Deal Brexit which may have a short term detrimental impact on returns.

#### ***Borrowing Strategy***

##### ***Prudential Indicators:***

- 3.7. It is a statutory duty for the Authority to determine and keep under review the "Affordable Borrowing Limits". The Authority's approved Prudential Indicators (affordability limits) are outlined in the approved TMSS.
- 3.8. A full list of the approved limits (as amended) are included in the Financial Performance Report 2019-20, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to September 2019 and that there are no concerns that they will be breached during the financial year.

### *Current external borrowing*

- 3.9. 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 2019 was £25.491m, forecast to reduce to £25.444m 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 4.23% and average life of 25.8 years.

### *Loan Rescheduling*

- 3.10. 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 early repayment rates mean there is no financial benefit in undertaking premature loan repayment at this time.

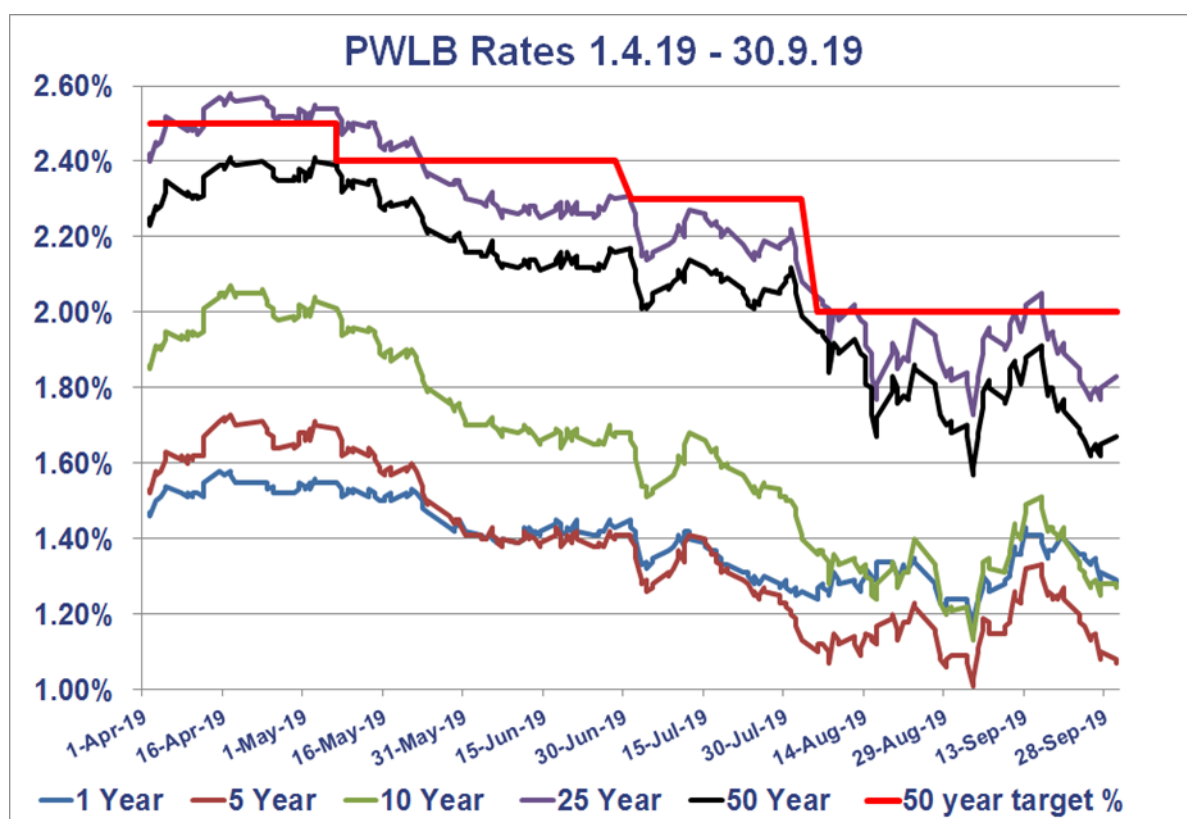
### *New Borrowing*

- 3.11. 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 2.41%.
- 3.12. No new borrowing was undertaken during the quarter and none is planned during 2019-20 as a result of the Authority's adopted financial strategy to utilise revenue funds (revenue budget and reserves) to finance capital investment needs for the medium term.
- 3.13. On 9 October 2019 the Treasury and PWLB announced an increase in the margin over gilt yields of 100bps on top of the current margin of 80 bps which this authority has paid prior to this date for new borrowing from the PWLB. There was no prior warning that this would happen and it now means that every local authority has to fundamentally reassess how to finance their external borrowing needs and the financial viability of capital projects in their capital programme due to this unexpected increase in the cost of borrowing. The Authority has no plans to borrow in the short-medium term, therefore the increase will not affect the funding or affordability of the current capital programme.

### **PWLB rates quarter ended 30 September 2019**

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.17%	1.01%	1.13%	1.73%	1.57%
Date	03/09/2019	03/09/2019	03/09/2019	03/09/2019	03/09/2019
High	1.58%	1.73%	2.07%	2.58%	2.41%
Date	15/04/2019	17/04/2019	17/04/2019	17/04/2019	17/04/2019
Average	1.40%	1.37%	1.62%	2.20%	2.07%

3.14. Borrowing rates for this quarter are shown below.



*Borrowing in Advance of Need*

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

**4. SUMMARY AND RECOMMENDATION**

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 second quarter report on treasury management activities for 2019-20 to September 2019. 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 recovering as a result of the increase in interest rates, the Authority is still anticipating that investment returns will meet the budgeted target, as rates were forecast to rise when the budget was set.

**AMY WEBB**

**Director of Finance and Resourcing (Treasurer)**

# APPENDIX A TO REPORT RC/19/18

Investments as at 30 September 2019					
Counterparty	Maximum to be invested	Amount Invested	Call or Term	Period invested	Interest rate(s)
	£m	£m			
Santander	7.000	5.000	T	9 mths	0.99%
		1.500	T	12 mths	1.09%
		1.000	T	6 mths	0.93%
Goldman Sachs	7.000	1.500	T	12 mths	0.90%
		5.000	T	6 mths	0.83%
Standard Chartered	7.000	2.000	T	12 mths	0.96%
		2.800	T	6 mths	0.85%
Sumitomi Mitsui	7.000	5.000	T	12 mths	1.25%
Thurock Borough Council	5.000	1.200	T	9 mths	0.91%
		2.000	T	9 mths	1.05%
Eastleigh Borough Council	5.000	5.000	T	12 mths	0.90%
Barclays 95 Green Deposit	8.000	8.000	T	95 Day Notice	0.95%
Barclays FIBCA		0.001	C	Instant Access	Variable
Standard Life	6.000	3.391	C	Instant Access	Variable
<b>Total amount Invested</b>		<b>43.392</b>			



<b>REPORT REFERENCE NO.</b>	<b>RC/19/19</b>
<b>MEETING</b>	<b>RESOURCES COMMITTEE</b>
<b>DATE OF MEETING</b>	<b>21 NOVEMBER 2019</b>
<b>SUBJECT OF REPORT</b>	<b>FINANCIAL PERFORMANCE REPORT 2019-20 – QUARTER 2</b>
<b>LEAD OFFICER</b>	<b>Treasurer to the Authority</b>
<b>RECOMMENDATIONS</b>	<p><i>(a) That the budget transfers shown in Table 3 of this report be approved;</i></p> <p><i>(b) That the monitoring position in relation to projected spending against the 2019-20 revenue and capital budgets be noted;</i></p> <p><i>(c) That the performance against the 2019-20 financial targets be noted.</i></p>
<b>EXECUTIVE SUMMARY</b>	<p>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 2019-20 revenue budget with explanations of the major variations. At this stage in the financial year it is forecast that spending will be £0.508m less than budget, a saving of 0.68% of total budget.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated in the report.
<b>EQUALITY IMPACT ASSESSMENT</b>	An initial assessment has not identified any equality issues emanating from this report.
<b>APPENDICES</b>	Appendix A – Summary of Prudential Indicators 2019-20.
<b>LIST OF BACKGROUND PAPERS</b>	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 2019. As well as providing projections of spending against the 2019-20 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 2019-20**

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 2	Previous Quarter	Quarter 2 %	Previous Quarter %
Revenue Targets						
1	Spending within agreed revenue budget	£75.142m	£74.634m	£74.967m	0.68%	0.23%
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	Spending within agreed capital budget	£8.813m	£6.865m	£8.287m	(22.10%)	(5.97%)
3	External Borrowing within Prudential Indicator limit	£26.847m	£26.556m	£26.556m	(1.08%)	(1.08%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	3.90%	4.07%	(1.10)bp*	(0.93)bp*

\*bp = base points

- 1.3. The remainder of the report is split into the three sections of:
- **SECTION A** – Revenue Budget 2019-20.
  - **SECTION B** – Capital Budget and Prudential Indicators 2019-20.
  - **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 2019-20**

- 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 £74.634m, representing a saving against the budget of £0.508m equivalent to 0.68% of the total budget. The forecast incorporates the budget virements requested in Table 3 within this report.

**TABLE 2 – REVENUE MONITORING STATEMENT 2019-20****EVON & SOMERSET FIRE AND RESCUE AUTHORITY****Revenue Budget Monitoring Report 2019/20**

Line No		2019/20 Budget £000	Year To Date Budget £000	Spending to Month 6 £000	Projected Outturn £000	Projected Variance over/ (under) £000
	<b>SPENDING</b>					
	<b>EMPLOYEE COSTS</b>					
1	Wholetime uniform staff	30,677	12,943	12,710	30,682	5
2	On-call firefighters	13,851	5,701	5,130	13,825	(26)
3	Control room staff	1,419	589	592	1,429	10
4	Professional, Technical and Support Staff	12,248	4,930	5,021	12,219	(29)
5	Training expenses	772	321	467	772	-
6	Fire Service Pensions recharge	2,658	1,315	793	2,502	(156)
		<b>61,624</b>	<b>25,799</b>	<b>24,713</b>	<b>61,428</b>	<b>(196)</b>
	<b>PREMISES RELATED COSTS</b>					
7	Repair and maintenance	992	413	475	993	1
8	Energy costs	569	191	121	540	(29)
9	Cleaning costs	471	195	360	459	(12)
10	Rent and rates	1,909	931	912	1,905	(4)
		<b>3,941</b>	<b>1,730</b>	<b>1,868</b>	<b>3,897</b>	<b>(44)</b>
	<b>TRANSPORT RELATED COSTS</b>					
11	Repair and maintenance	629	262	209	649	20
12	Running costs and insurances	1,283	777	552	1,291	8
13	Travel and subsistence	1,325	465	856	1,396	71
		<b>3,237</b>	<b>1,504</b>	<b>1,618</b>	<b>3,336</b>	<b>99</b>
	<b>SUPPLIES AND SERVICES</b>					
14	Equipment and furniture	2,988	1,227	945	2,833	(155)
16	Hydrants-installation and maintenance	151	63	35	152	1
17	Communications	2,336	1,053	689	2,354	18
18	Uniforms	601	250	157	573	(28)
19	Catering	56	23	26	57	1
20	External Fees and Services	159	66	149	159	-
21	Partnerships & regional collaborative projects	186	78	(23)	211	25
		<b>6,476</b>	<b>2,760</b>	<b>1,978</b>	<b>6,338</b>	<b>(138)</b>
	<b>ESTABLISHMENT COSTS</b>					
22	Printing, stationery and office expenses	260	126	105	272	12
23	Advertising	23	10	13	40	17
24	Insurances	411	387	192	414	3
		<b>694</b>	<b>523</b>	<b>309</b>	<b>726</b>	<b>32</b>
	<b>PAYMENTS TO OTHER AUTHORITIES</b>					
25	Support service contracts	701	217	265	730	29
		<b>701</b>	<b>217</b>	<b>265</b>	<b>730</b>	<b>29</b>
	<b>CAPITAL FINANCING COSTS</b>					
26	Capital charges	3,493	13	42	3,526	33
27	Revenue Contribution to Capital spending	2,614	-	-	2,614	-
		<b>6,107</b>	<b>13</b>	<b>42</b>	<b>6,140</b>	<b>33</b>
29	<b>TOTAL SPENDING</b>	<b>82,779</b>	<b>32,546</b>	<b>30,793</b>	<b>82,595</b>	<b>(185)</b>
	<b>INCOME</b>					
30	Investment income	(201)	(84)	(90)	(272)	(71)
31	Grants and Reimbursements	(6,862)	(2,656)	(4,504)	(6,847)	15
32	Other income	(564)	(225)	(357)	(830)	(266)
33	Internal Recharges	-	-	-	(1)	(1)
34	<b>TOTAL INCOME</b>	<b>(7,627)</b>	<b>(2,965)</b>	<b>(4,951)</b>	<b>(7,950)</b>	<b>(323)</b>
35	<b>NET SPENDING</b>	<b>75,152</b>	<b>29,581</b>	<b>25,842</b>	<b>74,644</b>	<b>(508)</b>
	<b>TRANSFERS TO EARMARKED RESERVES</b>					
36	Transfer to (from) Earmarked Reserve	(10)	-	(918)	(10)	-
38	<b>NET SPENDING</b>	<b>75,142</b>	<b>29,581</b>	<b>24,924</b>	<b>74,634</b>	<b>(508)</b>

- 2.2. These forecasts are based upon the spending position at the end of September 2019, 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**

- 3.1. 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.
- 3.2. A charge to the pension fund has arisen as a result of misapplication of pension abatement rules for several staff, amounting to £0.320m. This has been offset by vacancies in wholetime pay and can therefore be contained within the revenue budget this year. Officers are seeking a contribution towards these costs from the previous pension administrators.

#### ***Fire Service Pensions Recharge***

- 3.3. In- year savings of £0.156m are expected against the budget of £2.658m for the Fire Service Pensions Recharge for Ill Health and Injury on Duty pensions. We budgeted for six potential new retirees that would be a charge against the revenue budget. Following consultation with Human Resources, we have reduced this down to one leaver who will attract an injury on duty pension charge this year.

#### ***Travel and subsistence***

- 3.4. Is forecasting to overspend by £0.071m. The overspend is as a result of 2 reasons; the need to extend leases on specialist vehicles which have been delayed whilst purchased 4x4 vehicles are being rolled out. In addition, there is unclaimable VAT on vehicles that can be used for freedom of movement – where staff, if on-call, are able to use their vehicle in the evenings to ensure a quick response if required.

#### ***Equipment and Furniture***

- 3.5. Equipment & Furniture is forecast to be underspent by £0.155m. The majority of the underspend is as a result of slippage within the vehicle replacement programme meaning the equipment won't be required until 2020/21 – this has resulted in an underspend of £0.360m. Some of the savings have been used to replace water rescue equipment at a cost of £0.075m. A further £0.051m has funded replacement BA cylinders to harmonize these with £0.030m for 2 end-of-life BA compressors.

#### ***Investment Income***

- 3.6. Interest on the Authority's investments is expected to outperform the budget of £0.201m by £0.071m, this is due to careful investment planning by the Finance Team which enables longer term investments to be made with a stronger yield. However, during the uncertain period surrounding a potential no-deal Brexit, any new investments made have been on a short-term basis only (a maximum of a month) which will impact on yield.

### **Other Income**

- 3.7 Other income is forecasted to over-recover by £0.266m. £0.049m of this is as a result of recovering pay made to a member of staff who also received compensation for loss of earnings from an insurance claim with £0.070m being due to a duplicate creditor entry made at year-end. Since Quarter 1, we are also now forecasting to receive income associated with the Firefighter Apprenticeship scheme of £0.025m – this is a conservative estimate.
- 3.8 The Committee is asked to authorise the budget virements (transfers between budget lines) shown in Table 3 below for approval. The transfers are reflected in Table 2 - budget monitoring statement. A narrative behind each budget transfer is provided within the table below.

**TABLE 3 – BUDGET TRANSFERS**

Line Ref	Description	Debit £m	Credit £m
	<i>Movement of budget to different Cost Code to align the budget to the Academy restructure.</i>		
4	Increase Non-Uniformed staff	0.807	
4	Decrease Non-Uniformed staff		(0.807)
	<i>Transfer Budget into an Earmarked Reserve to replace vital station mobilising equipment of £0.380m which is in need of replacement to ensure system security is maintained.</i>		
35	Transfer to Earmarked Reserve	0.380	
2	On-Call Firefighters		(0.380)
		1.187	(1.187)

### **4. RESERVES AND PROVISIONS**

- 4.1. As well as the funds available to the Authority by setting an annual budget, the Authority holds reserve and provision balances. A reserves strategy is published annually which outlines the purpose of each reserve and expected expenditure over the medium term financial planning period. The reserves strategy is available here

<http://www.dsfire.gov.uk/AboutUs/WhatWeSpend/documents/ReservesStrategy2019-20.pdf>

#### **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 below.

- 4.5. At the end of Quarter 2, reserves expenditure was £2.819m, the majority has been invested in improving the Health and Safety of our staff, with new Breathing Apparatus and Light Weight PPE being delivered this year.

- 4.6. Reserve balances are expected to reduce over the remainder of the financial year through expenditure on the Safer Together programme and in particular digital transformation. The other significant call on reserves is Capital funding, which is consistent with our long-term strategy to reduce reliance on borrowing, and dependent on minimal timing differences on the Capital Programme.

**TABLE 4 – FORECAST RESERVES AND PROVISION BALANCES 30 SEPTEMBER 2019**

RESERVES AND PROVISIONS						
	Balance as at 1 April 2019 £000	Approved Transfers £000	Proposed Transfers £000	Spending to Month 06 £000	Forecast Spend 2019-20 £000	Proposed Balance as at 31 March 2020 £000
<b>RESERVES</b>						
<b>Earmarked reserves</b>						
Grants unapplied from previous years	(1,145)	949	-	(44)	957	762
Invest to Improve	(5,945)	50	-	654	1,207	(4,689)
Budget Smoothing Reserve	(1,818)	-	-	-	-	(1,818)
Direct Funding to Capital	(19,960)	-	-	-	2,235	(17,725)
Projects, risks, & budget carry forwards						
PFI Equalisation	(295)	-	-	-	-	(295)
Emergency Services Mobile Communications Programme	(932)	-	-	51	107	(825)
Breathing Apparatus Replacement	(1,449)	(50)	-	1,529	1,499	-
Mobile Data Terminals Replacement	(381)	-	-	71	381	(0)
PPE & Uniform Refresh	(480)	-	-	372	384	(96)
Pension Liability reserve	(461)	(559)	-	-	-	(1,020)
National Procurement Project	(90)	-	-	-	90	(0)
Budget Carry Forwards	(603)	-	-	186	352	(251)
Station mobilising equipment	-	-	(380)	-	-	(380)
<b>Total earmarked reserves</b>	<b>(33,560)</b>	<b>390</b>	<b>(380)</b>	<b>2,822</b>	<b>7,213</b>	<b>(26,337)</b>
<b>General reserve</b>						
General Fund balance	(5,315)	-	-	-	-	(5,315)
Percentage of general reserve compared to net budget						7.19%
<b>TOTAL RESERVE BALANCES</b>	<b>(38,875)</b>				<b>7,213</b>	<b>(31,651)</b>
<b>PROVISIONS</b>						
Doubtful Debt	(655)	-	-	-	-	(655)
Fire fighters pension schemes	(759)	-	-	23	30	(729)

## 5. SUMMARY OF REVENUE SPENDING

- 5.1. At this stage early stage in the year, it is forecast that spending will be £0.508m below the budget figure for 2019-20. In year savings and additional income is providing an opportunity to invest in urgent equipment replacement. At the moment, no recommendations are made as the use of the balance of savings.

## 6. SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2019-20

### *Monitoring of Capital Spending in 2019-20*

- 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 £1.776m against the capital programme of £8.813m along with £0.172m of savings.
- 6.3. **Estates** - £1.600m of timing differences are made up of: £0.300m to rebuild Plymstock and removal of a building at SHQ, both of which will now be delivered in 2020-21, £0.300m resulting from a delay in the commencement of works at Brixham (will commence in December 2019) and £1.000m due to a review of requirements for Camelshead Fire Station.
- 6.4. **ICT** - replacement of a server will now be deferred following a recommendation by HMICFRS regarding its location, resulting in a forecasted saving of £0.176m in this year.
- 6.5. **Fleet** – there are rescheduled savings on equipment due to the delay in the delivery of the Medium Rescue Pumps. This amount will be required in 2020/21 financial year when the vehicles are due to be delivered.

**TABLE 5 – FORECAST CAPITAL EXPENDITURE 2019-20**

Capital Programme 2019/20					
		2019/20 £000	2019/20 £000	2019/20 £000	2019/20 £000
Item	PROJECT	Revised Budget	Forecast Outturn	Timing Differences	Re- scheduling/ Savings
	<b>Estate Development</b>				
1	Site re/new build	1,117	617	(500)	0
2	Improvements & structural maintenance	3,902	2,802	(1,100)	0
	<b>Estates Sub Total</b>	<b>5,019</b>	<b>3,419</b>	<b>(1,600)</b>	<b>0</b>
	<b>Fleet &amp; Equipment</b>				
3	Appliance replacement	1,793	1,793	0	0
5	Specialist Operational Vehicles	1,134	1,134	0	0
6	Equipment	553	381	0	(172)
7	ICT Department	268	92	(176)	0
8	Water Rescue Boats	46	46	0	0
	<b>Fleet &amp; Equipment Sub Total</b>	<b>3,794</b>	<b>3,446</b>	<b>(176)</b>	<b>(172)</b>
	<b>Overall Capital Totals</b>	<b>8,813</b>	<b>6,865</b>	<b>(1,776)</b>	<b>(172)</b>
	<b>Programme funding</b>				
	Earmarked Reserves:				
9	Capital reserve	4,183	2,235	(1,776)	(172)
10	USAR - Water Rescue Boats	12	12	0	0
	Earmarked Reserves:	<b>4,195</b>	<b>2,247</b>	<b>(1,776)</b>	<b>(172)</b>
	Revenue funds:				
11	Revenue contribution to capital in year	2,314	2,314	0	0
12	Red One contribution to capital	300	300	0	0
	Revenue funds:	<b>2,614</b>	<b>2,614</b>	<b>0</b>	<b>0</b>
14	Application of existing borrowing	2,004	2,004	0	0
15	Contributions	0	0		0
	<b>Total Funding</b>	<b>8,813</b>	<b>6,865</b>	<b>(1,776)</b>	<b>(172)</b>

***Prudential Indicators (including Treasury Management)***

- 6.6. Total external borrowing with the Public Works Loan Board (PWLb) as at 30 September 2019 stands at £25.491m and is forecast to reduce to £25.444m as at 31 March 2020. 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.
- 6.7. Investment returns in the quarter yielded an average return of 0.85% which outperforms the LIBID 3 Month return (industry benchmark) of 0.66%. It is forecast that investment returns from short-term deposits will surpass the budgeted figure by £0.071m at 31 March 2020.
- 6.8. Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2019-20, 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 2 were £800,921, table 6 below provides a summary of all debt outstanding as at 30 September 2019.
- 7.2. Of this figure an amount of £645,011 (£678,650 at Quarter 1) was due from debtors relating to invoices that are more than 85 days old, equating to 80.5% (82.1% at Quarter 1) of the total debt outstanding.

**TABLE 6 – OUTSTANDING DEBT AT END OF QUARTER**

	<b>Total Value £</b>	<b>%</b>
Current (allowed 28 days in which to pay invoice)	39,221	4.9%
1 to 28 days overdue	53,037	6.6%
29-56 days overdue	61,233	7.6%
57-84 days overdue	2,419	0.4%
Over 85 days overdue	645,011	80.5%
<b>Total Debt Outstanding as at 30 September 2019</b>	<b>800,921</b>	<b>100.00%</b>

- 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**

	<b>No</b>	<b>Total Value</b>	<b>Action Taken</b>
Red One Ltd	45	£639,227	A repayment plan has been agreed with the subsidiary company following its revised business plan.



Various	14	£5,783	Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery officer where appropriate.
---------	----	--------	--

**AMY WEBB**  
**Director of Finance & Resourcing (Treasurer)**

**PRUDENTIAL INDICATORS 2019-20**

Prudential Indicators and Treasury Management Indicators		Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure		6.685	8.813	(1.776)
External Borrowing vs Capital Financing Requirement (CFR) - Total		26.556	26.556	(0.000)
- Borrowing		25.444	25.444	
- Other long term liabilities		1.112	1.112	
External borrowing vs Authorised limit for external debt - Total		26.556	26.847	(0.291)
- Borrowing		25.444	25.637	
- Other long term liabilities		1.112	1.209	
Debt Ratio (debt charges as a %age of total revenue budget)		3.90%	5.00%	(1.10)bp
Cost of Borrowing – Total		1.081	1.081	(0.000)
- Interest on existing debt as at 31-3-19		1.081	1.081	
- Interest on proposed new debt in 2019-20		0.000	0.000	
Investment Income – full year		0.272	0.201	(0.071)
		Actual (30 Sept 2019) %	Target for quarter %	Variance (favourable) /adverse
Investment Return		0.85%	0.66%	(0.19)bp
Prudential Indicators and Treasury Management Indicators	Forecast (30 March 2020) %	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	0.37%	30.00%	0.00%	(29.63%)
12 months to 2 years	2.32%	30.00%	0.00%	(27.68%)
2 years to 5 years	5.66%	50.00%	0.00%	(44.34%)
5 years to 10 years	13.52%	75.00%	0.00%	(61.48%)
10 years and above	77.76%	100.00%	50.00%	(22.24%)
- 10 years to 20 years	12.92%			
- 20 years to 30 years	13.71%			
- 30 years to 40 years	51.13%			
- 40 years to 50 years	0.00%			

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank