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

## Thursday, 9th September, 2021

A meeting of the Resources Committee will be held on the above date, **commencing at 10.00 am in The Committee Rooms, Somerset House, Devon & Somerset Fire & Rescue 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 - 8)**

of the previous meeting held on 10 February 2021 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 2021-22: Quarter 2 (Pages 9 - 20)**

Report of the Director of Finance & Resourcing (Treasurer) (RC/21/9) attached.

**5 Financial Performance Report 2021-22: Quarter 2 (Pages 21 - 30)**

Report of the Director of Finance & Resourcing (Treasurer) (RC/21/10) attached.

**6 Revision to Capital Programme 2021-22 to 2023-24 (Pages 31 - 36)**

Report of the Director of Financing & Resourcing (Treasurer) (RC/21/11) attached.

**7 Reserves Strategy 2021-22 (Pages 37 - 48)**

Report of the Director of Finance & Resourcing (Treasurer) (RC/21/12) attached.

**8 Resources Committee Future Scrutiny Arrangements & Forward Plan (Pages 49 - 54)**

Report of the Director of Finance & Resourcing (Treasurer) (RC/21/13) attached.

**9 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 officers of Red One Ltd. and Councillors Radford and Shayer [Authority appointed Non-Executive Directors of 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:

- 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**

**10 Restricted Minutes of Resources Committee held on 10 February 2021 (Pages 55 - 56)**

Restricted Minutes of Resources Committee held on 10 February 2021 (attached).

**11 Red One Performance 2021-22: Quarter 2 (Pages 57 - 62)**

Report of Alex Hanson (Chief Executive) & Alison Hasberg-Hartley (Finance Director) – Red One Ltd. (RC/21/14) attached.

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

Membership:-

Councillors Peart (Chair), Coles, Drean (Vice-Chair), Long, McGeough, Radford and Shayer

| NOTES | |
|---|---|
| **1.** | **<u>Access to Information</u>**<br>Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda. |
| **2.** | **<u>Reporting of Meetings</u>**<br>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.<br>Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening. |
| **3.** | **<u>Declarations of Interests at meetings (Authority Members only)</u>**<br>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:<br>(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<br>(ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest.<br>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.<br>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.<br>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. |

| | NOTES (Continued) |
|---|---|
| **4.** | **<u>Part 2 Reports</u>**<br>Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal. |
| **5.** | **<u>Substitute Members (Committee Meetings only)</u>**<br>Members are reminded that, in accordance with Standing Orders, 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. |
| **6.** | **<u>Other Attendance at Committees )</u>**<br>Any Authority Member wishing to attend, in accordance with Standing Orders, 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. |

**RESOURCES COMMITTEE (Budget Meeting)**
(Devon & Somerset Fire & Rescue Authority)

10 February 2021

Present:

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

In attendance:

Councillors Randall John (Authority Chair) and Saywell – in accordance with Standing Order 38(1)

* **RC/37** **Minutes**

**RESOLVED** that the Minutes of the meeting held on 12 October 2020 be approved as a correct record.

**RC/38** **2021-22 Revenue Budget and Council Tax Level**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) and Chief Fire Officer) (RC/21/1) on options for the Authority's Revenue Budget and associated Council Tax level in 2021-22. 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) referred to the report and indicated that the Council Tax referendum limit had been set by the Minister for Housing and Local Government at 2% for 2021-22. It was noted that there had been a slight increase in the grant made under the Settlement Funding Assessment (SFA) of 0.016% for 2021-22 amounting to an additional £0.035m of funding available to the Authority but this was in the face of reductions in settlement of 24% since 2015-16. Separate grants would be allocated to compensate for the loss of council tax and business rates due to the Covid-19 pandemic and these were presented as income in the report. The options set out within the report had been prepared on the basis of the need to use budget smoothing reserves to balance the budget with £0.362m of savings already identified. Option A required a greater input from reserves to fill the budget deficit.

Reference was made at this point to supporting reform of the Service through maintaining investment in the Pay for Availability system at £1.422m which was half of the annual cost if all stations decided to take part. A request was made elsewhere on the agenda for this meeting to earmark funding from the 2020-21 revenue funding underspend to cover the cost in 2021-22 should more stations wish to transition to the new system than budgeted for. The Committee was also asked to consider a request to increase investment in 2021-22 to cover the cost of an additional 12 Firefighter posts to increase establishment temporarily for 3 years to support strategic workforce planning in the event of short notice retirements.

The revised core budget requirement for the Authority emanating from the overall decrease in funding was £74.222m (based on Option B, a Council Tax increase of 1.99%). This option did not require any cuts or additional funding to be identified in order that a balanced budget could be set. The options recommended in the report for consideration by the Committee in setting the level of Council Tax in 2021-22 were:

- Option A – freeze council tax at 2020-21 level (£88.24 for a Band D property); or
- Option B – increase council tax by 1.99% above 2020-21 (an increase of £1.74 per annum to £90.00 for a Band D property).

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

> *"*that it be recommended to the Authority that the level of Council Tax in2021-22 for a Band D property be set at £90.00, as outlined in Option B,representing a 1.99% increase over 2020-21, and that an additional £0.415m of funding be made available to fund an additional 12 development firefighter posts".

Upon a vote, (6 for, 1 against) this was **CARRIED** whereupon it was

**RESOLVED**

(a). that it be recommended to the Authority that the level of Council Tax in 2021-22 for a Band D property be set at £90.00, as outlined in Option B of report RC/21/1, representing a 1.99% increase over 2020-21;

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

    (i). the tax base for payment purposes and the precept requiredfrom each billing authority for payment of total precept of £54,849,642 (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 budget booklet for option B 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 report RC/21/1, be endorsed.

(c). That the funding of £0.415m be made available within Option B to support the funding of an additional 12 Firefighter development posts in 2021-22.

***(NOTE: In accordance with Standing Order 25(3), Councillor Biederman requested that his vote against the above decision be recorded).***

**RC/39** **Capital Strategy**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/21/2) 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.

**RESOLVED** that the Authority be recommended to endorse the Capital Strategy as set out within report RC/21/2.

**RC/40** **Capital Programme 2021-22 to 2023-24**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/3) that set out the proposals for a three year Capital Programme covering the years 2021-22 to 2023-24. 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 revised programme had been prepared on the basis that increased revenue contribution to capital would be limited in future years to the amount saved from reductions in borrowing. There would be significant pressure in future years, however, with an emerging gap between the costs of maintaining the new asset base and an affordable capital programme based on the utilisation of revenue contributions, existing borrowing and the capital reserve.

**RESOLVED** that the Authority at its budget meeting on 19 February 2021 be recommended to:

(a). approve the draft Capital Programme 2021-22 to 2023-24 and associated Prudential Indicators, as detailed in the report and summarised at Appendices A and B respectively to report RC/21/3; and

(b). note, subject to (a) above, the forecast impact of the proposed Capital Programme (from 2024-25 onwards) on the 5% debt ratio Prudential Indicator as indicated in this report.

**RC/41** **Medium Term Financial Plan**

The Committee considered a report of the Director of Finance & Resourcing (RC/21/4) 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 2025-26) together with details of how the forecasts were constructed (including funding sources and expenditure/cost pressures).

**RESOLVED** that the Devon & Somerset Fire & Rescue Authority be recommended to endorse the Medium Financial Plan for publication as appended to report R/21/4.

**RC/42** **Treasury Management Strategy (including Prudential and Treasury Indicators) Report 2021-22**

*NB. Adam Burleton, representing Link Asset Services, was in attendance for this item.*

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/21/5) in respect of the Treasury Management Strategy and Annual Investment

The report set out the proposed Treasury Management Strategy and Investment Strategy for 2021-22, including the Prudential Indicators associated with the capital programme for 2021-22 to 2023-24 considered elsewhere on the agenda of this meeting. A Minimum Revenue Provision Statement for 2021-22 was also included for approval.

**RESOLVED** that the Authority be recommended to approve:

(a) The expansion of its approved counter parties to include subsidiary entities but the terms and conditions of any such arrangement be reserved to the Authority;

(b) the Treasury Management Strategy and the Annual Investment Strategy for 2021-22; and

(c) the Minimum Revenue Provision (MRP) statement for 2021-22, as contained at Appendix B of report RC/21/5.

* **RC/43** **Treasury Management Performance 2020-21: Quarters 2 and 3**

*NB. Adam Burleton, representing Link Asset Services, was in attendance for this item.*

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) (RC/21/6) that set out details of the treasury management performance for the second and third quarters of 2020-21 (to December 2020) as compared to the agreed targets for 2020-21 in compliance with the Chartered institute of Public Finance & Accountancy (CIPFA) Code of Practice.

Adam Burleton gave an overview of the Service's performance to date against the approved Treasury Management Strategy and made reference to the following points:

- The Bank of England forecast that the UK economy may recover to reach its pre-pandemic level in quarter 1 of 2022 may be optimistic given the impact of the third lockdown and the point that economic output had shrunk in the UK by about 10%;
- Monetary policy would remain unchanged until there was clear evidence that any spare capacity in the economy had been eliminated;
- It was expected that inflation may peak at just over 2% towards the end of 2021 but this was expected to be a temporary, short lived factor and so was not a concern;
- The bank rate was envisaged to remain the same until March 2024 even if inflation moved above the 2% inflationary target set;
- The level of unemployment in the UK had been mitigated by the current Government Furlough Scheme but this could rise above 7% once this ended;
- Further quantitative easing had been undertaken to £895bn and national debt was now at £2tn so there was a risk that the UK sovereign rating may be down rated in due course. The Covid vaccinations were expected to be successful, however, so the market should improve as a result;
- 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 in quarters 2 and 3 of 2020-21 with a return of 0.33% in Quarter 2 and 0.20% 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/44** **Financial Performance report 2020-21: Quarters 2 and 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 second and third quarters of 2020-21 against the targets agreed for the current financial year. The report provided a forecast of spending against the 2020-21 revenue budget with explanation of the major variations.

The Committee noted that forecast spending by the year end would be £76.077m representing a saving of £1.2m, equivalent to 1.55% of the total budget. 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 help offset future year costs.

The Head of Finance drew attention to an error in the figures reported within the report under the aged debt analysis at tables 7 and 8. He advised the Committee of the correct figures which were as follows:

Table 7 corrrections:

| | Total Value £ | % |
|---|---|---|
| Current (allowed 28 days in which to pay invoice) | 82,172 | 8.64% |
| 1 to 28 days overdue | 82,294 | 8.65% |
| 29-56 days overdue | 0 | 0.00% |
| 57-84 days overdue | 0 | 0.00% |
| Over 85 days overdue | 783,639 | 82.71% |
| **Total Debt Outstanding as at 31 December 2020** | **948,105** | **100.00%** |

Table 8 corrections

| | No. | Total Value | Action Taken |
|---|---|---|---|
| Red One Ltd. | 45 | £770,104 | A repayment plan has been agreed with the subsidiary company following its revised business plan, however this is on hold due to the cancellation of courses due to COVID. |
| Various | 14 | £13,534 | Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery officer where appropriate. |

**RESOLVED**

(a) That the budget transfers shown in Table 3 of report RC/21/7 (and as set out below for ease of reference) be recommended to the Authority for approval;

| Line Ref | Description | Debit £m | Credit £m |
|---|---|---|---|
| | *To fund Pay for Availability in future years which has been delayed in 2020-21 - see paragrpah 3.1* | | |
| 1 | Decrease Service Delivery staff | | (1.442) |
| 36 | Create Earmarked Reserve to help fund future year costs | 1.442 | |
| | | **1.442** | **(1.442)** |

(b) That the monitoring position in relation to projected spending against the 2020-21 revenue and capital budgets be noted; and (c)That the performance against the 2020-21 financial targets be noted.

*** RC/45 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 the Officers of 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 Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

*** RC/46 Restricted Minutes of Resources Committee held on 12 October 2020**

(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 the Officers of Red One Ltd. and Councillors Saywelll 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 12 October 2020 be approved as a correct record.

*** RC/47 Red One Ltd. Financial Performance 2020-21: Quarters 2 and 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 the Officers of 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) and left the room during voting on this item.*

The Committee considered a report of the Officers of Red One Ltd.) (RC/21/8) on the financial performance of Red One Ltd. in quarters 2 and 3 of 2020-21.

**RESOLVED** that the recommendations as set out within report RC/21/7 be approved.

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

The Meeting started at 10.00 am and finished at 1.03 pm

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|---|---|
| **REPORT REFERENCE NO.** | **RC/21/9** |
| **MEETING** | **RESOURCES COMMITTEE** |
| **DATE OF MEETING** | **9 SEPTEMBER 2021** |
| **SUBJECT OF REPORT** | **TREASURY MANAGEMENT PERFORMANCE 2021-22 – QUARTER 2** |
| **LEAD OFFICER** | **TREASURER** |
| **RECOMMENDATIONS** | ***That the performance in relation to the treasury management activities of the Authority for 2021-22 (to June 2020) be noted.*** |
| **EXECUTIVE SUMMARY** | The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of Practice for Treasury Management. The Code suggests that members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This report therefore ensures this Authority is embracing Best Practice in accordance with CIPFA's Code of Practice. |
| **RESOURCE IMPLICATIONS** | As indicated within the report. |
| **EQUALITY IMPACT ASSESSMENT** | An initial assessment has not identified any equality issues emanating from this report. |
| **APPENDICES** | A. Investments held as at 30 June 2021. |
| **LIST OF BACKGROUND PAPERS** | Treasury Management Strategy (including Prudential and Treasury Indicators) as approved at the meeting of the Fire & Rescue Authority held on the 10 February 2021 – Minute DSFRA/69 refers. |

## 1. INTRODUCTION

1.1. The Treasury Management Strategy for Devon and Somerset Fire & Rescue Authority (the 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. ECONOMICS UPDATE

***UK***

2.1. The 24 June Monetary Policy Committee (MPC) meeting voted unanimously to keep Bank Rate unchanged at 0.10%. They voted by a majority of 8-1 to continue unchanged the existing programme of UK government bond purchases of £875bn which is due to end by the end of this year. In the press release, it was noted that:

*“Since May, developments in global GDP growth have been somewhat stronger than anticipated, particularly in advanced economies.  Global price pressures have picked up further, reflecting strong demand for goods, rising commodity prices, supply-side constraints and transportation bottlenecks, and these have started to become apparent in consumer price inflation in some advanced economies.  Financial market measures of inflation expectations suggest that the near-term strength in inflation is expected to be transitory”.*

2.2. The MPC noted the developing upside risks in the UK to both activity and inflation. It said that the news on activity “had predominately been to the upside” and that Bank staff had “revised up their expectations for 2021 Q2 GDP growth to 5½% from 4¼%”. For the first time, the policy statement noted that “there are increasing signs of recruitment difficulties for some businesses” and the minutes said, “it was possible that the near-term upward pressure on prices could prove somewhat larger than expected”. Indeed, by saying that inflation “is likely to exceed 3% for a temporary period” the MPC admitted the Governor will have to write to the Chancellor later this year explaining why inflation is more than 1% above the 2% target.

2.3. But the key point is that the MPC still appears willing to ride out the inevitable spike in inflation over the next six months as it thinks it will be short-lived and caused by one-off reopening price rises and supply shortages relative to demand - boosted by consumers having built up huge savings of around £145bn during lockdown. These spikes will drop out of the CPI calculation over the next twelve months. The forward guidance in the policy statement designed to demonstrate the MPC’s patience was left intact, and the emphasis remained on “the medium-term prospects for inflation” rather than factors that are “likely to be transient”. The minutes said the MPC should “ensure that the recovery was not undermined by a premature tightening in monetary conditions”. It also repeated that it will not raise Bank Rate until the 2% inflation target has been attained sustainably i.e. the mere fact that it is forecasting inflation to be over 2% during 2021 and 2022 is not in itself sufficient to justify an increase in Bank Rate in the near future. The MPC indicated in the minutes that some members would prefer to wait for a clearer picture of the underlying pace of the recovery once the furlough scheme expires at the end of September, before making any judgement on medium-term inflationary pressures. This implies that the MPC may be unlikely to be in a position to consider a change in policy until early in 2022 at the earliest.

2.4. In addition, the Bank is undertaking a review of its stated current policy to raise Bank Rate first before unwinding quantitative easing (QE) purchases of gilts. Indeed, it now appears to be likely that the Bank could unwind QE first before raising Bank Rate as it sees QE as a very useful quick acting weapon to use to combat any sudden dysfunction in financial markets, as happened in March 2020. However, it is currently nearly maxed out on the total level of QE.  Unwinding QE first would cause short term gilt yields to remain anchored at low levels and medium and long term gilt yields to steepen.

2.5. Money markets are currently expecting Bank Rate to start rising in mid-2022 but they are probably being too heavily influenced by looking across the Atlantic where inflationary pressures are much stronger than in the UK and building up further under a major boost from huge Federal government stimulus packages. Overall, there could be only a minimal increase in Bank Rate in 2023 or possibly no increases before 2024.

***Gross Domestic Product (GDP)***

2.6. The Bank revised up its expectations for the level of UK GDP in 2021 Q2 by around 1½% since the May Report due to the easing of restrictions on economic activity; this now leaves total GDP in June only around 2½% below its pre-Covid 2019 Q4 level. UK GDP grew by 1.5% in the three months to April 2021: this was the first expansion since the three months to December 2020. Forward looking monthly business surveys are running at exceptionally high levels indicating that we are heading into a strong economic recovery. Capital Economics do not think that the UK economy will suffer major scarring from the lockdowns. The one month delay to the final easing of restrictions in July is unlikely to have much effect on the progress of recovery with GDP getting back to pre-Covid levels during August.

***Consumer Price Index (CPI)***

2.7. The annual inflation rate in the United Kingdom rose to 2.1% y/y in May from 1.5% y/y in April: this is the first time that the measure has been above the Bank of England's 2% target since July 2019.

***COVID-19 Vaccines***

2.8. These have been the game changer which have enormously boosted confidence that life in the UK could largely return to normal during the second half of 2021 after a third wave of the virus threatened to overwhelm hospitals in Q1 this year. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The UK has made fast progress, giving both jabs to nearly half of the total population and one jab to two thirds, (84% of all adults). This programme should be completed in the second half of the year. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

***US***

2.9. Since the Democrats won the elections in late 2020 and gained control of both Congress and the Senate, (although power is more limited in the latter), they have passed a $1.9trn (8.8% of GDP) stimulus package in March 2021 on top of the $900bn fiscal stimulus deal passed by Congress in late December. These, together with the vaccine rollout proceeding swiftly to hit the target of giving a first jab to over half of the population within the President's first 100 days, will promote a rapid easing of restrictions and strong economic recovery during 2021. The Democrats are also now negotiating to pass a $1trn fiscal stimulus package aimed at renewing infrastructure over the next decade. Although this package is longer-term, if passed, it would also help economic recovery in the near-term.

2.10. After Chair Jerome Powell unveiled the Fed's adoption of a flexible average inflation target in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech – that:

> *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."*

2.11. This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation had actually been under-shooting the 2% target significantly for most of the last decade, so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after that meeting. There is now some expectation that where the Fed has led in changing its policy towards implementing its inflation and full employment mandate, other major central banks will follow by allowing inflation to run higher for longer, even if they do not call it a policy of average inflation targeting as such.

2.12. In the Fed's June meeting, it stuck to its line that it expects strong economic growth this year to have only a transitory impact on inflation which is being temporarily boosted by base effects, spikes in reopening inflation and supply shortages. The big surprise was the extent of the upward shift in the "dot plot" of interest rate projections: having previously expected no hikes until 2024 at the earliest, most officials now anticipate two in 2023, with 7 out of 18 expecting to raise rates next year. This was a first indication that there was rising concern about the risks around inflationary pressures building up on a more ongoing basis and is somewhat hard to reconcile to the words around inflation pressures being only transitory.

2.13. Treasury yields in the US ought to rise much more strongly than gilt yields in the UK due to the divergence in the levels of inflationary pressures and the levels of surplus capacity currently in both economies, (the US is much nearer full capacity than the UK). Bond investor sentiment could lean in the direction that even if central banks refrain from raising central rates in the short term, all they are doing is setting up sharper increases further down the line. This is likely to cause increases in longer-term bond yields without any actual increases in central rates. There will then be a question as to how strong an influence rising treasury yields will have on gilt yields. Due to the divergence between the US and UK economies, it is expected that the Fed rate will need to increase first before Bank Rate and that there could be a significant delay before the Bank of England follows suit.

### *EU*

2.14. Both the roll out and take up of vaccines was disappointingly slow in the EU in the first few months of 2021 but has since been rapidly catching up. This delay will inevitably put back economic recovery after the economy had staged a rapid rebound from the first lockdowns in Q3 of 2020 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. After contracting by another 0.3% in Q1 of 2021, recovery will now be delayed until Q3 of 2021. At its June meeting, the ECB forecast strong economic recovery with growth of 4.6% and 4.7% in 2021 and 2022 respectively.

2.15. Inflation is likely to rise sharply to around 2.5% during 2021 for a short period, but as this will be transitory, due to one-off factors, it will cause the ECB little concern. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December 2020 meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The total PEPP scheme of €1,850bn of QE, which started in March 2020, is providing protection to the sovereign bond yields of weaker countries like Italy. There is, therefore, unlikely to be a euro crisis while the ECB maintains this level of support. The March ECB meeting also took action to suppress the rise in long bond yields by stepping up its monthly PEPP purchases. Meetings in April and June confirmed these policies so monetary policy will remain highly accommodative with no sign yet of tapering of asset purchases.

### *China*

2.16. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of 2020; this enabled China to recover all the contraction in Q1 2021. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. After making a rapid recovery in 2020/21, growth is likely to be tepid in 2021/22.

### *Japan*

2.17. A third round of fiscal stimulus in December 2020 took total fresh fiscal spending in 2020 in response to the virus close to 12% of pre-virus GDP. That is huge by past standards, and one of the largest national fiscal responses. The resurgence of Covid in Q1 2021, coupled with a slow roll out of vaccines, has pushed back economic recovery. However, quickening of vaccinations in the second half of 2021 will lead to a strong economic recovery to get back to pre-virus levels by the end of 2021 – around the same time as the US and sooner than the Eurozone.

*World Growth*

2.18. World growth was in recession in 2020 but should recover during 2021. Inflation is unlikely to be a significant problem in most countries for some years due to the creation of excess production capacity and depressed demand during the coronavirus crisis.

*Interest Rate Forecasts*

2.19. The Authority's treasury advisor, Link Group Ltd, has provided the following forecast (as set out below):

| Link Group Interest Rate View | 10.5.21 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 |
| BANK RATE | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.25 | 0.25 | 0.25 |
| 3 month ave earnings | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.30 | 0.30 | 0.30 |
| 6 month ave earnings | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.20 | 0.30 | 0.40 | 0.40 | 0.40 |
| 12 month ave earnings | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.30 | 0.30 | 0.40 | 0.50 | 0.50 | 0.50 |
| 5 yr PWLB | 1.20 | 1.20 | 1.30 | 1.30 | 1.30 | 1.40 | 1.40 | 1.40 | 1.40 | 1.50 | 1.50 | 1.50 |
| 10 yr PWLB | 1.70 | 1.70 | 1.70 | 1.80 | 1.80 | 1.90 | 1.90 | 1.90 | 2.00 | 2.00 | 2.00 | 2.00 |
| 25 yr PWLB | 2.20 | 2.20 | 2.30 | 2.40 | 2.40 | 2.40 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.60 |
| 50 yr PWLB | 2.00 | 2.00 | 2.10 | 2.20 | 2.20 | 2.20 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.40 |

2.20. The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings, although some forecasters had suggested that a cut into negative territory could have happened prior to more recent months when strong recovery started kicking in. However, the minutes of the Monetary Policy Committee in February 2021 made it clear that commercial banks could not implement negative rates within six months; by that time the economy would be expected to be recovering strongly and so there would be no requirement for negative rates. As shown in the forecast table above, one tentative increase in Bank Rate from 0.10% to 0.25% has now been pencilled in for quarter 2 of 2023/24 as an indication that the Bank of England will be moving towards some form of monetary tightening around this time. However, it could well opt for reducing its stock of quantitative easing purchases of gilts as a first measure to use before increasing Bank Rate so it is quite possible that we will not see any increase in Bank Rate in the three-year forecast period shown.

*Significant risks to the forecasts*

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation;
- The lockdowns cause major long-term scarring of the economy;
- The Government implements an austerity programme that supresses GDP growth;
- The MPC raises tightens monetary policy too early – by raising Bank Rate or unwinding QE;
- The MPC tightens monetary policy too late to ward off building inflationary pressures;

- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy; and
- Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

## 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 10 February 2021. 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.

***Creditworthiness***

3.3. Although the credit rating agencies changed their outlook on many UK banks from stable to negative outlook during this quarter, due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of UK banks. Although CDS prices, (these are market indicators of credit risk), for UK banks spiked upwards at the end of March due to the liquidity crisis throughout financial markets, those CDS prices have returned to more average levels since then.

3.4. A full list of investments held as at 30 June 2021 are shown in Appendix A.

3.5. The average level of funds available for investment purposes during the quarter was £40.671m (£41.179m at the end of 2020/21). 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 1 |
|---|---|---|---|
| 3 Month LIBID | (0.04%) | 0.15% | £0.023m. |

3.6. As illustrated above, the Authority outperformed the 3 month LIBID benchmark by 0.19bp. It is currently anticipated that the actual investment return for the whole of 2021-22 will under recover the Authority's budgeted investment target of £0.100m by £0.015m. However, there is much economic uncertainty and low interest rates at the moment so this forecast is likely to be revised.

***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 2021-22, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to June 2021 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 June 2021 was £24.851m, forecast to reduce to £24.757m 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 4.25% and average life of 24.6 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. Gilt yields and PWLB rates rose sharply during the first three months of 2021 but have lacked any consistent direction since then over the last three months to 30th June.

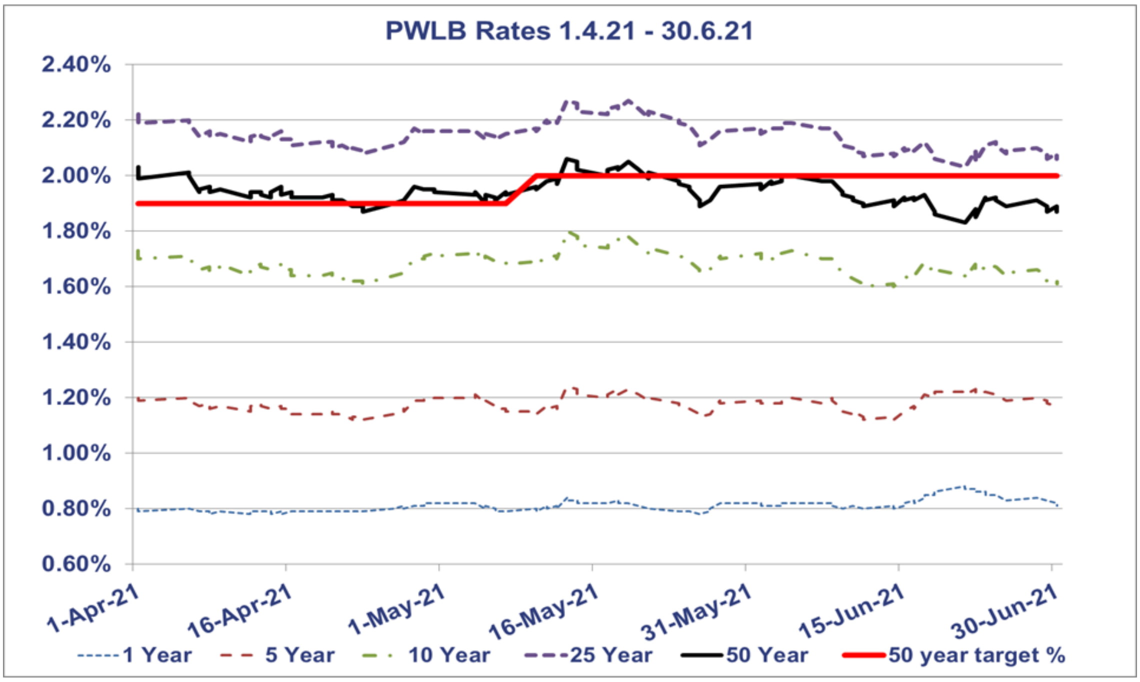
3.12. The 50 year PWLB target certainty rate for new long-term borrowing started at 1.90% in this quarter but then rose to 2.00% in May.

3.13. No new borrowing was undertaken during the quarter and none is planned during 2021-22 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.

**PWLB rates quarter ended 30 June 2021**

| | 1 Year | 5 Year | 10 Year | 25 Year | 50 Year |
|---|---|---|---|---|---|
| Low | 0.78% | 1.12% | 1.60% | 2.03% | 1.83% |
| Date | 08/04/2021 | 22/04/2021 | 11/06/2021 | 21/06/2021 | 21/06/2021 |
| High | 0.88% | 1.24% | 1.80% | 2.27% | 2.06% |
| Date | 21/06/2021 | 13/05/2021 | 13/05/2021 | 13/05/2021 | 13/05/2021 |
| Average | 0.81% | 1.18% | 1.68% | 2.14% | 1.94% |
| Spread | 0.10% | 0.12% | 0.20% | 0.24% | 0.23% |

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. CONCLUSION

4.1. In compliance with the requirements of the Chartered Institute of Public Finance and Accountancy Code of Practice of Treasury Management, this report provides the Committee with the first quarter report on treasury management activities for 2021-22 to June 2021. 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.

**SHAYNE SCOTT**
**Director of Finance & Resourcing (Treasurer)**

| Investments as at 30 June 2021 | | | | | |
|---|---|---|---|---|---|
| Counterparty | Maximum to be invested | Amount Invested | Call or Term | Period invested | Interest rate(s) |
| | £m | £m | | | |
| Lancashire County Council | 7.000 | -5.000 | T | 12 mths | 0.40% |
| Mid & East Antrim Borough Council | 5.000 | -2.000 | T | 12 mths | 0.40% |
| Bank of Scotland | 5.000 | -5.000 | T | 12 mths | 0.20% |
| Redcar & Cleveland Borough Council | 5.000 | -3.000 | T | 12 mths | 0.30% |
| Staffordshire & Moorlands District Council | 5.000 | -1.500 | T | 18 mths | 0.50% |
| Goldman Sachs | 5.000 | -2.000 | T | 6 mths | 0.18% |
| Goldman Sachs | 5.000 | -2.000 | T | 6 mths | 0.21% |
| Goldman Sachs | 5.000 | -3.000 | T | 6 mths | 0.27% |
| Cheshire County Council | | -3.000 | T | 3 mths | 0.06% |
| Standard Chartered | 7.000 | -3.000 | T | 6 mths | 0.12% |
| National Bank of Kuwait (International) PLC | 7.000 | -5.000 | T | 12 mths | 0.21% |
| | | | | | |
| Barclays Bank | | -0.001 | C | Instant Access | Variable |
| Aberdeen Standard | 8.000 | -2.905 | C | Instant Access | Variable |
| Federated Cash Plus | 8.000 | -1.650 | C | Instant Access | Variable |
| **Total Amount Invested** | | **-39.056** | | | |

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| | |
|---|---|
| **REPORT REFERENCE NO.** | **RC/21/10** |
| **MEETING** | **RESOURCES COMMITTEE** |
| **DATE OF MEETING** | **9 SEPTEMBER 2021** |
| **SUBJECT OF REPORT** | **FINANCIAL PERFORMANCE REPORT 2021-22 – QUARTER 2** |
| **LEAD OFFICER** | **Director of Finance and Resourcing (Treasurer)** |
| **RECOMMENDATIONS** | ***(a)*** ***That the monitoring position in relation to projected spending against the 2021-22 revenue and capital budgets be noted;***<br>***(b)*** ***That the performance against the 2021-22 financial targets be noted.*** |
| **EXECUTIVE SUMMARY** | This report provides the Committee with the first quarter performance against agreed financial targets for the current financial year. In particular, it provides a forecast of spending against the 2021-22 revenue budget with explanations of the major variations. At this stage in the financial year it is forecast that spending will be £0.028m more than budget, an overspend of 0.04% of total budget. |
| **RESOURCE IMPLICATIONS** | As indicated in the report. |
| **EQUALITY RISKS AND BENEFITS ANALYSIS** | An initial assessment has not identified any equality issues emanating from this report. |
| **APPENDICES** | A. Summary of Prudential Indicators 2021-22. |
| **BACKGROUND PAPERS** | None. |

## 1. INTRODUCTION

1.1. This report provides the first quarterly financial monitoring report for the current financial year, based upon the position as at the end of June 2021. As well as providing projections of spending against the 2021-22 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators. At this early stage of the financial year, no recommendations are made as to the use of any surplus.

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

**TABLE 1 –PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2021-22**

| | Key Target | Target | Forecast Outturn | | Forecast Variance | |
|---|---|---|---|---|---|---|
| | | | Quarter 1 | Previous Quarter | Quarter 1 % | Previous Quarter % |
| | **Revenue Targets** | | | | | |
| 1 | Spending within agreed revenue budget | £74.222m | £74.250m | n/a | 0.04% | n/a |
| 2 | General Reserve Balance as %age of total budget (minimum) | 5.00% | 6.80% | n/a | (1.88)bp* | n/a |
| | **Capital Targets** | | | | | |
| 3 | Spending within agreed capital budget | £12.608m | £11.816m | n/a | (4.63%) | (0.00%) |
| 4 | External Borrowing within Prudential Indicator limit | £25.961m | £24.758m | n/a | (7.23%) | (0.00%) |
| 5 | Debt Ratio (debt charges over total revenue budget) | 5.00% | 4.30% | n/a | (0.70)bp* | (0.00)bp* |

**bp = base points*

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

- **SECTION A** – Revenue Budget 2021-22.
- **SECTION B** – Capital Budget and Prudential Indicators 2021-22.
- **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 2021-22

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 £74.250m, representing a slight overspend of £0.028m equivalent to 0.04% of the total budget. Please note that the budget profile and actual costs for Service Delivery staff appear low due to the natural delay in claiming the hours worked – for instance, time worked in June is paid in July. This naturally catches up at year-end when there are 2 ‘payroll’ entries for March relating to claims worked in February and March.

## TABLE 2 – REVENUE MONITORING STATEMENT 2021-22

**DEVON & SOMERSET FIRE AND RESCUE AUTHORITY**
**Revenue Budget Monitoring Report 2021/22**

| Line No | SPENDING | 2021/22 Budget £000 | Year To Date Budget £000 | Spending to Month 3 £000 | Projected Outturn £000 | Projected Variance over/ (under) £000 |
|---|---|---|---|---|---|---|
| | **EMPLOYEE COSTS** | | | | | |
| 1 | Service Delivery Staff | 51,769 | 12,942 | 11,938 | 51,769 | 0 |
| 3 | Professional and technical support staff | 11,195 | 2,799 | 2,759 | 11,195 | 0 |
| 4 | Training investment | 854 | 214 | 459 | 841 | (13) |
| 5 | Fire Service Pension costs | 2,352 | 588 | 606 | 2,352 | - |
| | | **66,170** | **16,543** | **15,761** | **66,157** | **(13)** |
| | **PREMISES RELATED COSTS** | | | | | |
| 6 | Repair and maintenance | 1,010 | 253 | 389 | 1,010 | 0 |
| 7 | Energy costs | 578 | 145 | 99 | 590 | 12 |
| 8 | Cleaning costs | 499 | 125 | 350 | 483 | (16) |
| 9 | Rent and rates | 1,918 | 480 | 1,743 | 1,921 | 3 |
| | | **4,005** | **1,001** | **2,582** | **4,005** | **(0)** |
| | **TRANSPORT RELATED COSTS** | | | | | |
| 10 | Repair and maintenance | 708 | 177 | 117 | 745 | 37 |
| 11 | Running costs and insurances | 1,257 | 314 | 433 | 1,259 | 2 |
| 12 | Travel and subsistence | 1,405 | 351 | 548 | 1,389 | (16) |
| | | **3,370** | **843** | **1,098** | **3,393** | **23** |
| | **SUPPLIES AND SERVICES** | | | | | |
| 13 | Equipment and furniture | 3,567 | 892 | 1,300 | 3,713 | 146 |
| | Internal Recharges | - | - | - | - | - |
| 14 | Hydrants-installation and maintenance | 131 | 33 | 20 | 132 | 1 |
| 15 | Communications Equipment | 2,409 | 602 | 1,480 | 2,314 | (95) |
| 16 | Protective Clothing | 521 | 130 | 85 | 505 | (16) |
| 17 | External Fees and Services | 143 | 36 | 39 | 134 | (9) |
| 18 | Partnerships & regional collaborative projects | 309 | 77 | 72 | 321 | 12 |
| 19 | Catering | 66 | 17 | 11 | 56 | (10) |
| | | **7,146** | **1,787** | **3,007** | **7,175** | **29** |
| | **ESTABLISHMENT COSTS** | | | | | |
| 20 | Printing, stationery and office expenses | 283 | 71 | 83 | 262 | (21) |
| 21 | Advertising including Community Safety | 34 | 9 | 9 | 32 | (2) |
| 22 | Insurances | 433 | 108 | 238 | 433 | 0 |
| | | **750** | **188** | **331** | **727** | **(23)** |
| | **PAYMENTS TO OTHER AUTHORITIES** | | | | | |
| 23 | Support service contracts | 715 | 179 | 273 | 714 | (1) |
| | | **715** | **179** | **273** | **714** | **(1)** |
| | **CAPITAL FINANCING COSTS** | | | | | |
| 24 | Loan Charges & Lease rentals | 3,474 | 869 | 21 | 3,472 | (2) |
| 25 | Revenue Contribution to Capital Spending | 2,037 | 509 | - | 2,037 | - |
| | | **5,511** | **1,378** | **21** | **5,509** | **(2)** |
| 26 | **TOTAL SPENDING** | **87,667** | **21,917** | **23,073** | **87,680** | **13** |
| | **INCOME** | | | | | |
| 29 | Treasury management income | (100) | (25) | 23 | (85) | 15 |
| 30 | Grants and reimbursements | (11,998) | (3,000) | (15,980) | (11,988) | 10 |
| 31 | Other income | (835) | (209) | (185) | (846) | (11) |
| 32 | Internal Recharges | - | - | - | - | - |
| 33 | **TOTAL INCOME** | **(12,933)** | **(3,233)** | **(16,141)** | **(12,918)** | **15** |
| 34 | **NET SPENDING** | **74,734** | **18,684** | **6,932** | **74,762** | **28** |
| | **TRANSFERS TO EARMARKED RESERVES** | | | | | |
| 35 | Transfer to/(from) Earmarked Reserves | (512) | (128) | - | (512) | - |
| | | **(512)** | **(128)** | **-** | **(512)** | **-** |
| | **NET SPENDING** | **74,222** | **18,556** | **6,932** | **74,250** | **28** |

2.2. These forecasts are based upon the spending position at the end of June 2021, 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 £0.050m variance) are explained below.

## 3. NARRATIVE ON VARIANCES AGAINST BUDGET

***Equipment and Furniture***

3.1. At this stage it is projected that spending against this line will be £0.028m overspent. This position is due to the increase in the cost of timber used to burn at the Academy to ensure firefighters are trained under realistic conditions. Since March 2021, the cost per sheet has more than doubled. To safeguard against short-term increases, the Academy have bought in-bulk to ensure there is sufficient supplies to cover the requirements for the next 3 months.

***Communications Equipment***

3.2. Is forecasted to underspend by £0.095m. We had budgeted to purchase a Dynamic Coverage Tool, this is no longer required for 2021/22 resulting in a saving of £0.050m. The balance is made up of multiple smaller value items across this category.

## 4. RESERVES AND PROVISIONS

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

***Reserves***

4.2. There two types of Reserves held by the Authority:

*Earmarked Reserves* – these reserves are held to fund a **specific** purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required, and the amount is greater than the delegated limited allocated to the Treasurer, 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 3 below.

**TABLE 3 – FORECAST RESERVES AND PROVISION BALANCES**

| RESERVES AND PROVISIONS | | | | |
|---|---|---|---|---|
| | Balance as at 1 April 2021 | Forecast Spend 2021-22 | Proposed Balance as at 31 March 2022 | |
| **RESERVES** | **£'000** | **£000** | **£000** | |
| **Earmarked reserves** | | | | |
| Grants unapplied from previous years | (5,244) | 3,419 | (1,825) | |
| Invest to Improve | (4,351) | 1,548 | (2,803) | |
| Budget Smoothing Reserve | (1,818) | - | (1,818) | |
| Direct Funding to Capital | (23,270) | 7,774 | (15,496) | |
| Projects, risks, & budget carry forwards | | - | - | |
| PFI Equalisation | (150) | - | (150) | |
| Emergency Services Mobile Communications Programme | (550) | - | (550) | |
| Mobile Data Terminals Replacement | (266) | 266 | (0) | |
| Pension Liability reserve | (1,231) | - | (1,231) | |
| Budget Carry Forwards | (3,701) | 946 | (2,755) | |
| Environmental Strategy | (308) | - | (308) | |
| Lightweight/female PPE | (100) | - | (100) | |
| MTA Action Plan | (200) | 200 | 0 | |
| **Total earmarked reserves** | **(41,189)** | **14,153** | **(27,036)** | |
| | | | | |
| **General reserve** | | | | |
| General Fund (non Earmarked) Balance | **(5,282)** | - | **(5,282)** | |
| Percentage of general reserve compared to net budget | | | | 6.8% |
| | | | | |
| **TOTAL RESERVE BALANCES** | **(46,472)** | **14,153** | **(32,318)** | |
| | | | | |
| **PROVISIONS** | | | | |
| Doubtful Debt | (655) | - | (655) | |
| Fire fighters pension schemes | (659) | | (659) | |

## 5. SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2021-22

***Monitoring of Capital Spending in 2021-22***

5.1 Table 4 overleaf provides a summary of anticipated expenditure for this financial year and demonstrates the funding requirements.

5.2 At the end of Quarter 1, we are forecasting to underspend by £0.792m – which included an optimism bias built in to allow for some timing differences. In the Estates department, £2.067m identified to refurbish Camels Head Fire Station has been delayed to ensure more intrusive structural work is completed to understand the potential risks regarding the concrete frame. Approvals permitting, we are currently hopeful to be on-site late summer 2022.

5.3 Delays in evaluating the type of vehicle required to replace both the aerial ladder platforms and 4X4 medium rescue pumps and extended chassis build times has delayed the order of the chassis' that were planned to be delivered in this year. These will be ordered as soon as the procurement process is complete with a planned delivery in quarter 1 of 2022/23.

## TABLE 4 – FORECAST CAPITAL EXPENDITURE 2021-22

| Capital Programme 2021/22 | | | | |
|---|---|---|---|---|
| | 2021/22 £000 | 2021/22 £000 | 2021/22 £000 | 2021/22 £000 |
| PROJECT | Revised Budget | Forecast Outturn | Timing Differences | Re-scheduling/ Savings |
| **Estate Development** | | | | |
| Site re/new build | 2,207 | 2,207 | 0 | 0 |
| Improvements & structural maintenance | 5,762 | 3,250 | (2,512) | 0 |
| **Estates Sub Total** | **7,969** | **5,457** | **(2,512)** | **0** |
| **Fleet & Equipment** | | | | |
| Appliance replacement | 6,318 | 5,838 | (480) | 0 |
| Community Fire Safety | 0 | 0 | 0 | 0 |
| Specialist Operational Vehicles | 480 | 80 | (400) | 0 |
| ICT Department | 409 | 409 | 0 | 0 |
| Water Rescue Boats | 32 | 32 | 0 | 0 |
| **Fleet & Equipment Sub Total** | **7,239** | **6,359** | **(880)** | **0** |
| **Optimism bias Sub Total** | **(2,600)** | **0** | **2,600** | **0** |
| **Overall Capital Totals** | **12,608** | **11,816** | **(792)** | **0** |
| **Programme funding** | | | | |
| Earmarked Reserves: | 8,547 | 7,755 | (792) | 0 |
| Revenue funds: | 2,037 | 2,037 | 0 | 0 |
| Borrowing - internal | 2,024 | 2,024 | 0 | 0 |
| **Total Funding** | **12,608** | **11,816** | **(792)** | **0** |

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

5.4 Total external borrowing with the Public Works Loan Board (PWLB) as at 30 June 2021 stands at £24.851m and is forecast to reduce to £24.757m as at 31 March 2022. This level of borrowing is well within the Authorised Limit for external debt of £27.244m (the absolute maximum the Authority has agreed as affordable). No new external borrowing is planned in this financial year.

5.5 Investment returns in the quarter yielded an average return of 0.15% which outperforms the LIBID 3 Month return (industry benchmark) by 0.19%. It is forecast that investment returns from short-term deposits will under achieve the budgeted figure by £0.015m at 31 March 2022.

5.6 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2021-22, which illustrates that there is no anticipated breach of any of these indicators.

## 6. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

***Aged Debt Analysis***

6.1. Total debtor invoices outstanding as at Quarter 1 were £0.963m table 5 below provides a summary of all debt outstanding as at 30 June 2021.

6.2. Of this figure an amount of £0.686m was due from debtors relating to invoices that are more than 85 days old, equating to 58.9% of the total debt outstanding.

**TABLE 5 – OUTSTANDING DEBT AT END OF QUARTER**

| | Total Value £ | % |
|---|---:|---:|
| Current (allowed 28 days in which to pay invoice) | 197,445 | 21.0% |
| 29-56 days | 18,932 | 2.0% |
| 57-84 days | 60,117 | 6.0% |
| Over 85 days | 686,596 | 71.0% |
| **Total Debt Outstanding as at 30 June 2020** | **963,090** | **100.00%** |

6.3. Table 6 below provides further analysis of those debts in excess of 85 days old.

**TABLE 6 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS**

| | No | Total Value | Action Taken |
|---|---|---|---|
| Red One Ltd | 51 | £686,140 | A repayment plan for 2021-22 has been agreed with the subsidiary company and is reviewed each quarter. |
| Various | 31 | £456 | Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery office where appropriate. |

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

**PRUDENTIAL INDICATORS 2021-22**

| Prudential Indicators and Treasury Management Indicators | Forecast Outturn £m | Target £m | Variance (favourable) /adverse £m |
|---|---|---|---|
| Capital Expenditure | **11.816** | **12.609** | **(0.792)** |
| External Borrowing vs Capital Financing Requirement (CFR) - Total | **25.961** | **25.961** | **£0.000** |
| - Borrowing<br>- Other long term liabilities | 24.758<br>0.907 | 24.758<br>0.907 | |
| External borrowing vs Authorised limit for external debt - Total | **25.665** | **25.665** | **(0.01)** |
| - Borrowing<br>- Other long term liabilities | 24.758<br>0.907 | 26.189<br>1.056 | |
| Debt Ratio (debt charges as a %age of total revenue budget | **4.30%** | **5.00%** | **(0.70)bp** |
| Cost of Borrowing – Total | **1.054** | **1.054** | **(0.000)** |
| -Interest on existing debt as at 31-3-20<br>-Interest on proposed new debt in 2021-22 | 1.054<br>0.000 | 1.054<br>0.000 | |
| Investment Income – full year | **0.085** | **0.100** | **0.015** |
| | **Actual (30 June 2021) %** | **Target for quarter %** | Variance (favourable) /adverse |
| Investment Return | **0.15%** | **(0.04%)** | **(0.19)bp** |

| Prudential Indicators and Treasury Management Indicators | Forecast (31 March 2022) % | 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 | 0.38% | 30.00% | 2.00% | (29.63%) |
| 12 months to 2 years | 1.98% | 30.00% | 2.00% | (28.06%) |
| 2 years to 5 years | 12.65% | 50.00% | 13.00% | (45.89%) |
| 5 years to 10 years | 3.45% | 75.00% | 3.00% | (61.57%) |
| 10 years and above | **79.55%** | **100.00%** | **80.00%** | **(22.17%)** |
| - 10 years to 20 years | 14.93% | | | |
| - 20 years to 30 years | 20.12% | | | |
| - 30 years to 40 years | 44.50% | | | |
| - 40 years to 50 years | 0.00% | | | |

| | |
|---|---|
| **REPORT REFERENCE NO.** | **RC/21/11** |
| **MEETING** | **RESOURCES COMMITTEE** |
| **DATE OF MEETING** | **9 SEPTEMBER 2021** |
| **SUBJECT OF REPORT** | **REVISION TO CAPITAL PROGRAMME 2021-22 TO 2023-24** |
| **LEAD OFFICER** | **Director of Finance & Resourcing (Treasurer)** |
| **RECOMMENDATIONS** | ***That the Devon and Somerset Fire and Rescue Authority be recommended to approve the revised Capital Programme and associated prudential indicators for 2021-22 to 2023-24, as included in this report.*** |
| **EXECUTIVE SUMMARY** | A three year Capital Programme for 2021-22 to 2023-24 was approved at the budget meeting in February 2021. This report proposes a revision to that programme to reflect:<br>a) An amount of money not spent in 2020-21 to be carried forward to 2021-22;<br>b) A classroom at Station 60 funded by a contribution from the National Resilience Office;<br>c) An amount to cover radio installation on 25 Medium Rescue Pumps (MRPs).<br>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 nine years and, currently, there is no new borrowing required to support the Authority's Capital Programme covering 2021-22 to 2023-24. |
| **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 2021-22 to 2023-24.<br>B. Revised Prudential Indicators 2021-22 to 2023-24. |
| **LIST OF BACKGROUND PAPERS** | Capital Programme 2021-22 to 2023-24 report to DSFRA on 19 February 2021 (DSFRA/21/4). |

## 1. INTRODUCTION

1.1 The current Capital Programme covering the three years 2021-22 to 2023-24 was approved at the Authority's budget meeting in February 2021 (Minute DSFRA/72(b) refers).

1.2 This report seeks Authority approval to revise this Programme to reflect budget not spent in 2020-21 and an additional scheme externally funded. Due to the timing of local elections in May 2021 and subsequent appointments to committees, the Resources Committee has not convened to consider and make recommendations prior to the meeting of the Authority.

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 2021-22 TO 2023-24

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 19 February 2021, the Authority considered and approved a three year capital programme covering the years 2021-22 to 2023-24. This approved Programme is included at Appendix A (2021/22 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 2021-22 to 2023-24. The changes included in the revised programme reflect that:

a) Since setting the original programme in February 2021, there is further variance against budget in 2020/21 of £2m.

b) This is made up of savings of £0.1m and budget unspent in 2020/21 of £1.9m which will align the Capital programme with the future aspirations of the service going forward. The £1.9m unspent budget is still required (carried forward to 2021-22) but reflects only a change to the timing of spend rather than an increase to funding requirements.

c) The Authority received £0.024m of external funding for a classroom at Station 60 Clyst St. George - Special Operations.

d) The original orders for the first 25 MRPs did not include the installation of a required radio. The additional cost for this installation is £0.085m

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

| | Estates | Fleet & Equipment | Optimism Bias | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Original Programme | | | | |
| 2020-21 (predicted outturn) | 3.3 | 3.3 | 0.0 | 6.6 |
| 2021-22 | 7.2 | 6.0 | -2.6 | 10.6 |
| 2022-23 (provisional) | 3.6 | 7.4 | 0.4 | 11.4 |
| 2023-24 (provisional) | 1.3 | 4.7 | 1.0 | 7.0 |
| Total 2020-21 to 2023-24 | 15.4 | 21.4 | -1.2 | 35.6 |
| Revised Programme | | | | |
| 2020-21 (actual outturn) | 2.6 | 2.0 | 0.0 | 4.6 |
| 2021-22 | 8.0 | 7.3 | -2.6 | 12.7 |
| 2022-23 (provisional) | 3.6 | 7.4 | 0.4 | 11.4 |
| 2023-24 (provisional) | 1.3 | 4.7 | 1.0 | 7.0 |
| Total 2020-21 to 2023-24 | 15.5 | 21.4 | -1.2 | 35.7 |
| Proposed change | 0.1 | 0.0 | 0.0 | 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 2021. The next review of capital spending plans will take place in good time to inform the budget setting process for 2022-23.

## 4. SUMMARY AND RECOMMENDATION

4.1 This report provides a revision to the agreed capital programme for the year 2021-22 in light of the outturn figures for 2020-21. The Authority is asked to approve this revision, and associated prudential indicators.

**SHAYNE SCOTT**
**Director of Finance & Resourcing (Treasurer)**

| PROJECT | 2021/22 £000 Budget | 2022/23 £000 Budget | 2023/24 £000 Budget |
|---|---|---|---|
| **Estate Development** | | | |
| Site re/new build | 2,150 | 0 | 0 |
| Improvements & structural maintenance | 5,089 | 3,600 | 1,300 |
| **Estates Sub Total** | **7,239** | **3,600** | **1,300** |
| **Fleet & Equipment** | | | |
| Appliance replacement | 5,157 | 2,300 | 2,800 |
| Specialist Operational Vehicles | 440 | 5,100 | 1,900 |
| Equipment | 0 | 0 | 0 |
| ICT Department | 400 | 0 | 0 |
| Water Rescue Boats | 0 | 0 | 0 |
| **Fleet & Equipment Sub Total** | **5,997** | **7,400** | **4,700** |
| Estates Optimism bias | (1,400) | (500) | (200) |
| Fleet Optimism bias | (1,200) | (800) | (600) |
| **Optimism bias Sub Total** | **(2,600)** | **(1,300)** | **(800)** |
| **Overall Capital Totals** | **10,636** | **9,700** | **5,200** |
| **Programme funding** | | | |
| Earmarked Reserves: | | | |
| Capital reserve | 6,575 | 6,298 | 1,617 |
| USAR - Water Rescue Boats | | | |
| Earmarked Reserves: | 6,575 | 6,298 | 1,617 |
| Revenue funds: | 2,037 | 2,037 | 2,300 |
| Borrowing - internal | 2,024 | 1,365 | 1,283 |
| Borrowing - external | 0 | 0 | 0 |
| **Total Funding** | **10,636** | **9,700** | **5,200** |

**PRUDENTIAL INDICATORS**

| | 2021/22 £m Estimate | 2022/23 £m Estimate | 2023/24 £m Estimate | INDICATIVE INDICATORS 2024/25 £m Estimate | 2025/26 £m Estimate |
|---|---|---|---|---|---|
| **Capital Expenditure** | | | | | |
| Non - HRA | 12.693 | 11.400 | 7.000 | 8.200 | 6.400 |
| HRA (applies only to housing authorities) | | | | | |
| Total | 12.693 | 11.400 | 7.000 | 8.200 | 6.400 |
| | | | | | |
| **Ratio of financing costs to net revenue stream** | | | | | |
| Non - HRA | 4.30% | 3.93% | 3.76% | 3.64% | 3.68% |
| 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 | 24,758 | 24,264 | 23,771 | 24,540 | 26,747 |
| HRA (applies only to housing authorities) | 0 | 0 | 0 | 0 | 0 |
| Other long term liabilities | 907 | 791 | 656 | 509 | 349 |
| Total | 25,665 | 25,055 | 24,426 | 25,049 | 27,096 |
| | | | | | |
| **Annual change in Capital Financing Requirement** | £000 | £000 | £000 | £000 | £000 |
| Non - HRA | (196) | (610) | (628) | 622 | 2,048 |
| HRA (applies only to housing authorities) | 0 | 0 | 0 | 0 | 0 |
| Total | (196) | (610) | (628) | 622 | 2,048 |
| | | | | | |
| **PRUDENTIAL INDICATORS - TREASURY MANAGEMENT** | | | | | |
| | | | | | |
| **Authorised Limit for external debt** | £000 | £000 | £000 | £000 | £000 |
| Borrowing | 26,189 | 26,071 | 25,553 | 26,325 | 28,278 |
| Other long term liabilities | 1,056 | 947 | 823 | 681 | 527 |
| Total | 27,244 | 27,018 | 26,376 | 27,006 | 28,805 |
| | | | | | |
| **Operational Boundary for external debt** | £000 | £000 | £000 | £000 | £000 |
| Borrowing | 24,951 | 24,857 | 24,364 | 25,098 | 26,941 |
| Other long term liabilities | 1,010 | 907 | 791 | 656 | 509 |
| Total | 25,961 | 25,765 | 25,155 | 25,754 | 27,450 |
| | | | | | |
| 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** | Upper Limit % | Lower Limit % |
|---|---|---|
| Limits on borrowing at fixed interest rates | 100% | 70% |
| Limits on borrowing at variable interest rates | 30% | 0% |
| | | |
| Maturity structure of fixed rate borrowing during 2021/22 | | |
| Under 12 months | 30% | 2% |
| 12 months and within 24 months | 30% | 2% |
| 24 months and within 5 years | 50% | 13% |
| 5 years and within 10 years | 75% | 3% |
| 10 years and above | 100% | 80% |

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| **REPORT REFERENCE NO.** | **RC/21/12** |
| **MEETING** | **RESOURCES COMMITTEE** |
| **DATE OF MEETING** | **9 SEPTEMBER 2021** |
| **SUBJECT OF REPORT** | **RESERVES STRATEGY 2021-22** |
| **LEAD OFFICER** | **Director of Finance and Resourcing (Treasurer)** |
| **RECOMMENDATIONS** | ***That the Committee recommends the Reserves Strategy to the Authority for publication*.** |
| **EXECUTIVE SUMMARY** | The Fire and Rescue National Framework for England introduced a requirement for fire and rescue authorities to prepare and publish a Reserves Strategy setting out the purpose of each Earmarked Reserve, an analysis of the General Fund and the expected timing of expenditure from the reserves. The requirement commenced in 2018 and this is the fourth such strategy.<br>This report includes a risk assessment of the General Fund and a section on each of the Earmarked Reserves – which it is proposed should be combined into broader categories to simplify the way that Reserves are reported on. It should be noted that this report has been prepared under those new categories. |
| **RESOURCE IMPLICATIONS** | As set out within this report. |
| **EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)** | |
| **APPENDICES** | A. Risk Assessment of the Adequacy of General Reserves<br>B. Projected Reserve Balances over MTFP |
| **LIST OF BACKGROUND PAPERS** | The Fire and Rescue National Framework for England<br>Reserves Strategy 2020-21 |

## 1. INTRODUCTION AND BACKGROUND

1.1. Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, precepting authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.

1.2. Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - ‘Local Authority Reserves and Balances’. This was issued in July 2014, but since then many references have been made to the scale of public sector reserves by various parties.

1.3. In May 2018, the Government published the new Fire and Rescue National Framework for England. This introduces a requirement for fire and rescue authorities to publish a Reserve Strategy on their website and outlines the detail which should be included. The Reserves Strategy can form part of the Medium Term Financial Plan or be a stand-alone document.

1.4. The Reserves Strategy for this Authority has been prepared as a stand-alone document for 2021-22.

## 2. STRATEGIC CONTEXT

2.1 There are a number of reasons why a Local Government Authority might hold reserves, these include to:

(a) mitigate potential future risks such as increased demand and costs;

(b) help absorb the costs of future liabilities;

(c) temporarily plug a funding gap should resources be reduced suddenly;

(d) enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax;

(e) spread the cost of large scale projects which span a number of years.

2.2 Reserves only provide one-off funding so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan.

## 3. LONG-TERM SUSTAINABILITY

3.1 Reserves are an essential tool to ensure long term budget stability particularly at a time when the Authority is facing significant year on year reductions in grant funding over the medium term. Due to the fact that funding for future capital projects is held as an Earmarked Reserve, the overall level of reserves held by the Authority is currently still high, but will reduce significantly as the capital programme progresses.

3.2 Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.

3.3 There are two different types of reserve, and these are:

***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; and

***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.

3.4 In addition to reserves the Authority may also hold provisions which will 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. RISK ASSESSMENT TO DETERMINE THE ADEQUACY OF THE GENERAL RESERVE

4.1 A well-managed multi-purpose authority will strive to maintain as low a level of General Reserve as possible, whilst still covering its financial risks. As a single-purpose authority, this Authority has no opportunity to use cross-service subsidies to meet unanticipated expenditure and so, proportionally, its General Reserve may be slightly higher than for a multi-purpose authority.

4.2 This Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of influence that third parties (such as the Local Government Employers and Government departments) have on its income and expenditure, there is always a risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for, e.g. the 2021-22 funding gap on the Firefighters Pension scheme and any shortfall in council tax receipts.

4.3 The Authority has set its prudential Indictor for the General Reserve at around 5% of annual budget which is a commonly used benchmark across the Fire Sector. At the start of 2021-22, the General Reserve slightly exceeded this at 6.8% of the Authority's net revenue budget. Due to varying revenue budgets, maintaining a consistent level of General Reserve will result in the percentage varying over time. Transfers in or out of the General Reserve to conform to the 5% indicator would only be considered if there was significant variance in budgets, an emerging risk, or if resources were earmarked to another project.

4.4 The prudential indicator is a useful control measure but is a rudimentary way of assessing the adequacy of the general reserve and a more meaningful approach is to develop a risk assessment. The Authority will consider both measures as part of its annual reserve strategy.

4.5 A risk assessment of the adequacy of the Authority's General Reserve will be carried out annually to determine the extent to which the Authority is exposed to uninsured and unbudgeted losses. The risk assessment for the current financial year, 2021-22, has been expanded on that prepared as part of the budget setting process and is shown in Appendix A. The impact and scale of potential losses has been estimated to calculate a potential net financial impact of £4.7m. At the start of 2021-22 the General Reserve stood at £5.3m and therefore it will not be necessary to amend the amount based on the current risk assessment.

## 5. ANNUAL REVIEW OF EARMARKED RESERVES

5.1. The Authority has a number of earmarked reserves which have been established for specific purposes where there have been timing differences at budget setting or year-end, or emerging risks or cost pressures. The relevance of, and balance in each of these is reviewed annually and the Authority is informed of the latest plans for the balances held in such reserves over the medium term via the Reserves Strategy. When the Authority approves the Reserves Strategy for publication it will be made available on its website.

*Grants received in advance*

5.2. **£5.24m:** These reserves relate to grants which have been given to the Authority which have either not been fully spent or have been received in advance of the intended expenditure period. Where a grant has been received in advance the Authority's policy and accounting rules dictate that the funding be transferred to an Earmarked Reserve to be spent in future years.

5.3. Any smaller amounts will be reviewed annually as part of the budget monitoring process to assess whether they are still needed. It is not anticipated that any of the current balances will be carried forward beyond the medium term financial plan period of 2021-26.

*Invest to Improve*

5.4. **£4.35m:** A significant amount of funding has been set aside in Reserves to support the change activity within the Service. Following release of the Integrated Risk Management Plan, which addresses Community risk, and the Fire and Rescue Plan, which addresses organisational risk, the Service has developed its Safer Together programme. Invest to Improve reserves will be used to invest in projects such as digital transformation and development of our people which will support the modernisation of the Service. If restructure is required, reserve funding could be required to pay for any associated costs.

5.5. The Authority has approved the Safer Together programme and new Service Delivery Operating Model which identified the requirement to invest in improvement activity and the resulting costs and benefits have been fed in to the Medium Term Financial Plan for 2021-22 and beyond. The Invest to Improve reserve will be subject to regular budget monitoring and forecasting by the Service Programme Board. Of the current forecast up to 2022, £1.54m is committed to existing projects with the remaining expenditure to be spent over the next three years.

*Budget smoothing*

5.6. **£1.82m:** The budget smoothing reserve is intended to support any shortfalls in future revenue budgets which are identified during the development of the Medium Term Financial Plan. The reserve has arisen from a surplus of funding in previous financial years, particularly where non-domestic rates or grant income have exceeded the budget requirement. The Medium Term Financial Plan for the period 2021-22 to 2025-26 has identified a potential funding shortfall of £7.2m (base case) which, if not addressed through changes to the way we work, will need to be funded from reserves.

*5.7.* The COVID-19 pandemic has introduced further uncertainty over financial security of all public services, a Spending Review in the autumn of 2021 has now been confirmed. Regardless of central government, the impact of the pandemic in economic terms is likely to be felt for many years, potentially reducing council tax and business rates income. It is therefore forecast that the Budget Smoothing reserve will be exhausted within the Medium Term Financial Planning Period.

*Capital Funding*

5.8. **£23.3m:** Capital Funding is the largest of the Authority’s earmarked reserves. There is a long term strategy in place to reduce borrowing to fund capital expenditure and this reserve has been built up over several years from under spends in the Capital Programme along with savings made in other areas. Reserves represents an opportunity to reduce borrowing in the future as well as the associated costs.

5.9. Borrowing currently stands at £24.8m and the loan portfolio is regularly reviewed for opportunities to pay off loans where there would be a long term benefit but this is dependent on economic conditions. If the Authority does opt to pay off loans early, use of the Capital Funding reserve will accelerate. Currently it is forecast that the programme will require £6.575m of reserve funding in 2021-22 and for the reserve to be exhausted over the medium term. This level of expenditure is due to the order of a significant upgrade to our fire engine fleet and several major Estates projects which have been formally commissioned.

5.10. Planning for the Capital Programme is undertaken as part of the annual budget setting programme and so each year the Authority will have the opportunity to review the funding options of the programme. The forecast use of the Capital Funding reserve will be determined by that programme. Given that it is prudent to maintain the long term strategy to reduce, ideally remove, reliance on external borrowing to fund Capital expenditure, a healthy reserve will be maintained wherever possible.

*Specific projects, budget carry forwards or risks identified*

5.11. The Authority holds several Earmarked Reserves for items which have been identified through a business case, to address a specific risk or where timing differences have arisen in the revenue budget. Expenditure on these items will normally be spread over several financial years.

5.12. These one off reserves will be reviewed annually and either maintained or enhanced. Any unspent funds remaining at the end of the project will, subject to the relevant approval, be transferred to an alternative reserve such as the Invest to Improve or Capital Funding reserve.

5.13. Explanation of specific reserves:

- ***£0.15m:*** *PFI Equalisation* – The Authority is part of a tri-service Private Finance Initiative which covers the Severn Park training facility. Due to the nature of the contract and its longevity (will mature in 2028) the amount due at the end of the contract is dependent on various factors such as interest rates and investment performance. The reserve is held to mitigate the risk at the end of the contract period.
- ***£0.55m:*** *Emergency Services Mobile Communications Programme (ESMCP)* – The Authority has committed to be part of the ESMCP national project which provides the technology and network to allow Emergency Services a dedicated method of communication whilst being more financially efficient than its predecessor. Whilst funding has been allocated on a regional basis there is a need to support the project beyond the funding (which has been allocated for discrete time periods) because of the South West region being the last to transition which is why the reserve was established.

The reserve also holds grant funding from central government to support the establishment of Emergency Services Network capability. The national project is currently under scrutiny of the Public Accounts Committee and may be subject to change or cancellation. If cancelled, there is a risk that the current Airwave facility will cost the Authority more although at this stage that cannot be quantified.

- ***£0.27m:*** *Mobile Data Terminals (MDT) Replacement* – MDTs are computers in appliances which provide site specific risk and technical information to firefighters when they respond to incidents. Due to the age of the current suite of MDTs, which are purchased and maintained under the Airwave Communications system, replacements are required in advance of the roll out of the new Emergency Services Mobile Communications Project. Refreshing the safety critical information available to firefighters at incidents supports the Authority's underlying principles of Public Safety and Firefighter safety. The project is due to complete in 2021-22.
- ***£1.23m:*** *Pension Liability reserve* – There are ongoing legal cases which may impact on future employers' costs and therefore a pension reserve has been established to contribute towards the revenue budget if a liability arises.
- ***£0.308m:*** *Environmental Strategy* – This new reserve has been established to support the Authority's environmental strategy, assessing the impact of services and seeking to adapt and mitigate to reduce emissions.
- ***£3.7m:*** *Budget Carry Forwards* – Arise as a result of timing differences, where a revenue project has been unable to complete in year and therefore the under spend on a particular budget line has been transferred to Earmarked Reserves. As reserve funds can span several financial years these are expected to be used in the short term, but the reserve may be enhanced at a later date if there are timing differences in the 2020-21 budget and beyond.
- ***£0.1m:*** *Lightweight/ female PPE*- Firefighters are required to wear a specific range of Personal Protective Equipment (PPE) when responding to incidents and each set has a finite life dependant on the number and type of incidents attended. The Service has determined a provision for lightweight PPE and this was delivered in late 2019. The project has now moved on to ensuring that appropriate stocks and sizing of female firefighter PPE are maintained. The project supports the safety and wellbeing of our staff.
- ***£0.2m:*** *MTA Plan*- Organisational action plan to improve Marauding Terrorist Attack (MTA) capability in line with the National Joint Operating Principles (JOP's)

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

**Risk Assessment of the Adequacy of General Reserves**

| Budget Head | Budget Provision 2021-22 £m | RISK | Likelihood | Impact £m | Net Impact £m |
|---|---|---|---|---|---|
| **Service Delivery Staff** | **51.8** | Whole-time Pay represents nearly a third of service costs. There is a high level of uncertainty around future pay increases, particularly whether pay awards will be linked to a change to the Firefighter role map to include emergency medical response, which might attract a larger Pay award. An unfunded pay award of 1.5% has been agreed with effect from 1 July which represents an unbudgeted pressure. As such, this risk has now crystallised. | Crystallised | 0.777 | 0.777 |
| **Firefighter's Pensions** | **2.4** | The Authority is required to fund the costs associated with ill-health retirements, and the potential costs of retained firefighters joining the scheme. There were fewer retirees than budgeted in 2020-21 which has increased the likelihood of those individuals retiring in 2021-22. | High | 0.500 | 0.375 |
| **Insurance Costs** | **0.9** | The Fire Authority's insurance arrangements require the authority to fund claims up to agreed insurance excesses. In addition, some uninsured costs such as any compensation claims from Employment Tribunals carry a financial risk to the Authority. The Insurance Mutual holds a reserve which will enable the pool to absorb a reasonable level of claims. | Low | 0.500 | 0.125 |
| **Fuel Costs** | **0.7** | Fuel price fluctuation can have a significant impact on fleet running costs. This risk has been increased from medium to high due to anticipated inflation during the COVID-19 recovery period | High | 0.173 | 0.129 |

| Budget Head | Budget Provision 2021-22 £m | RISK | Likelihood | Impact £m | Net Impact £m |
|---|---|---|---|---|---|
| **Treasury Management Income** | **(0.1)** | Reduced Interest Income. The target income for 2021-22 has been set at a prudent level of achieving £0.1m return on investments. While interest rates are slowly recovering, we are now not expecting to achieve this level of return. Q1 performance has seen us obtain 0.023m return on our investment. This risk remains at a medium likelihood. | Medium | 0.075 | 0.038 |
| **Income** | **(0.8)** | Whilst the authority has only limited ability to generate income, the budget has been set on the basis of delivering £0.8m of external income whilst setting the reliance on the Service budget for Red One Ltd. Income at £0.3m. A repayment plan has now been agreed with Red One Ltd. therefore this risk has been reduced from High to Medium. | Medium | 0.415 | 0.208 |
| **Capital Programme** | **12.6** | Capital projects are subject to changes due to number of factors; these include unforeseen ground conditions, planning requirements, necessary but unforeseen changes in design, and market forces. The risk of contract deviation has been measured at 10% of proposed spend, although the likelihood remains low given the Authority's robust capital reserves. | Low | 1.260 | 0.315 |
| **External Contracts** | | The Authority has a wide range of contractual arrangements which could see a financial loss in the event of the bankruptcy of a supplier or a customer. The Authority maintains a bad debt provision based on aged debtor analysis but it would be insufficient to fully fund a loss from a major contract. Additionally, Public Sector procurement processes and contracts are coming under increasing scrutiny and could be open to legal challenge. | Low | 2.000 | 0.500 |

| Budget Head | Budget Provision 2021-22 £m | RISK | Likelihood | Impact<br><br>£m | Net Impact<br><br>£m |
|---|---|---|---|---|---|
| **Legal Issues** | | Given the nature of the work of the Authority there is a possibility that it could suffer a major health and safety or environmental failure. | Low | 3.000 | 0.750 |
| **System/ Infrastructure Issues** | | In the event that a key system, such as the control mobilising system or system networks, were to fail, it is possible that urgent consultancy or replacement equipment would be required within short time constraints. | Low | 1.500 | 0.375 |
| **Funding Issues** | | The changes to the funding mechanism for local government, introduced following the Local Government Resource Review, transferred potentially significant levels of financial risk to the Authority. | Medium | 1.000 | 0.500 |
| **Inflation** | | Whilst allowances for inflation have been made within specific budget lines, generally at 2% per annum, the uncertainty surrounding Brexit, COVID-19 and the likely surge in UK economic activity will likely lead to increased inflation. This risk has therefore been increased from Low to Medium due to current inflation forecasts for 2021-22 suggesting that inflation may temporarily exceed 3%. | Medium | 0.200 | 0.100 |
| **Employment Issues** | | Issues that might arise in respect of pay settlements or other factors which might lead to industrial action would, in the first instance, be managed within the revenue budget. Prolonged Action or issues would require funding from Reserves. | Medium | 1.000 | 0.500 |
| **Estimated Reserve Requirement** | | | | | **4.7** |

## Projected Reserve Balances over Medium Term Financial Plan Period (2021-26)

| RESERVES AND PROVISIONS | | | | | |
|---|---|---|---|---|---|
| **RESERVES** | **Balance as at 1 April 2021 £000** | **Forecast Spend 2021-22 £000** | **Proposed Balance as at 31 March 2022 £000** | **Projected Spend 2022-26 £000** | **Proposed Balance as at 31 March 2026 £000** |
| **Earmarked reserves** | | | | | |
| Grants unapplied from previous years | (5,244) | 3,335 | (1,909) | 1,909 | - |
| Invest to Improve | (4,133) | 1,516 | (2,616) | 2,616 | - |
| Budget Smoothing Reserve | (1,818) | - | (1,818) | 1,818 | - |
| Direct Funding to Capital | (23,270) | 6,575 | (16,695) | 15,245 | (1,450) |
| Projects, risks, & budget carry forwards | - | - | - | | - |
| PFI Equalisation | (150) | - | (150) | - | (150) |
| Emergency Services Mobile Communications Programme | (550) | - | (550) | 550 | - |
| Mobile Data Terminals Replacement | (266) | 266 | (0) | 0 | - |
| Pension Liability reserve | (1,231) | 1,231 | (0) | 0 | - |
| Environmental Strategy | (308) | 100 | (208) | 208 | - |
| Budget Carry Forwards | (3,459) | 1,179 | (2,280) | 2,280 | - |
| Performance Info System | (230) | - | (230) | 230 | - |
| Lightweight/female PPE | (100) | - | (100) | 100 | - |
| Uncategorised | (231) | 23 | (208) | 208 | - |
| MTA Action Plan | (200) | 200 | 0 | - | - |
| **Total earmarked reserves** | **(41,189)** | **14,425** | **(26,765)** | **25,165** | **(1,600)** |
| | | | | | |
| **General reserve** | | | | | |
| General Fund (non Earmarked) Balance | **(5,282)** | **-** | **(5,282)** | **-** | **(5,282)** |
| Percentage of general reserve compared to net budget | | | | | |
| | | | | | |
| **TOTAL RESERVE BALANCES** | **(46,472)** | **14,425** | **(32,047)** | **25,165** | **(6,882)** |
| | | | | | |
| **PROVISIONS** | | | | | |
| Doubtful Debt | (655) | - | (655) | | (655) |
| Fire fighters pension schemes | (659) | | (659) | 659 | - |
| | | | | | |
| **TOTAL PROVISIONS** | **(1,314)** | **-** | **(1,314)** | **659** | **(655)** |

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| **REPORT REFERENCE NO.** | **RC/21/13** |
| **MEETING** | **RESOURCES COMMITTEE** |
| **DATE OF MEETING** | **9 SEPTEMBER 2021** |
| **SUBJECT OF REPORT** | **RESOURCES COMMITTEE FUTURE SCRUTINY ARRANGEMENTS & FORWARD PLAN** |
| **LEAD OFFICER** | **DIRECTOR of FINANCE & RESOURCING (TREASURER)** |
| **RECOMMENDATIONS** | ***That the Committee approves:***<br>***(a). subject to any amendments as may be indicated at the meeting, those performance measures identified in Section 2 of this report for monitoring progress against Strategic Priority 4 and its associated policy objectives; and***<br>***(b). the proposal at paragraph 2.1 to 2.3 of this report for presenting this information to future meetings.*** |
| **EXECUTIVE SUMMARY** | At its ordinary meeting on 29 June 2021, the Authority approved four Strategic Priorities with associated policy objectives. Each of the Strategic Priorities and associated policy objectives were developed in consultation with the Authority at a series of bespoke workshops and Members' Forum discussions.<br>Strategic Priority 4 is 'We are open and accountable, using our resources efficiently to deliver a high performing, sustainable service that demonstrates improving public value'.<br>The main objective of the Resources Committee is "To scrutinise and monitor the effectiveness of Service performance against the Authority approved Efficiency Strategic Policy Objectives".<br>The approved policy objectives relevant to Resources Committee to support Strategic priority 4 are:<br>Priority 4(a) – "We will explore and develop opportunities for collaboration with other agencies, charities and volunteers to enhance our work and deliver efficient and economic services" *and*<br>Priority 4(b) – "We will invest in technology that: supports new ways of working; improves information governance and data sharing; supports interoperability; improves safety and service outcomes; and provides flexibility and increased productivity".<br>This paper makes suggestions of some of the performance measures that the People Committee could scrutinise and monitor against Strategic Priority 4. |

| | |
|---|---|
| **RESOURCE IMPLICATIONS** | Existing resources |
| **EQUALITY RISKS AND BENEFITS ANALYSIS** | N/a |
| **APPENDICES** | A. Resources Committee Draft Forward Plan |
| **BACKGROUND PAPERS** | Report DSFRA/21/15 (Strategic Policy Objectives 2021-22) to the ordinary meeting of the Authority held on 29 June 2021 (and the Minutes of that meeting). |

## 1. BACKGROUND AND INTRODUCTION

1.1. In 2020, the Authority, supported by the Centre for Governance and Scrutiny, undertook an extensive review of its governance structure. Stemming from this, it was felt there would be considerable benefit to the Authority in approving set of clear Strategic Priority Objectives for each year against which the Authority could, using its Committee structure, scrutinise Service performance.

1.2. Proposed Strategic Priority Objectives for 2021-22 were presented to and approved by the Authority at its ordinary meeting on 29 June 2021. These were developed with input from Authority Members at recent Members' Forum meetings and three Member workshops. The four Strategic Policy Objectives approved by the Authority for 2021-22 are:

***Strategic Priority 1***
Our targeted prevention and protection activities will reduce the risks in our communities, Improving Health, Safety and wellbeing, supporting the local economy.

***Strategic Priority 2***
Our Operational resources will provide an effective emergency response to meet the local and national risks identified in our Community Risk Management Plan (CRMP).

***Strategic Priority 3***
The Service is recognised as a great place to work. Our staff feel valued, supported, safe and well trained to deliver a high performing fire and rescue service.

***Strategic Priority 4***
We are open and accountable and use our resources efficiently to deliver a high performing, sustainable service that demonstrates improving public value.

1.3. In relation to Strategic Priority 4, the following policy objectives relevant to the Resources Committee were agreed:

Priority 4(a) – "We will explore and develop opportunities for collaboration with other agencies, charities and volunteers to enhance our work and deliver efficient and economic services" *and*

Priority 4(b) – "We will invest in technology that: supports new ways of working; improves information governance and data sharing; supports interoperability; improves safety and service outcomes; and provides flexibility and increased productivity".

1.4. These policy objectives align to the current Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS) assessment criteria under the Efficiency Pillar which is:

"How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?"

1.5. This is judged against how well the fire and rescue service uses its resources to manage risk, and secures an affordable way of providing its service, now and in the future.

1.6. At its annual meeting on 29 June 2021, the Authority also agreed Terms of Reference for its Resources Committee with the following main objective:

> "To scrutinise and monitor the effectiveness of Service performance against the Authority approved Efficiency Strategic Policy Objectives".

## 2. PROPOSED PERFORMANCE MONITORING BY THIS COMMITTEE

2.1. To assist the Committee in adhering to its main objective, the following are proposed as performance measures to be scrutinised and monitored at Committee meetings:

*Suggested performance reporting*:

| | Key Target | Target | Forecast Outturn | | Forecast Variance | |
|---|---|---|---|---|---|---|
| | | | Quarter 1 | Previous Quarter | Quarter 1 % | Previous Quarter % |
| | **Revenue Targets** | | | | | |
| 1 | Spending within agreed revenue budget | £74.222m | | | | |
| 2 | General Reserve Balance as %age of total budget (minimum) | 5.00% | | | | |
| | **Capital Targets** | | | | | |
| 3 | Spending within agreed capital budget | £12.608m | | | | |
| 4 | External Borrowing within Prudential Indicator limit | £25.961m | | | | |
| 5 | Debt Ratio (debt charges over total revenue budget) | 5.00% | | | | |

2.2. The Resources Committee has terms of reference which are interdependent with other committees therefore a general oversight is maintained across all departments.

2.3. An additional performance indicator may be:

"to monitor the effectiveness of the Safer Together Programme in ensuring the delivery of benefits realisation across all projects".

2.4. The Committee is invited to consider any additional performance indicators it may feel are appropriate to the role of this Committee. It should be noted that the performance areas agreed by the Committee would be an initial position that may change and adapt as the committee matures and develops.

2.5. A forward plan has been developed for the Committee for agreement at the next meeting. Please see a suggested forward plan as attached at Appendix A of this report.

**SHAYNE SCOTT**
**Director of Finance & Resourcing (Treasurer)**

**APPENDIX A TO REPORT RC/21/13**

**SUGGESTED RESOURCES COMMITTEE FORWARD PLAN**

| **Q2 2021** | **Q3 2021** | **Q4 2022** | **Q1 2022** | **Q2 2022** |
|---|---|---|---|---|
| **30 November 2021** | **8 February 2022** | **18 May 2022** | **29 July 2022 (*provisional)*** | **November 2022** |
| Financial Performance Monitoring | Financial Performance Monitoring | Financial Performance Monitoring (year-end stats) | Financial Performance Monitoring | Financial Performance Monitoring |
| | Revenue Budget & Council Tax 2022-23 | | | |
| | Capital Programme 2022-23 to 2025-26 | | | |
| | | Capital Strategy 2022-23 | | |
| | Medium Term Financial Plan | | | |
| | | | Reserves Strategy | |
| | | Treasury Management Strategy 2022-23 | | |
| Treasury Management Performance 2021-22 | Treasury Management Performance 2021-22 | Treasury Management Performance 2021-22 (year-end stats) | Treasury Management Performance 2022-23 | Treasury Management Performance 2022-23 |
| Red One Performance | Red One Performance and Business Plan 2022-23 | Red One Performance (year-end stats) | Red One Performance | Red One Performance |
| Monitor performance against policy objectives | Monitor performance against policy objectives | Monitor performance against policy objectives | Monitor performance against policy objectives | Monitor performance against policy objectives |
| | Agree any new Performance Measures based against revised strategic policy objectives for 2022/23 | | | |

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# Agenda Item 11

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