DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

To: **The Chair and Members of the Resources Committee**

(see below)

SERVICE HEADQUARTERS
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Your ref :
Our ref : RC/MP/SS
Website : www.dsfire.gov.uk

Date : 24 June 2020
Please ask for : Sam Sharman
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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

Thursday 2 July 2020

A meeting of the Resources Committee will be held on the above date, **commencing at 2.00 pm by Video Conference via Webex** to consider the following matters:

M. Pearson
Clerk to the Authority

PLEASE NOTE: This meeting will be livestreamed on the Devon & Somerset Fire & Rescue Service YouTube channel which may be accessed by following the link below:

https://www.youtube.com/dsfireupdates

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 - 6)**

of the previous meeting held on 13 February 2020 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 Urgency Decisions - 2019-20 Revenue Budget Outturn (Pages 7 - 40)

Report of the Treasurer (RC/20/9) attached.

5 Covid-19 Financial Implications (Pages 41 - 44)

Report of the Treasurer (RC/20/10) 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 Andrew Saywell and David Thomas (Authority Appointed Non-Executive Directors 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:

- 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 13 February 2020 (Pages 45 - 46)

The Restricted Minutes of Resources Committee held on 13 February 2020 are attached.

8 Red One Limited Financial Performance 2019-20: Quarter 4 (Pages 47 - 52)

Report of Dr Sian George and the Treasurer (RC/20/11) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

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

NOTES	
1.	**Access to Information** Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda.
2.	**Reporting of Meetings** 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.	**Recording of Meetings** Given the social distancing measures introduced in response to the Covid-19 pandemic, Authority meetings will be held virtually and livestreamed on the Devon & Somerset Fire & Rescue Service YouTube channel. The meetings may also be recorded for subsequent viewing on the YouTube Channel. Any such recording does not constitute the official, Authority record of the meeting.
4.	**Declarations of Interests at meetings (Authority Members only)** 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: (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.
5.	**Part 2 Reports** 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.
6.	**Substitute Members (Committee Meetings only)** 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.
7.	**Other Attendance at Committees (Standing Order 38)** Any Authority Member wishing to attend a meeting of a Committee of which they are not a Member should contact the Democratic Services Officer (see “please ask for” on the front page of this agenda) in advance of the meeting to obtain details of the Webex meeting invitation.

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RESOURCES COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

13 February 2020

Present:-

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

Apologies:-

Councillor Tuffin

In attendance:

Councillor Randall Johnson (in accordance with Standing Order 38 (1)
Dr Sian George – Non-Executive Chair of the Board of Red One Ltd. (for *RC/23 only)
Gerald Taylor – Red One Ltd. (for *RC/23 only)
Councillor Saywell and Thomas – Authority appointed Non-Executive Directors of Red One Ltd. (for *RC/23 only)

* **RC/13** **Minutes**

RESOLVED that the Minutes of the meeting held on 21 November 2019 be signed as a correct record.

RC/14 **2020-21 Revenue Budget and Council Tax Level**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/1) on options for the Authority's Revenue Budget and associated Council Tax level in 2020-21. It was a legislative requirement for the Authority to set a balanced budget and determine an associated Council Tax level prior to 1 March each year and this report set out the necessary financial background on which to consider the appropriate way forward.

The Director of Finance & Resourcing (Treasurer) advised that the Council Tax referendum limit had been set by the Minister for Housing and Local Government at 2% for 2020-21, a reduction from 3% in the previous year. The report therefore set out two options for consideration by the Committee in setting the level of Council Tax in 2020-21, namely:

- Option A – freeze council tax at 2019-20 level (£86.52 for a Band D property); or
- Option B – increase council tax by 1.99% above 2019-20 (an increase of £1.72 per annum to £88.24 for a Band D property)

The Committee noted that there had been an increase in grant settlement from Government in 2020-21 amounting to an additional £0.272m of funding available to the Authority, an increase of 1.7%. The Fire sector had requested an increase in Council Tax of £5 per year in 2020-21 and, although this had not been acceded to, the Home Office had acknowledged this input. The Authority's share of the Council Tax collection fund surplus had decreased, however, by £0.174m which reflected a slight decline in the collection rates by districts.

Following the decisions taken by the Authority at its meeting on 10 January 2020, there was significant investment proposed for this budget to support reform of the Service with £3.515m (offset by ongoing savings, reduced capital allocation and a one-off use of reserves) included within the revenue budget proposals. These included:

- £1.144m for Pay for Availability, the new On Call duty system; assuming that the system will be in place mid-way through the year, ongoing investment will be double the amount;

- £0.872m for additional staff working on prevention and protection, particularly building safety following the report by Her Majesty's Inspectorate (HMICFRS) and the Hackitt review (post Grenfell);

- £0.322m for operational staff to support prevention capability and the matrix model introduced in 2019-20;

- £0.930m for professional and technical staff which includes investment in Health and Safety, Organisational Development and Fitness to support improvement against HMICFRS findings; and

- £0.242m for revenue equipment needed to fit out the new Medium Rescue Pumps per the capital programme.

The revised core budget requirement for the Authority emanating from the overall increase in funding was £80.343m (based on Option B, a Council Tax increase of 1.99%) and therefore savings needed to be identified of £1.323m under Option B. This still left a gap of £1.743m to balance the budget (or £2.8m under Option A). It was proposed that the revenue contribution to capital would be reduced to £0.557m for Option B (or £1.634m on Option A) in 2020-21 in order to balance the budget, together with a one-off use of reserves of £1.167m, however, this would have implications for the long term affordability of the Capital Programme.

Councillor Coles **MOVED** (seconded by Councillor Peart):

> "that it be recommended to the Authority that the level of Council Tax in 2020-21 for a Band D property be set at £88.24, as outlined in Option B, representing a 1.99% increase over 2019-20".

Upon a vote, (6 for, 0 against, 1 abstention) this was **CARRIED**.

RESOLVED

(a) that it be recommended to the Authority that the level of Council Tax in 2020-21 for a Band D property be set at £88.24, as outlined in Option B of report RC/20/1, representing a 1.99% increase over 2019-20;

(b) that, as a consequence of the decisions at (a) above:

(i) the tax base for payment purposes and the precept required from each billing authority for payment of total precept of £54,212,834 (Option B), as detailed on Page 2 of the respective budget booklet, be approved;

(ii) the council tax for each property bands A to H associated with the total precept as detailed in the respective budget booklet, be approved; and

(iii) that the Treasurer's 'Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances', as set out at Appendix B to this report, be endorsed.

RC/15 **Capital Programme 2020-21 to 2022-23**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/2) that set out the proposals for a three year Capital Programme covering the years 2020-21 to 2022-23. The report outlined the difficulties in meeting the full capital expenditure requirements for this Authority given the number of fire stations, fire appliances and associated equipment required to be maintained and eventually replaced.

It was noted that the Capital Programme had been constructed on the basis of ensuring that borrowing was maintained below the 5% ratio of financial cost to net revenue stream, one of several Prudential Indicators previously agreed by the Authority. The funding requirement for the Capital Programme to 2022-23 was £50m compared with only £39.8m of available funding.

The Director of Finance & Resourcing (Treasurer) referred to the risk associated with the need to borrow further in future to meet the capital requirements in the light of reducing revenue funding and the associated potential breach of the Prudential Indicators. To inform long term planning, therefore, the Prudential Indicators had been profiled for a further two years beyond 2022-23 based upon indicative capital programme levels for the years 2023-24 to 2024-25.

RESOLVED that the Authority at its budget meeting on 18 February 2020 be recommended to:

(a) approve the draft Capital Programme 2020-21 to 2022-23 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to report RC/20/2 and

(b) note, subject to (a) above, the forecast impact of the proposed Capital Programme (from 2023-24 onwards) on overall affordability and the 5% debt ratio Prudential Indicator as indicated in this report.

RC/16 **Capital Strategy**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/3) that set out the proposed Capital Strategy prepared as a result of a requirement within the 2017 Prudential Code for all local authorities.

It was noted that the Strategy provided a high level overview of how capital expenditure and the way it was financed contributed to the provision of services within Devon and Somerset. It also gave an overview of how the associated risk was managed and the implications for the future financial sustainability of the Authority. The Strategy also provided the requisite governance for approval and monitoring of capital expenditure.

The Clerk reported that the recommendation set out within the paper circulated needed to be amended to reflect that this matter should be recommended to the Authority for approval, whereupon it was:

RESOLVED that the Authority be recommended to endorse the Capital Strategy as set out within report RC/20/3.

RC/17 **Medium Term Financial Plan**

The Committee considered a report of the Director of Finance & Resourcing (RC/20/4) that set out the proposed Medium Term Financial Plan for this Authority in accordance with the requirements set out within the Fire & Rescue National Framework for England (2018).

The Plan outlined funding, income and expenditure forecasts for the Authority for the next five financial years (to 2020-24) together with details of how the forecasts were constructed (including funding sources and expenditure/cost pressures).

The Director of Finance & Resourcing (Treasurer) advised the Committee that the decisions taken by the Authority on 10 January 2020 in respect of the Safer Together programme meant that savings had been identified now. It was hoped, in addition, that the recent inflationary award on the grant settlement from Government (1.7% in 2020-21) would be maintained in future as there was still a gap in funding of £10.2m to bridge in the next five years.

RESOLVED that the Devon & Somerset Fire & Rescue Authority be recommended to approve endorse the Medium Financial Plan for publication as appended to report R/20/4.

RC/18 **Treasury Management Strategy (including Prudential and Treasury Indicators) Report 2020-21**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/5) in respect of the Treasury Management Strategy and Annual Investment Strategy in accordance with the decision taken by the Authority on 18 December 2017. The report set out the proposed Treasury Management Strategy and Investment Strategy for 2020-21, including the Prudential Indicators associated with the capital programme for 2020-21 to 2022-23 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2020-21 was also included for approval.

RESOLVED that the Authority be recommended to approve:

(a) the Treasury Management Strategy and the Annual Investment Strategy for 2020-21; and

(b) the Minimum Revenue Provision (MRP) statement for 2020-21, as contained at Appendix B of report RC/20/5.

* **RC/19** **Treasury Management Performance 2019-20: Quarter 3**

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) (RC/20/6) that set out details of the treasury management performance for the third quarter of 2019-20 (to December 2019) as compared to the agreed targets for 2019-20.

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:

- The UK economy had been volatile in 2019-20 with fairly strong growth in Quarter 1, negative growth in Quarter 2 with some recovery in Quarter 3, moving towards a forecast of nil growth in Quarter 4. This was linked to uncertainty over Brexit which looked likely to continue until a trade deal was negotiated;
- inflation was currently running below the Government's 2% target which gave scope for interest rates to be held at current rates for a longer period. The Bank of England had pushed back any forecast decrease in interest rates to June 2021 at the earliest;
- There had been no change to the Authority's investment strategy which remained focused as security and liquidity of its assets over yield;
- The Authority had outperformed the three month LIBID benchmark of 0.66% with a return of 0.85% in Quarter 3 and investment interest of £0.080m; and
- There had been no new borrowing and the Authority had not breached its Prudential Indicators (affordability limits).

*** RC/20** **Financial Performance Report 2019-20 - Quarter 3**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/7) that set out the Service's financial performance during the third 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 forecast spending by the year end would be £74.645m representing a saving of £0.497m, equivalent to 0.66% of the total budget due largely to underspends in respect of On Call Firefighters, training expenses and rent and rates. Reference was made to the proposed budget transfers set out at Tables 3 of the report which it was suggested should be transferred to an earmarked reserve to facilitate the early repayment of the Local Government Pension Scheme deficit.

RESOLVED

(a) That the budget transfers shown in Table 3 of report RC/20/7 be approved;

(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/21** **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 and Gerald Taylor, [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 item of business on the grounds that they involved 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).

* **RC/22** **Restricted Minutes of Resources Committee held on 21 November 2019**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded from the meeting).

RESOLVED that the Restricted Minutes of the meeting held on 21 November 2019 be signed as a correct record.

* **RC/23** **Red One Ltd. Financial Performance 2019-20: Quarter 3**

(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 and Gerald Taylor, [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 (Non-Executive Chair of the Board of Red One Ltd.) (RC/20/8) on the financial performance of Red One Ltd. in quarter 3 of 2019-20.

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

The Meeting started at 10.00 am and finished at 1.10 pm

REPORT REFERENCE NO.	**RC/20/9**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**2 JULY 2020**
SUBJECT OF REPORT	**URGENCY DECISIONS - 2019-20 REVENUE BUDGET OUTTURN**
LEAD OFFICER	**AMY WEBB - TREASURER**
RECOMMENDATIONS	***That the report be noted.***
EXECUTIVE SUMMARY	The decisions reported in this report were taken in accordance with the Urgency provisions of the Authority's Standing Orders given the current government guidelines relating to social distancing during the Covid-19 pandemic. Physical meetings of the Resources Committee and full Authority were not possible and an appropriate platform for holding such meetings "virtually" was not available to the Authority at the time the decisions were required. In accordance with the Urgency provisions, the following decisions were made by the Chief Fire Officer in conjunction with the Chair of the Authority and Chair of Resources Committee on 2 June 2020: (a). that, in accordance with Standing Order 39(4) and following consultation with the Chair of the Resources Committee, the following be approved: (i) A transfer of £0.286m to the Grants Unapplied Reserve as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised (b). that, in accordance with Standing Order 27 and following consultation with the Authority Chair, the following be approved: (i) A transfer of £2.348m to the Reserve for Capital funding; (ii) revisions to the Capital programme for 2020-21 as set out in the paper REVISION TO CAPITAL PROGRAMME 2020-21 TO 2022-23 The decision taken under the urgency powers is published on the Authority's website which can be found via the following link: https://fireauthority.dsfire.gov.uk/ieDecisionDetails.aspx?ID=48 Additionally, for ease of reference and transparency, a copy of the papers informing the above decisions, together with the Annual Treasury Management Report 2019-20 detailing performance in relation to the Authority's treasury management activities for that financial year, are attached to this report as appendices for reference.
RESOURCE IMPLICATIONS	As indicated within the paper circulated.

EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	None undertaken.
APPENDICES	A. Financial Outturn 2019-20 B. Capital Programme Revisions C. Annual Treasury Management Performance 2019-20
LIST OF BACKGROUND PAPERS	As indicated above.

REPORT REFERENCE NO.	**N/A**
MEETING	**URGENCY DECISION**
DATE OF MEETING	**2 JUNE 2020**
SUBJECT OF REPORT	**PROVISIONAL FINANCIAL OUTTURN 2019-20**
LEAD OFFICER	**Treasurer (Amy Webb) and Head of Finance (Andrew Furbear)**
RECOMMENDATIONS	***(a) That the Authority be recommended to approve that the provisional underspend against the 2019-20 revenue budget of £0.163m be transferred to the Reserve for Environmental Strategy*** ***(b) That, subject to (a) above, the following be noted:*** ***(i) The draft position in respect of the 2019-20 Revenue and Capital Outturn position, as indicated in this report.*** ***(ii) That the underspend figure of £0.163m is after:*** ***A. A transfer of £2.348m to the Reserve for Capital funding*** ***B. A transfer of £0.286m to the Grants Unapplied Reserve as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised*** ***C. Budget pressures identified of £0.250m***
EXECUTIVE SUMMARY	This report sets out the draft financial outturn position for 2019-20 against agreed financial targets. In particular, it provides a draft outturn spending position against the 2019-20 revenue budget with explanations of the major variations. Spending will be £0.163m below budget, (net of transfers to Earmarked reserves noted in this report) equivalent to 0.21% of the total budget. There have been some significant movements against the original budget which was set in February 2019 due to reorganisation and prioritisation of expenditure, with opportunities taken during the year to fund reserve items such as the early payment of LGPS deficit contributions. Significant staffing expenditure has been offset by savings in other areas and additional income, with the balance providing an opportunity to invest in the future via the environmental strategy. The figures included in this report are provisional at this stage, subject to external audit of the Accounts.
RESOURCE IMPLICATIONS	As indicated in the report
EQUALITY RISKS AND BENEFITS ANALYSIS	The contents of this report are considered compatible with existing

(ERBA)	equalities and human rights legislation.
APPENDICES	A. Provisional Revenue Outturn Position 2019-20. B. Summary of Reserve and Provision Balances at 31 March 2020
LIST OF BACKGROUND PAPERS	None

1. INTRODUCTION

1.1 This report provides the Authority with the final outturn position (subject to audit) for revenue and capital spending for the financial year 2019-20, and makes recommendations as to how the underspend against the revenue budget is to be utilised. The report is in two parts. Section 1 deals with the revenue outturn position while Section 2 deals with the position in relation to capital spending.

1.2 The Authority is well aware of the difficult financial climate that local authorities are currently operating under as a result of cuts in government funding. In setting the 2020-21 revenue budget for the Authority in February 2020, consideration of the Medium Term Financial Plan (MTFP) recognised that further recurring savings will be required over the next five years to 2024-25 over above the savings already achieved by the implementation of the changes agreed as part of the 2013 Corporate Plan and Safer Together programme. Further details of savings requirements, forecast within the MTFP targets, are included at section 7 of this report.

1.3 Mindful of this difficult outlook the strategy adopted during the last financial year 2019-20 was to balance the budget using Revenue contribution to Capital whilst focussing on development of the Authority's strategy to improve the Service and release savings in the future. The Authority took the decision to change its Service Delivery Operating Model in January 2020, which included significant investment in On Call staffing alongside rationalisation of resources. Budget monitoring reports submitted to meetings of the Resources Committee during the financial year have identified further in year savings and the provisional outturn figure for 2019-20, now included in this report, is for an under spend of £0.163m, equivalent to 0.21% of the total budget

1.4 This is, of course, a welcome result and provides the opportunity to transfer this amount into Reserve balances to be utilised in the best possible way to assist future development of the Service. However, this is a one-off saving and can therefore be used only once. It is not a sustainable solution to the Authority's forecast budget shortfalls. Members will recall that in setting a balanced budget in February 2019 for the previous financial year (2019-20), an amount of £2.340m has already been taken from the base budget as part of on-going revenue saving requirements.

2. SECTION 1 – REVENUE OUTTURN 2019-20

2.1 Total revenue spending in 2019-20 was £74.979m compared to an agreed budget of £75.142m, resulting in an underspend of £0.163m, equivalent to 0.21% of total budget. A summary of spending is shown in Table 1 overleaf and Appendix A provides a more detailed analysis of spending against individual budget heads.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2019-20

	£m	£m	£m
Approved Budget			**75.142**
Gross Spending (Appendix A Line 28)	80.383		
Gross Income (Appendix A Line 34)	(8.713)		
Net Spending		71.670	
PLUS Transfers to Earmarked Reserves			
- Transfers to Reserves (Appendix A Line 35)	0.675		
- Capital Funding (Appendix A Line 36)	2.348		
- Grants Unapplied (Appendix A Line 37)	0.286		
Total Transfer to Earmarked Reserves (Appendix A Line 38)		3.309	
TOTAL NET SPENDING			74.979
NET UNDERSPEND			**(0.163)**

2.2 These figures are based upon the spending position at the end of March 2020 and whilst they provide a provisional financial performance for the year, are subject to final accounting adjustments and audit scrutiny for the year end.

2.3 The underspend is after several variances against budget as reported in Appendix A to this report but is mainly due to additional income offsetting expenditure beyond the staffing budget whilst Safer Together changes are being implemented.

2.4 Variances against other budget heads e.g. Uniformed staffing costs, Training Expenses and Capital Financing Costs are also reported. Explanations of the more significant variations from budget (over £50k variance) are explained below.

3. <u>VARIATION AGAINST BUDGET</u>

Wholetime Staff

3.1 Wholetime uniform staff – expenditure exceeded the budget of £30.366m by £1.104m – Pre-arranged overtime continues to be a challenge and accounted for £0.266m of the over-spend. Changes to the employers pension contribution rates meant we estimated the costs when setting the 2019/20 revenue budgets, the estimates were £0.257m light, Home Office grant funding was received to pay for the majority of the pension increase. An error regarding pension abatement necessitated a refund the pension scheme at £0.321m. In-line with the Safer Together Programme, investment was made in to Protection and Prevention duties which resulted in an overspend of £0.414m, offset by vacancies in other areas.

On-Call Firefighters

3.2 On-Call firefighters – this budget line is underspent by £0.340m against budget. Lower than average activity in the year coupled with a pause in recruitment during the Safer Together Programme consultation period, have contributed towards the underspend.

Non-Uniformed Staff

3.3 Support Staffing costs were £0.134m higher than budgeted. Vehicle allowances paid directly to staff instead of leasing vehicles accounts for £0.026m as this was not included in the budget. Overtime and agency budgets were £0.063m and £0.102m over budget respectively. Savings have been made during the year due to vacancies.

Training Expenses

3.4 Training Expenses – Underspend of £0.290m which has resulted from savings in numerous departments; Protection Capabilities were underspent by £0.151m and Organisational Development £0.066m. The balance is made up smaller variances across many budget holders.

Repair and Maintenance

3.5 Estates repair and maintenance were underspent by £0.056m from a budget of £0.992m. Numerous maintenance requirements were not able to be delivered in year, but are still required. Therefore the underspend is subject to an Earmarked Reserve request.

Travel & Subsistence

3.6 An overspend of £0.192m from a budget of £1.295m. The overspend is as a extending leases on specialist vehicles which have been delayed whilst purchased 4x4 vehicles are being rolled out. Additionally, the VAT position on vehicles used for Freedom of Movement has been clarified, meaning that less VAT can be reclaimed, which has created budget pressures.

Equipment and Furniture

3.7 An outturn position of £2.565m against a budget of £2.973m – savings of £0.408m. This is made up of timing differences arising from the delayed introduction of appliances (capital project slowed awaiting the Service Delivery Model), whereby the equipment for these appliances will not be purchased until the vehicles are delivered, partially offset by unbudgeted expenditure of £0.031m of equipment for water safety.

Communications

3.8 Savings against budget of £0.076m. An investment in a protective marking system to ensure ESN compliance has been made during the year, with a purchase of modems to support this project being subject to an earmarked reserve (£0.062m).

Partnerships

3.9 Savings of £0.134m across multiple departments; £0.026m relates to the NOG Service integration tool that is deferred until next year and £0.020m to support a PhD student analysing impact on community risk hasn't been requested. Savings of £0.020m have been made in the Comms and Engagement team due to internal facilitation of public facing events and the net cost of an Honest Truth partnership has been made instead of the income being received as a grant (£0.042m).

Support Services Contracts

3.10 The over spend of £0.114m on support services contracts has arisen from several legal and employment cases which pushed expenditure over budget by £0.127m and £0.038m additional costs for Occupational Health Services. These have been partially offset by reduced costs for Pension Scheme administration under the new supplier and savings on third party council tax schemes (£0.050m).

Revenue contribution to Capital Spending

3.11 Revenue Contribution to Capital – savings of £2.418m against budget. The full budget is still required in order to deliver planned projects in the future. The variance is due to timing differences per Section 2 of this report and is subject to transfer to the earmarked reserve for Capital.

Investment Income

3.12 Investment income – has returned £0.127m greater than the budget of £0.271m. Due to timing differences within the Capital scheme, we have larger balances to invest which, when combined with strong yield performance has resulted in a greater return than budgeted.

Grants and Re-imbursements

3.13 Grants and Reimbursements, £0.157m greater than budget, largely due to £0.280m of COVID-19 grant (of which £0.249m is subject to an earmarked reserve as unspent) being offset by reduced income for the Honest Truth driving safety campaign which was recharged at net cost instead (£0.043m), £0.020m lower Primary Authority income and delivery of Learn to Live (road safety) activity (£0.037m) against the Other Income category.

Other Income

3.14 £0.573m greater than budget which is made up of a variety of items as follows:

Department/ item	**£m**
Secondments	0.100
Insurance claims	0.109
Procurement frameworks	0.020
Learn to Live	0.037
Glastonbury Festival	0.027

Apprenticeships	0.025
Reversal of incorrect creditor 18/19	0.070
Red One	(0.070)
Vehicle Sales and Maintenance	0.020
House of Multiple Occupancy Inspections	0.010
Co-responder income	(0.025)
USAR Training	0.015
Academy management budget mis-code	0.221
Minor variations	0.014

4. DIRECT REVENUE CONTRIBUTIONS TO CAPITAL

4.1 Appendix A reflects that savings of £2.417m on Revenue Contribution to Capital arising in year are transferred directly to Earmarked reserves, made up timing differences in the Capital Programme. The funding is still required and will be transferred to the Capital Funding Reserve.

5. CONTRIBUTION TO EARMARKED RESERVES

5.1 A summary of predicted balances on Reserves and Provisions is shown in Appendix B to this report. These figures include those proposed transfers to Earmarked Reserves and provision outlined in this report and referenced in Appendix B which are recommended for approval:

a. **Budgeted Transfers to Reserves (£0.393m)** – as approved throughout the year.

b. **Capital Funding (£2.348 m)** – as outlined in Paragraph 4.1 above, the balance of funding which was included in the Revenue budget for Capital funding is to be transferred to the Earmarked Reserve, this is £0.070m less than budget due to an under-recovery of income from Red One Ltd.

c. **Grants Unapplied (£0.286m)** - under International Financial Reporting Standards (IFRS) accounting arrangements, any unused grants at the year-end, which are not subject to repayment, are to be identified and carried forward to 2020-21 via an Earmarked reserve. There were two such grants which have been received; COVID-19 funding, the unspent balance of £0.249m and £0.037m for Learn to Live which has not been delivered in 2019-20.

d. **Budget Pressures (£0.250m)**- In addition to the £0.238m already approved (Estates repair and maintenance, ESN modems, Personal Misting systems) a further request of £0.012m has been received to procure an E-learning information assurance package.

6. PROPOSALS FOR UTILISATION OF THE UNDERSPEND

6.1 The Authority is asked to approve the recommendation that the underspend figure of £0.163m be used to fund activity to implement the forthcoming Environmental Strategy, which will improve long term sustainability. The Fire and Rescue Plan included a commitment to publish an Environmental Strategy and this has been progressed by engaging with staff throughout 2019-20 and is now in draft stage. The initial activity will be to scope the project and define outcomes with a particular focus on smarter working; investing in improvements to enable greater flexibility should result in multiple benefits for our staff, reduced emissions from travel and support the organisation in its recovery stage from the Coronavirus pandemic.

6.2 A summary position of Reserves and Provisions as at 31 March 2020, including the recommendations included in this report, is included as Appendix B to this report.

Provisions

6.3 Included in Appendix B is a summary of the Provision balances as at 31 March 2020. As part of the year-end process the Authority is required to review the adequacy of Provision balances and consider whether any changes during the year require additional amounts to be set aside. As a result of the most recent review it has been assessed that £0.073m can be released from the Provision back in to the revenue budget.

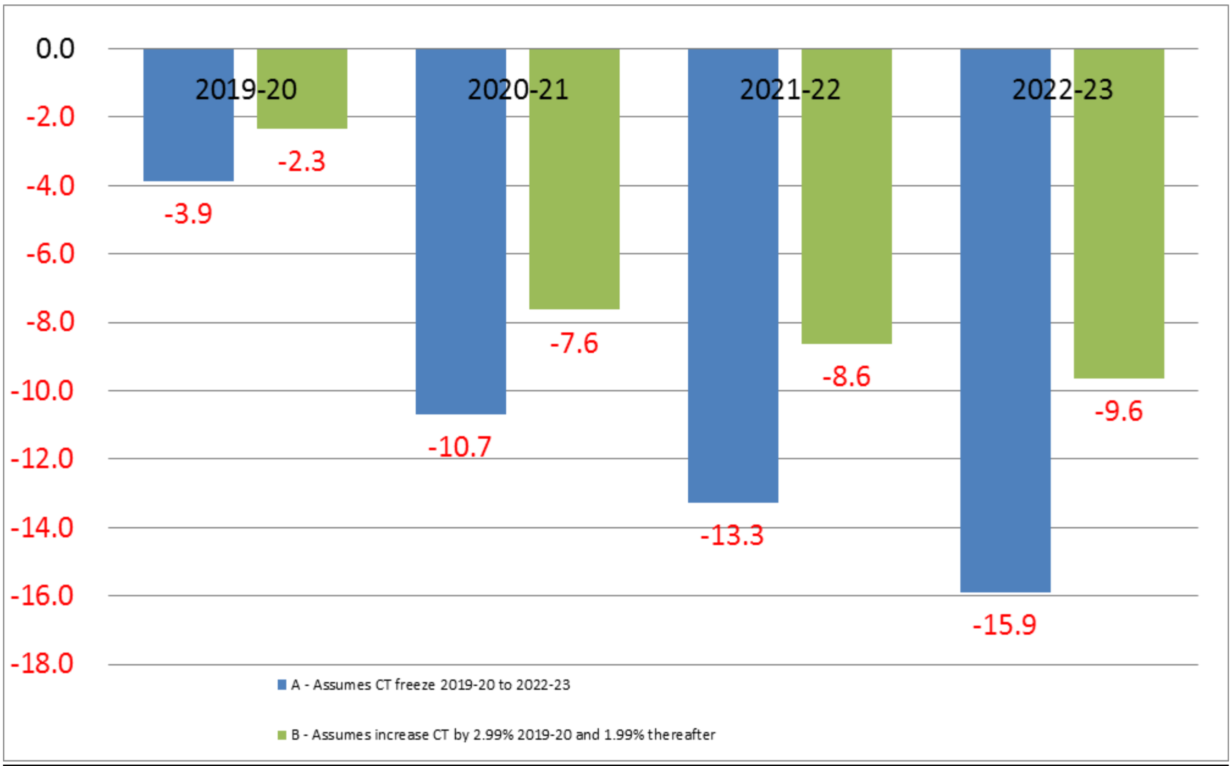
7. IMPACT TO MEDIUM TERM FINANCIAL PLANNING

7.1 The Authority is well aware of the difficult financial climate currently being faced by local authorities as a result of significant reductions in government funding. Following acceptance by the government, of an Efficiency Plan the Authority has received a four-year settlement to 2020-21. The grant has reduced by £7.5m over that period and the future funding position is uncertain. This means that the Medium Term Financial Plan (MTFP) needs to be planning for the significant reductions beyond 2020-21.

7.2 So far, the Authority has responded well, since 2011 a total of £18.5m of recurring efficiency savings have been identified and used to enable balanced budgets to have been set, including an amount of £2.3m in setting the budget for 2020-21. However the MTFP forecasts that a minimum of £7.3m of on-going savings will be required over the next three years to 2022-23 (if Council Tax is increased).

7.3 Clearly the current Coronavirus crisis will have an impact on the Authority's budget going forward and therefore the MTFP will need to be reassessed in light of this.

CHART 1 – SUMMARY OF SAVINGS REQUIRED TO 2022-23



7.4 As reported earlier the budget proposals included in the Corporate Plan agreed by the Authority in 2013 have now been fully implemented delivering total on-going savings of £6.8m and benefits are expected to be realised as part of the Safer Together Programme.

7.5 The recommendation in this report, primarily supporting the Capital Programme, will enable the Authority to better respond to future austerity measures by reducing borrowing and providing a more sustainable model for capital funding in the future.

8 SECTION 2 – CAPITAL OUTTURN 2019-20

8.1 The 2019-20 capital programme was originally set at £8m at the budget setting meeting held in February 2019. The programme figure was increased during the financial year to £8.9m, as a result of timing differences in spending from the previous year and revisions to the capital spending plan. As has been reported to the Resources Committee during the year, whilst these changes represent a change in the 2019-20 programme they do not represent any increase to the previously agreed borrowing requirement.

8.2 Table 2 below provides a summary of the provisional outturn position against the agreed 2019-20 capital programme. Against a final capital programme of £8.913m, capital spending in year was £2.303m, resulting in unspent programme of £6.61m, of which £6.104m relates to timing delays to be carried forward to 2020-21, and £0.506m of savings.

TABLE 2 – SUMMARY OF CAPITAL SPENDING IN 2019-20

PROJECT	2019/20 £000 Revised Budget	2019/20 £000 Forecast Outturn	2019/20 £000 Timing Differences	2019/20 £000 Re-scheduling / Savings
Estate Development				
Site re/new build	1,117	290	(827)	0
Improvements & structural maintenance	4,002	858	(2,949)	(195)
Optimism bias	0	0	0	0
Estates Sub Total	**5,119**	**1,148**	**(3,776)**	**(195)**
Fleet & Equipment				
Appliance replacement	1,793	0	(1,793)	0
Specialist Operational Vehicles	1,134	685	(330)	(119)
Equipment	553	361	0	(192)
ICT Department	268	109	(159)	0
Water Rescue Boats	46	0	(46)	0
Optimism bias	0	0	0	0
Fleet & Equipment Sub Total	**3,794**	**1,155**	**(2,328)**	**(311)**
Overall Capital Totals	**8,913**	**2,303**	**(6,104)**	**(506)**

Capital Spending 2020-21

8.3 This Authority has a three year rolling capital programme, reviewed annually. This reflects changes in circumstances within individual projects and slippage that will occur from time to time. This has particularly been the case in relation to the appliance replacement programme and some Estates projects. Those projects that have moved into 2020-21 will be reassessed and any potential savings identified.

8.4 Slippage in Estates projects relates to: Brixham (£0.597m); Plymstock (£0.230m); wash-down improvements (environmental protection) on various sites (£0.103m); station security (£0.100m); Bridgwater (£0.307m); Cullompton (£0.222m); Camels Head ship structure (£0.270m); Camels Head (£1.483m); Wellington (£0.283m); SHQ security (£0.050m); SHQ buildings (£0.132m).

8.5 Slippage in Fleet & Equipment and ICT projects relates to: MRPs (£1.200m); RIVs (£0.593m); 4x4 replacements (£0.330m); SQL server (£0.159m); Water Rescue Boats (£0.046m).

9. FINANCING THE 2019-20 CAPITAL PROGRAMME

9.1 The table below provides an analysis of how the 2019-20 capital spending of £2.303m is to be financed.

TABLE 3 – SUMMARY OF CAPITAL FINANCING IN 2019-20

	Actual Financing Required £m
Application of existing borrowing	**2.004**
Other financing sources:	
Revenue contribution to capital	0.103
Red One contribution to capital	0.196
Sub-total – Direct revenue funding/earmarked reserve	**0.299**
Total Financing	**2.303**

Borrowing

9.2 The amount of external borrowing at the beginning of the financial year stood at £25.537m. No new borrowing was taken out during the year and an amount of £0.093m has been repaid, resulting in an overall reduction of external borrowing to £25.444m as at 31 March 2020. This level of borrowing is well below the agreed maximum borrowing figure of £28.174m allowed under the Prudential Code.

10. DRAFT PRUDENTIAL INDICATORS

10.1 The prudential indicators at this time can only be regarded as provisional subject to the completion of the Statement of Accounts and resultant audit scrutiny.

Capital Expenditure

10.2 This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £6.610m less than anticipated as a consequence of delays on progressing Estates & Fleet capital projects.

	£m
Approved Budget	8.913
Actual Expenditure	2.303
Variance	(6.610)

Capital Financing Requirement– External Borrowing

10.3 The Capital Financing Requirement (CFR) reflects the underlying need to borrow for capital purposes. Given that existing borrowing has been applied to the spending in 2019-20 the need to borrow to fund capital spending has remained static.

	£m
Approved CFR	25.444
Revised CFR (Based on Actual Spending)	25.444
Variance	0.000

Capital Financing Requirement– Other Long Term Liabilities

10.4 This Capital Financing Requirement (CFR) reports long term financing liabilities other than external borrowing, e.g. Private Finance Initiative (PFI) and Finance Leases, which under accounting rules are required to be reported alongside traditional borrowing liabilities.

	£m
Approved CFR	1.112
Revised CFR (Based on Actual Spending)	1.112
Variance	0.000

Authorised Limit and the Operational Boundary for External Debt

10.5 Actual external debt as at 31 March 2020 was £25.444m. This is within the revised authorised limit (absolute maximum borrowing approval) of £28.174m and the operational boundary of £26.847m.

Ratio of Financing Cost to Net Revenue Stream

10.6 This ratio aims to show the percentage of revenue resources which are applied to financing debt. The Authority's estimate was that 4.03% would be applied, a better ratio has been achieved as a result of strong investment returns.

	£m
Capital Financing Costs	3.276
Interest on Investments	(0.398)
Net Financing Costs	2.878
Net Revenue	75.141

Percentage	3.83%
Budgeted	4.03%
Variance	(0.20) bp

11. **DETERMINATION OF CAPITAL FINANCE**

11.1 The Authority is required to determine its use of capital finance as defined by capital control legislation. The following use of capital finance resources is proposed:

- That an amount of £2.004m of external borrowing from previous years be utilised to fund the Capital programme;
- That an amount of £0.299m is capitalised and funded from revenue contributions to capital spending, either directly from the 2019-20 revenue budget or from balances in Earmarked Reserves.

12. **RESERVES**

12.1 A new requirement was introduced in 2018 under CIPFA guidance for the Fire Authority to publish a Reserves Strategy which outlines the intended use of reserves over the medium term financial period and this is included elsewhere on the agenda.

12.2 The Authority reserves position at the end as at 31 March 2020 is £38.812m, subject to approval of the recommendations in this report, the details of which are shown at Appendix B and in paragraph 5.1 above.

AMY WEBB
Director of Finance (Treasurer)

APPENDIX A

SUBJECTIVE ANALYSIS OF REVENUE SPENDING

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY

Line No	SPENDING	2019/20 Budget £000	Outturn £000	Projected Variance over/ (under) £000
	EMPLOYEE COSTS			
1	Wholetime uniform staff	30,366	31,470	1,104
2	On-call firefighters	14,234	13,894	(340)
3	Control room staff	1,419	1,448	29
4	Professional and Technical Support Staff	12,337	12,471	134
5	Training expenses	722	432	(290)
6	Fire Service Pensions recharge	2,458	2,414	(44)
		61,536	**62,129**	**593**
	PREMISES RELATED COSTS			
7	Repair and maintenance	992	936	(56)
8	Energy costs	529	566	37
9	Cleaning costs	471	461	(9)
10	Rent and rates	1,866	1,888	22
		3,858	**3,851**	**(7)**
	TRANSPORT RELATED COSTS			
11	Repair and maintenance	624	620	(4)
12	Running costs and insurances	1,318	1,269	(49)
13	Travel and subsistence	1,295	1,487	192
		3,237	**3,376**	**139**
	SUPPLIES AND SERVICES			
14	Equipment and furniture	2,973	2,565	(408)
16	Hydrants-installation and maintenance	151	118	(33)
17	Communications	2,348	2,273	(76)
18	Uniforms	601	604	3
19	Catering	56	60	5
20	External Fees and Services	159	199	41
21	Partnerships & regional collaborative projects	186	53	(134)
		6,473	**5,872**	**(601)**
	ESTABLISHMENT COSTS			
22	Printing, stationery and office expenses	260	220	(40)
23	Advertising	23	39	16
24	Insurances	411	381	(29)
		694	**640**	**(54)**
	PAYMENTS TO OTHER AUTHORITIES			
25	Support service contracts	701	815	114
		701	**815**	**114**
	CAPITAL FINANCING COSTS			
26	Capital charges	3,493	3,505	12
27	Revenue Contribution to Capital spending	2,614	196	(2,417)
		6,107	**3,701**	**(2,406)**
28	**TOTAL SPENDING**	**82,605**	**80,383**	**(2,222)**
	INCOME			
29	Treasury management investment income	(271)	(398)	(127)
30	Grants and Reimbursements	(7,242)	(7,399)	(157)
31	Other income	(343)	(916)	(573)
33	**TOTAL INCOME**	**(7,856)**	**(8,713)**	**(857)**
34	**NET SPENDING**	**74,749**	**71,670**	**(3,079)**
	TRANSFERS TO EARMARKED RESERVES			
35	Transfers to reserves	393	675	282
36	Transfer to Capital funding	-	2,348	2,348
37	Grants Unapplied	-	286	286
		393	**3,309**	**2,916**
36	**NET SPENDING**	**75,142**	**74,980**	**(163)**

APPENDIX B

SUMMARY OF RESERVES AND BALANCES AS AT 31 March 2020

RESERVES AND PROVISIONS						
RESERVES	**Note**	**Balance as at 1 April 2019 £000**	**Approved Transfers £000**	**Proposed Transfers £000**	**Spending to Month 12 £000**	**Proposed Balance as at 31 March 2020 £000**
Earmarked reserves						
Grants unapplied from previous years	a/c	(1,145)	918	(286)	130	(383)
Invest to Improve	a	(5,945)	50	-	1,095	(4,800)
Budget Smoothing Reserve		(1,818)	-	-	-	(1,818)
Direct Funding to Capital	b	(19,960)	-	(2,348)	-	(22,308)
Projects, risks, & budget carry forwards						
PFI Equalisation	a	(295)	145	-	-	(150)
Emergency Services Mobile Communications Programme		(932)	-	-	56	(877)
Breathing Apparatus Replacement	a	(1,449)	(50)	-	1,466	(32)
Mobile Data Terminals Replacement		(381)	-	-	102	(279)
PPE & Uniform Refresh		(480)	-	-	333	(147)
Pension Liability reserve	a	(461)	(962)	-	-	(1,423)
National Procurement Project		(90)	-	-	90	-
Budget Carry Forwards	d	(603)	-	(251)	262	(592)
Station Mobilising Equipment	a	-	(380)	-	-	(380)
Environmental Strategy	a	-	(145)	(163)	-	(308)
Total earmarked reserves		**(33,560)**	**(424)**	**(3,048)**	**3,535**	**(33,497)**
General reserve						
General Fund balance		**(5,315)**	-	**-**	**-**	**(5,315)**
Percentage of general reserve compared to net budget						7.19%
TOTAL RESERVE BALANCES		**(38,875)**				**(38,812)**
PROVISIONS						
Doubtful Debt		(655)		-	-	(655)
Fire fighters pension schemes		(782)	73	-	50	(659)

The notes in this table refer to Paragraph 5.1 outlining the transfers to reserves and provisions

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REPORT REFERENCE NO.	**N/A**
MEETING	**URGENCY DECISION**
DATE OF MEETING	**2 JUNE 2020**
SUBJECT OF REPORT	**REVISION TO CAPITAL PROGRAMME 2020-21 TO 2022-23**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATIONS	***That it be recommended to the Devon and Somerset Fire and Rescue Authority that the revised capital programme and associated prudential indicators for 2020-21 to 2022-23, as included in this report, be approved.***
EXECUTIVE SUMMARY	A three year capital programme for 2020-21 to 2022-23 was approved at the budget meeting in February 2020. This report proposes a revision to that programme to reflect: a) An amount of money not spent in 2019-20 to be carried forward to 2020-21; The proposed revision does not require any adjustments to the Authority's external borrowing requirements. The Authority has not taken any new borrowing in the last eight years and, currently, there is no new borrowing required to support the Authority's Capital Programme covering 2020-21 to 2022-23.
RESOURCE IMPLICATIONS	As indicated within the Report
EQUALITY IMPACT ASSESSMENT	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Capital Programme 2020-21 to 2022-23. B. Revised Prudential Indicators 2020-21 to 2022-23.
LIST OF BACKGROUND PAPERS	Capital Programme 2020-21 to 2021-23 report to DSFRA on 18 February 2020 (DSFRA/20/5).

1. INTRODUCTION

1.1 The current capital programme covering the three years 2020-21 to 2022-23 was approved at the budget meeting in February 2020.

1.2 This report seeks approval of the Authority to revise this programme to reflect budget not spent in 2019-20.

1.3 It should be noted that the proposed changes do not require any additional external borrowing, over and above what has already been agreed, and therefore places no further burden on the revenue budget in terms of debt charges.

2. CURRENT CAPITAL PROGRAMME 2020-21 TO 2022-23

2.1 Each year the Capital Programme is reviewed and adjusted to include new projects and those carried forward, allowing the capital investment needs of the Service to be understood over a three year rolling programme.

2.2 At the budget meeting on 18 February the Authority considered and approved a three year capital programme covering the years 2020-21 to 2022-23. This approved programme is included at Appendix A (2020/21 Approved Budget column).

3. PROPOSED REVISION TO THE CAPITAL PROGRAMME

3.1 Appendix A to this report also provides a revised capital programme for the years 2020-21 to 2022-23. The changes included in the revised programme reflect:

a) Since setting the original programme in February 2020, there is further variance against budget in 2019/20 of £0.6m. This is made up of savings of £0.1m and budget unspent in 2019/20 of £0.5m which will align the Capital programme with the future aspirations of the service going forward. The £0.5m unspent budget is still required (carried forward to 2020-21) but reflects only a change to the timing of spend rather than an increase to funding requirements.

3.2 A summary of the impact to the overall programme of these changes is provided in Figure 1 below.

	Estates	Fleet & Equipment	Total
	£m	£m	£m
Original Programme			
2019-20 (predicted outturn)	1.3	1.6	2.9
2020-21	6.2	4.5	10.7
2021-22 (provisional)	5.9	6.8	12.7
2022-23 (provisional)	5.7	3.6	9.3
Total 2019-20 to 2022-23	19.1	16.5	35.6
Revised Programme			
2019-20 (actual outturn)	1.1	1.2	2.3
2020-21	6.4	4.8	11.2
2021-22 (provisional)	5.9	6.8	12.7
2022-23 (provisional)	5.7	3.6	9.3
Total 2019-20 to 2022-23	19.1	16.4	35.5
Proposed change	0.0	-0.1	-0.1

Figure 1

3.3 Appendix B to this report provides a summary of the revised prudential indicators emanating from the revised programme. The current forecasts are that the ratio of financing costs to net revenue stream 5% ceiling will not be breached in the medium term as reported to the Authority in February 2020. The next review of capital spending plans will take place in good time to inform the budget setting process for 2021-22.

4. <u>SUMMARY AND RECOMMENDATION</u>

4.1 This report provides a revision to the agreed capital programme for the year 2020-21. The Committee is asked to recommend this revision, and associated prudential indicators, to the next meeting of the Fire and Rescue Authority to be held on the ??th June 2020.

Amy Webb
Director of Finance (Treasurer)

APPENDIX A

PROJECT	2020/21 £000 Approved Budget	2020/21 £000 Slippage & Approvals	2020/21 £000 Revised Budget	2021/22 £000 Approved Budget	2022/23 £000 Approved Budget	2023/24 £000 Indicative Budget	2024/25 £000 Indicative Budget
Estate Development							
Site re/new build	3,495	62	3,557	500	0	0	0
Improvements & structural maintenance	5,423	168	5,591	4,100	6,100	3,800	3,700
Optimism bias	(2,700)		(2,700)	1,300	(400)	1,800	0
Estates Sub Total	**6,218**	**230**	**6,448**	**5,900**	**5,700**	**5,600**	**3,700**
Fleet & Equipment							
Appliance replacement	5,034	0	5,034	3,200	1,600	2,200	3,300
Specialist Operational Vehicles	300	330	630	3,600	1,100	1,100	900
Equipment	0	0	0	0	0	0	0
ICT Department	176	(17)	159	300	0	0	0
Water Rescue Boats	46	0	46	0	0	0	0
Optimism bias	(1,100)		(1,100)	(300)	900	500	0
Fleet & Equipment Sub Total	**4,456**	**313**	**4,769**	**6,800**	**3,600**	**3,800**	**4,200**
Overall Capital Totals	**10,674**	**543**	**11,217**	**12,700**	**9,300**	**9,400**	**7,900**
Programme funding							
Earmarked Reserves:	7,055	537	7,592	8,639	5,898	157	0
Revenue funds:	2,097	0	2,097	2,037	2,037	2,037	2,037
Application of existing borrowing	1,522	6	1,528	2,024	1,365	7,206	5,863
Total Funding	**10,674**	**543**	**11,217**	**12,700**	**9,300**	**9,400**	**7,900**

APPENDIX B

PRUDENTIAL INDICATORS

	2020/21	2021/22	2022/23	2023/24	2024/25
				INDICATIVE INDICATORS 2023/24 to 2024/25	
	£m Estimate	£m Estimate	£m Estimate	£m Estimate	£m Estimate
Capital Expenditure					
Non - HRA	11.217	12.700	9.300	9.400	7.900
HRA (applies only to housing authorities)					
Total	11.217	12.700	9.300	9.400	7.900
Ratio of financing costs to net revenue stream					
Non - HRA	4.08%	4.00%	3.63%	3.67%	4.07%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000
Non - HRA	24,851	24,758	24,264	29,694	33,422
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	1,010	907	791	656	509
Total	25,861	25,665	25,055	30,349	33,931
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000
Non - HRA	(695)	(196)	(610)	5,295	3,582
HRA (applies only to housing authorities)	0	0	0	0	0
Total	(695)	(196)	(610)	5,295	3,582
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£000	£000	£000	£000	£000
Borrowing	26,787	26,189	26,071	31,772	35,651
Other long term liabilities	1,162	1,056	947	823	681
Total	27,949	27,244	27,018	32,595	36,332
Operational Boundary for external debt	£000	£000	£000	£000	£000
Borrowing	25,544	24,951	24,857	30,287	33,980
Other long term liabilities	1,112	1,010	907	791	656
Total	26,656	25,961	25,765	31,078	34,636
Maximum Principal Sums Invested over 364 Days					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

TREASURY MANAGEMENT INDICATOR	Lower Limit %
Limits on borrowing at fixed interest rates	70%
Limits on borrowing at variable interest rates	0%
Maturity structure of fixed rate borrowing during 2020/21	
Under 12 months	0%
12 months and within 24 months	2%
24 months and within 5 years	4%
5 years and within 10 years	13%
10 years and above	78%

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REPORT REFERENCE NO.	**N/A**
MEETING	**URGENCY DECISION**
DATE OF MEETING	**2 JUNE 2020**
SUBJECT OF REPORT	**TREASURY MANAGEMENT – QUARTER FOUR AND ANNUAL REPORT 2019-20**
LEAD OFFICER	**Director of Finance (Treasurer)**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2019-20 including the fourth quarter, as set out in this report, be noted.***
EXECUTIVE SUMMARY	The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, requires that the Authority receives a report in respect of borrowing and investment activities during the year, and compares this performance against the treasury management strategy adopted. The report includes a performance report relating to the final quarter of the 2019-20 financial year and a summary of annual performance.
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY RISK AND BENEFIT ASSESSMENT (ERBA)	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Prudential indicators 2019-20 B. Glossary of Terms
LIST OF BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) Report to budget meeting held on the 19th February 2019.

1. INTRODUCTION

1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year or quarterly reports). The Authority fully complies with the primary requirements of the Code, which includes:

- The creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Authority's treasury management activities.
- The creation and maintenance of Treasury Management Practices, which set out the manner in which the Authority will seek to achieve those policies and objectives.
- The receipt by the Authority of an annual strategy report for the year ahead, a mid-year treasury update report and an annual review report of 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.
- Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body which in this Authority is the Resources Committee.
- Minimum reporting requirements, in addition, the Resources Committee has received quarterly treasury management update reports (although this final report of the year will not be delivered via formal committee due to Coronavirus situation).

1.2 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

The Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Resources Committee before they were reported to the full Authority. Members have been supported in their scrutiny role through regular updates and the attendance at Committee meetings by the Authority's Treasury Management advisors, Link Asset Services.

1.3 A glossary of terms and acronyms used is provided at Appendix B of this report

2. OVERALL TREASURY POSITION AS AT 31 MARCH 2020

2.1 The Authority's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Authority's Treasury Management Practices.

At the end of 2019-20 the Authority's treasury position was as follows:

SUMMARY	31st March 2019 Principal	Rate/ Return	31st March 2020 Principal	Rate/ Return
Total Debt - PWLB (All fixed rate funding) -Other Long Term Liabilities Total	*£25.537m* *£1.209m* *£26.747m*	*4.235%*	*£25.444m* *£1.112m* *£26.556m*	*4.221%*
CFR	*£26.747m*		*£26.556m*	
Over/(under) borrowing	*£0.000m*		*£0.000m*	
Total Investments	*£38.476m*	*0.83%*	*£37.421m*	*0.70%*
NET DEBT	***£(11.729)m***		***£(10.865)m***	

The maturity structure of the debt portfolio was as follows:

	31 March 2019 actual	2019-20 original limits	31 March 2020 actual
Under 12 months	£0.093m	30% = £7.633m	£0.593m
12 months and within 24 months	£0.593m	30% = £7.633m	£0.093m
24 months and within 5 years	£1.080m	50% = £12.722m	£1.445m
5 years and within 10 years	£3.831m	75% = £19.083m	£3.454m
Over 10 years	£19.940m	100% = £25.444m	£19.859m

3. STRATEGY FOR 2019-20

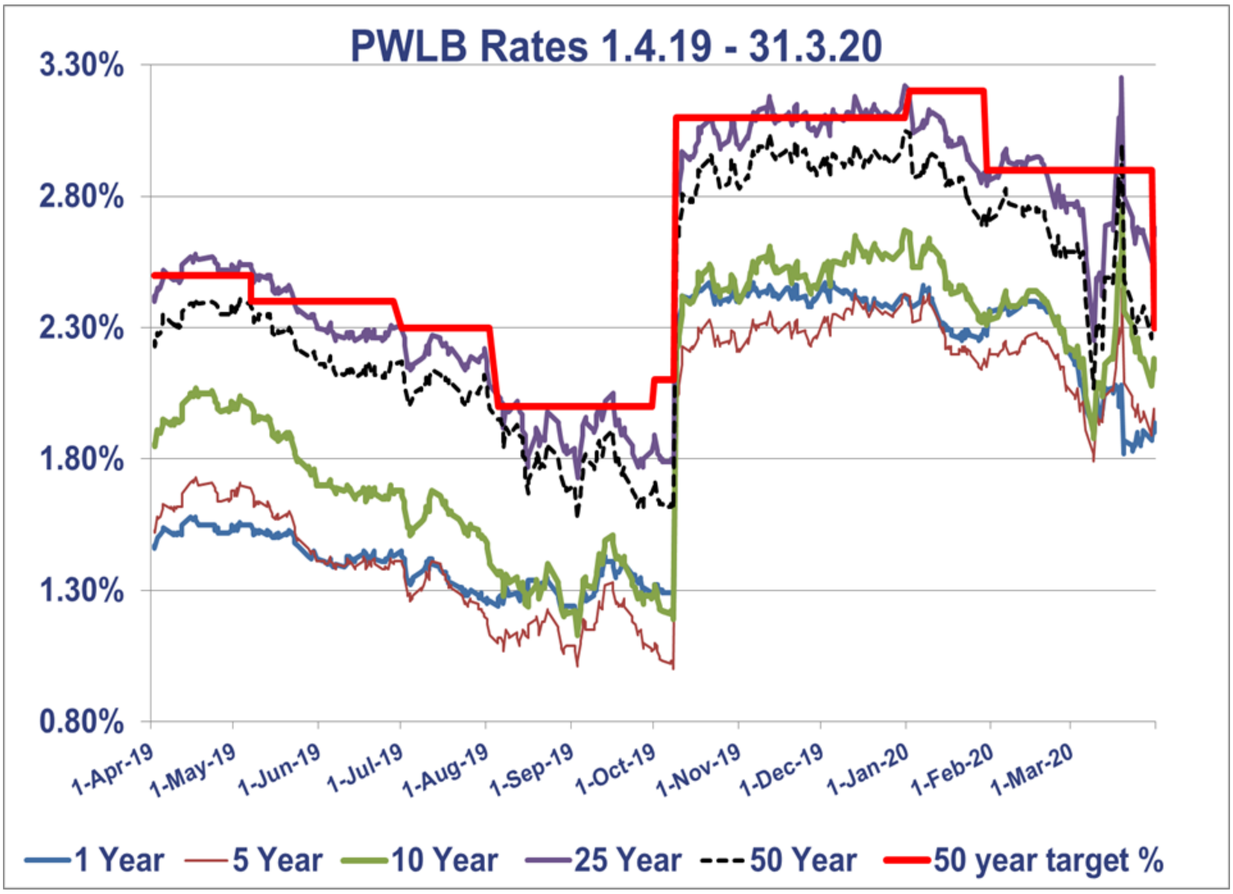
3.1 Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.

3.2 Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer term rates were significantly higher than shorter term rates during the year, value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

4. BORROWING

Public Works Loan Board (PWLB) borrowing rates 2019-20

4.1 The graphs and tables for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2019	1.46%	1.52%	1.84%	2.41%	2.24%
31/03/2020	1.90%	1.95%	2.14%	2.65%	2.39%
Low	1.17%	1.00%	1.13%	1.73%	1.57%
Date	03/09/2019	08/10/2019	03/09/2019	03/09/2019	03/09/2019
High	2.47%	2.45%	2.76%	3.25%	3.05%
Date	21/10/2019	19/03/2020	19/03/2020	19/03/2020	31/12/2019
Average	1.83%	1.77%	2.00%	2.56%	2.40%

5 DSFRA Borrowing Strategy

Prudential Indicators

5.1 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 Treasury Management Strategy.

5.2 During the financial year the Authority operated within the treasury limits and Prudential Indicators set out in its annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Appendix A.

Authority borrowing during and at the end of 2019-20

5.3 No new borrowing was taken out in 2019-20 to support capital spending and therefore, because repayments of £0.093m loan principal have been made in year, the value of loans outstanding has decreased to £25.444m during the year. A summary of the loan (debt) position of the Authority is given in the table below. All existing borrowing has been taken out at Fixed Interest Rates.

5.4 In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2018-19) plus the estimates of any additional capital financing requirement for the current (2019-20) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allowed the Authority some flexibility to borrow in advance of its immediate capital needs in 2019-20.

It is noted that the external borrowing figure of £26.556m as 31 March 2020 is the same as the Capital Financing Requirement (CFR), which means that there is no over-borrowing position at the year-end. The Authority has complied with this prudential indicator. The table below demonstrates how the CFR is calculated and shows the CFR for 2019-20.

Capital Financing Requirement (£m)	31 March 2019 Actual	31 March 2020 Budget	31 March 2020 Actual
Opening balance	26.930	26.747	26.747
Add borrowing applied in year	1.911	1.961	2.004
Less MRP/VRP*	2.004	2.054	2.097

Capital Financing Requirement (£m)	31 March 2019 Actual	31 March 2020 Budget	31 March 2020 Actual
Less PFI & finance lease repayments	0.090	0.098	0.098
Closing balance	26.747	26.556	26.556

5.5 No rescheduling was done during the year as the average differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Summary of loan movements during 2019-20	**Amount £m**
Value of loans outstanding as at 1/4/2019	**25.537**
Loans taken during 2019-20	0.00
Loans repaid upon maturity during year	(0.093)
Loans rescheduled during year	0.00
Total value of loans outstanding as at 31/3/2020	**25.444**

6. INVESTMENTS

Authority Investment Strategy

6.2 The Authority's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Authority's investment priorities as follows:

- Security of Capital
- Liquidity
- Yield

6.3 The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

Authority Investments during and at the end of 2019-20

6.4 No institutions in which investments were made during 2019-20 had any difficulty in repaying investments and interest in full during the year and the Authority had no liquidity difficulties.

6.5 A full list of investments held as at 31 March 2020 are shown in the table below:

Counterparty	Maximum to be invested	Amount Invested	Call or Term	Period invested	Interest rate(s)
	£m	£m			
Aberdeen Standard Investments		2.720	C	Instant Access	Variable
Bank of Scotland	7.000	2.000	T	9 mths	1.09%
		5.000	T	12 mths	0.85%
Barclays Bank	8.000	8.000	C	Instant Access	Variable
		0.001	C	Instant Access	Variable
Belfast City Council	7.000	5.000	T	10 mths	0.90%
Central Bedfordshire Council	7.000	2.000	T	1 mths	0.83%
Coventry Building Society	7.000	1.200	T	9 mths	0.85%
Goldman Sachs	7.000	2.000	T	12 mths	1.05%
London Borough of Enfield	7.000	5.000	T	12 mths	1.25%
Mid & East Antrim Borough Council	7.000	1.500	T	12 mths	0.96%
Standard Chartered Bank	7.000	3.000	T	6 mths	0.91%
Total amount Invested		**37.421**			

6.6 Funds available for investment are on a temporary basis, the level of which are dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

Benchmark – 3 month LIBID	Average level of funds available for Investment £m	Benchmark Return	Authority Performance	Investment Interest Earned £m
Quarter 1	37.486	0.68%	0.81%	£0.063m
Quarter 2	45.904	0.66%	0.85%	£0.098m
Quarter 3	43.209	0.66%	0.85%	£0.080m
Quarter 4	40.143	0.66%	0.70%	£0.157m
2019-20	**42.304**	**0.67%**	**0.80%**	**£0.398m**

6.8 The amount of investment income earned of £0.98m has exceeded the target by £0.127m as a result of levels of fund available for investment during the year being higher than anticipated and returns exceeding benchmark. The target was re-baselined during the year to reflect this strong performance.

7. SUMMARY

7.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides Members with a summary report of the treasury management activities during 2019-20. 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 during the year, with priority being given to liquidity and security over yield.

7.2 Continued uncertainty in the aftermath of the 2008 financial crisis and with unusual Brexit conditions promoted a cautious approach, whereby investments continued to be dominated by risk considerations resulting in relatively low returns compared to borrowing rates. Even so, the Authority is able to report that its returns are above the London Inter-Bank Bid Rate 3 month rate, the benchmark return for this type of short term investments.

AMY WEBB
Director of Finance (Treasurer)

PRUDENTIAL INDICATOR	2018-19 £m actual	2019-20 £m approved	2019-20 £m Actual
Capital Expenditure			
TOTAL	2.878	8.813	2.303
Ratio of financing costs to net revenue stream			
Non – HRA	3.83%	4.09%	3.83%
Capital Financing Requirement as at 31 March (borrowing only)			
TOTAL	26.747	26.556	26.556
Annual change in Cap. Financing Requirement			
TOTAL	(0.182)	(0.191)	(0.191)
TREASURY MANAGEMENT PRUDENTIAL INDICATORS			
	£m	**£m**	**£m**
Authorised Limit for external debt -			
Borrowing	27.007	26.910	
other long term liabilities	1.359	1.265	
TOTAL	28.367	28.174	
Operational Boundary for external debt -			
Borrowing	25.731	25.637	
other long term liabilities	1.299	1.209	
TOTAL	27.029	26.847	
Actual external debt	26.747		26.556

	Actual 31st March 2020	upper limit %	lower limit %
Limits on borrowing at fixed interest rates	71%	100%	70%
Limits on borrowing at variable interest rates	29%	30%	0%
Maturity structure of fixed rate borrowing during 2019-20			
Under 12 months	2.32%	30%	0%
12 months and within 24 months	0.37%	30%	0%
24 months and within 5 years	5.66%	50%	0%
5 years and within 10 years	13.52%	75%	0%
10 years and above	77.76%	100%	50%

ABBREVIATIONS USED IN THIS REPORT

This is an optional area which clients may wish to include in their report if they feel that members would appreciate having this list of abbreviations and definitions.

ALMO: an Arm's Length Management Organisation is a not-for-profit company that provides housing services on behalf of a local authority. Usually an ALMO is set up by the authority to manage and improve all or part of its housing stock.

LAS: Link Asset Services, Treasury solutions – the council's treasury management advisers.

CE: Capital Economics - is the economics consultancy that provides Link Asset Services, Treasury solutions, with independent economic forecasts, briefings and research.

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

ECB: European Central Bank - the central bank for the Eurozone
EU: European Union
EZ: Eurozone -those countries in the EU which use the euro as their currency

Fed: the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

FOMC: the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

HRA: housing revenue account.

IMF: International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

MHCLG: the Ministry of Housing, Communities and Local Government -the Government department that directs local authorities in England.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PFI: Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: quantitative easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

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REPORT REFERENCE NO.	**RC/20/10**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**2 JULY 2020**
SUBJECT OF REPORT	**COVID-19 FINANCIAL IMPLICATIONS**
LEAD OFFICER	**Treasurer**
RECOMMENDATIONS	***That the report be noted***
EXECUTIVE SUMMARY	The COVID pandemic has had a significant impact on the service, with business continuity processes being in place since March 2020. Whilst the impacts of the pandemic and subsequent lockdown are yet to be fully understood, work has been going on to understand the financial implications for the current 2020-21 financial year and beyond. This report summarises the work undertaken to date and the key risks going forward.
RESOURCE IMPLICATIONS	As indicated within the report
EQUALITY IMPACT ASSESSMENT	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	None
LIST OF BACKGROUND PAPERS	None

1. COVID-19 FUNDING

1.1 The COVID pandemic has had a significant impact on the Service, with business continuity processes being in place since March 2020. Whilst the impacts of the pandemic and subsequent lockdown are yet to be fully understood, work has been going on to understand the financial implications for the current 2020-21 financial year and beyond.

1.2 This Authority has received emergency funding from central government as part of the £3.2bn measures introduced to support local authorities, this was paid in two tranches of £0.280m and £1.319m in March and May 2020 respectively.

1.3 Whilst some activity is using more resources during business continuity (such as providing cover for staff who are self-isolating and IT solutions) savings have also been made in some areas (e.g. travel, particularly as BP were offering free fuel to emergency services until early June).

1.4 Using current expenditure analysis, officers are confident that the COVID-19 grants made available will be sufficient to cover additional expenditure in the foreseeable future (pending a second wave), most likely for the duration of 2020-21. The grant is un-ringfenced and therefore will not need to be repaid if unspent within a certain timeframe.

2. ACTIVITY TO UNDERSTAND FINANCIAL RISKS

2.1 The impact on 2020-21 financial performance includes:

- There is a high level of confidence that costs can be controlled and plans adapted to fit within existing budgets;
- Business continuity arrangements have effectively slowed down a considerable number of improvement/ investment activities within the financial year which will likely result in an underspend at year end;
- It is anticipated that significant slippage will be reported against the capital programme, as Estates work has been paused during lockdown and will be subject to new onsite restrictions. Our vehicle suppliers have halted production during lockdown and also altered their working practices which is expected to cause delays of at least three months;
- However, much of this work will still need to be done and therefore unspent funds in this financial year will either be reprioritised or subject to earmarked reserves at the year-end; and
- More detailed analysis will be available as part of the Quarter 1 2020-21 financial performance reports

2.2 The impact on the Medium Term Financial Plan includes:

- Lockdown and the resulting recession will impact on households and businesses ability to pay their Council Tax and Business Rates, this will flow through to the Authority Collection fund in 2021-22;
- National data suggests the impact will be 4.54% for Business Rates and 2.88% for Council Tax; and
- The Medium Term Financial Plan will be reviewed in light of this information and brought back to members for consideration.

2.3 The impact on the Reserves Strategy includes:

- Officers have reviewed existing reserves in light of business continuity events and are confident that the current strategy supports a sustainable financial model going forward;
- Specific recommendations on use of reserves going forward will be brought back to the Committee for consideration; and
- If the Authority does not utilise all of its COVID-19 funding, a decision will be required on the best use of the remaining funds.

3. SUMMARY

3.1 This report provides assurance to the Resources Committee that the financial implications of COVID-19 in the short term are understood and provided for. Officers have plans in place to analyse the long-term risk and plans arising will be brought back to the Committee at a later date.

AMY WEBB
Authority Treasurer

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of the Local Government Act 1972.

Agenda Item 7

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Agenda Item 8

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