DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

To: The Chair and Members of the Resources Committee

(see below)

SERVICE HEADQUARTERS
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Your ref :
Our ref : DSFRA/MP/SY
Website : www.dsfire.gov.uk

Date : 10 May 2022
Please ask for : Steve Yates
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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

Wednesday, 18 May, 2022

A meeting of the Resources Committee will be held on the above date, **commencing at 10.00 am in Committee Room A, Somerset House, Devon & Somerset Fire & Rescue Service Headquarters** 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 8 February 2022 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 Provisional Financial Outturn 2021-22 (Pages 9 - 22)

Report of the Director of Finance, People & Estates (RC/22/8) attached.

5 Revision to Capital Programme 2022-23 to 2024-25 (Pages 23 - 28)

Report of the Director of Finance, People & Estates (Treasurer) (RC/22/9) attached.

6 Treasury Management - Quarter Four and Annual Report 2021-22 (Pages 29 - 40)

Report of the Director of Finance, People & Estates (Treasurer) (RC/22/10) attached.

7 Exclusion of the Press and Public

RECOMMENDATION that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of representatives 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 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.

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

8 Restricted Minutes of the meeting held on 8 February 2022 (Pages 41 - 44)

Attached.

9 Red One Limited Financial Performance 2020-21: Quarter 4 (Pages 45 - 50)

Report RC/22/11 attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Chesterton, Coles, Drean (Vice-Chair), Long, McGeough, Peart (Chair) and Thomas.

NOTES	
1.	**<u>Access to Information</u>** Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda.
2.	**<u>Reporting of Meetings</u>** Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chair - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority. Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.
3.	**<u>Declarations of Interests at meetings (Authority Members only)</u>** If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must: (i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a “sensitive” interest – the nature of that interest; and then (ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest. If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have an interest of a sensitive nature. You must still follow (i) and (ii) above. Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation. Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared.

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

8 February 2022

Present:

Councillors Peart (Chair),Coles, Long, Thomas and Randall Johnson (vice Drean)

Apologies:

Councillors Chesterton and McGeough.

In attendance:

Councillor Ray Radford – in accordance with Standing Order 39(1)

* **RC/21/17** **Minutes**

RESOLVED that the public minutes of the meeting held on 30 November 2021 be signed as a correct record.

RC/21/18 **2022-23 Revenue Budget and Council Tax Level**

The Committee considered a joint report of the Director of Finance, People & Estates (Treasurer) and the Chief Fire Officer (RC/22/1) on the draft 2022-23 revenue budget and associated Council Tax levels.

Two options were presented, together with an accompanying budget book for each option:

- Option A: that the level of council tax in 2022-23 for a Band D property be set at £90.00, as outlined in Option A in this report, representing no increase over 2021-22 and representing a Net Revenue Budget Requirement for 2022-23 of £75,995,900; or
- Option B: that the level of council tax in 2022-23 for a Band D property be set at £91.79, as outlined in Option B in this report, representing a 1.99% increase over 2021-22 and representing a Net Revenue Budget Requirement for 2022-23 of £77,151,300 be approved.

A one-year Local Government Finance Settlement had been announced on 17 December 2021. This indicated a Settlement Funding Assessment for the Authority of £22.551m for 2022-23, a 0.88% increase on the settlement for 2021-22 but representing a 23.33% decrease on the settlement for 2015-16. At the same time, the government had announced that the increase in council tax beyond which a local referendum would be required would be limited to 2% for 2022-23. The cost of such a referendum for this Authority was estimated to be in excess of £2.3m.

The Authority had also received a £0.445m share of the Rural Services Delivery Grant for 2022-23 together with £1.1m Section 31 grant funding to reduce the impact of the increase in social costs (National Insurance increases for employers). These sums were included as income in the proposed revenue budget.

The Treasurer gave an update at the meeting on the Net Budget Requirement given that the Authority had now received the final returns on the National Non Domestic Rates (NNDR) and details of the share of the Council Tax Collection Funds from billing authorities. This had resulted in a change to the Net Budget Requirement set out above of £76.182m for Option A; and, £77.289m for Option B. The Treasurer emphasised that this took account of £0.641m of savings that had been identified as a result of a reduction in non-operational budget lines

The Net Budget Requirement of £77.289m for Option B was designed to support Service reform by increasing the total investment for the Pay for Availability system to £2.774m. Should budget option A be selected, then the net spending requirement exceeded available funding by £1.106m. This shortfall could be met by a transfer from general reserves (budget smoothing) of £1.011m, with the remaining £0.095m being met from a reduction in the revenue contribution to capital. This would, though, exhaust fully the budget smoothing reserve.

The Medium Term Financial Plan identified a requirement for further budget savings in 2023-24 of £4.5m (Option A - Council Tax freeze) or £2.3m (Option B - 1.99% Council Tax increase), rising to £9.5m (Option A) or £7.3m (Option B) in 2025-26. A strategic approach to delivering required savings was being developed.

As required by Section 65 of the Local Government Finance Act 1992, non-domestic ratepayers had been consulted on proposals for expenditure. Members of the public had also been consulted. The consultation results indicated that:

- 68% of businesses agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2022-23, with 10% disagreeing, giving a net agreement of +58%;
- 70% of residents agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2022-23, with 8% disagreeing, giving a net agreement of +62%;

Of those agreeing that a Council Tax increase would be reasonable, 45% of businesses and 47% of residents indicated that they would support an increase of 1.99% or above.

Additionally, the consultation results indicated that:

- 64% of businesses and 66% of residents considered the Service provided good value for money; and
- 80% of businesses and 81% of residents were either very or fairly satisfied with the service provided.

Appended to the report was a statement on the robustness of the budget estimates and the adequacy of the levels of reserves and balances, as required by Section 25 of the Local Government Act 2003.

RESOLVED that the Authority be recommended:

(a). to set the level of Council Tax in 2022-23 for a Band D property at £91.79, as outlined above, representing a 1.99% increase over 2021-22 and that accordingly, a Net Revenue Budget Requirement for 2022-23 of £77,288,900 be approved;

(b). that, as a consequence of this:

(i). the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £56,708,737, as set out in the revised figures above (Option B) be approved;

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

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

RC/21/19 **Capital Strategy**

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/2) setting out a proposed capital strategy for the Authority, as required by the Chartered Institute of Public Finance and Accountancy Prudential Code.

The Strategy provided a high-level overview of how capital expenditure and the way it is financed contribute to the provision of services together with an overview of how associated risk would be managed and the implications for future financial sustainability. The Strategy also set out the governance processes for approval and monitoring of capital expenditure.

The Strategy was a key document for the Authority and formed part of the financial planning arrangements, reflecting the priorities of the Medium Term Financial Plan.

RESOLVED that the Authority be recommended to endorse the Capital Strategy as set out in the report.

(See also Minutes RC/21/20 and RC/21/21 below)

RC/21/20 **Capital Programme 2022-23 to 2024-25**

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/3) on the proposed Authority Capital Programme 2022-23 to 2024-25 and associated Prudential Indicators.

While the proposed programme and funding would increase the external borrowing requirement from the current level of £24.8m to £26.6m by 2024-25, the debt ratio of financing costs to the net revenue scheme, a key Prudential Indicator, would remain below the 5% maximum limit previously approved by the Authority throughout the period of the programme.

The report identified proposed expenditure on both estate and fleet capital projects over the period of the programme, with indicative expenditure (and associated Prudential Indicators) for a further two years (2025-26 and 2025-27).

There remained considerable difficulties in meeting the full capital expenditure needs for the Service and in maintaining the 5% debt ratio limit. The proposed capital programme had been constructed on the basis that revenue budget contribution to capital would be maintained in future years. Unless capital assets were further rationalised, however, there would be a need for external borrowing in 2024-25. Decisions on further spending would be subject to annual review based on the financial position of the Authority.

Reference was made at this point to the position on the Service's ageing fleet of vehicles and the potential reduction in maintenance and running costs that may be achieved in future, together with a reduction in CO^2 emissions, as a result of the replacement programme.

RESOLVED

(a). that the Authority be recommended to approve the draft Capital Programme 2022-23 to 2024-25 and associated Prudential Indicators as detailed in report RC/22/3; and

(b). that, subject to (a) above, the forecast impact on the 5% debt ratio Prudential Indicator of the proposed Capital Programme from 2025-26 onwards, as indicated in the report, be noted.

(See also Minutes RC/21/19 above and RC/21/21 below)

RC/21/21 **Treasury Management Strategy (including Prudential indicators and Treasury Indicators) Report 2022-23**

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/4) detailing:

- the proposed Treasury Management Strategy (including Prudential Indicators) and investment strategy for 2022-23;
- Prudential Indicators associated with the proposed Capital Programme 2022-23 to 2024-25;
- a Minimum Revenue Provision Statement 2022-23; and
- certification that none of the Authority's spending plans would include the acquisition of assets primarily for yield.

The proposed Strategy had been prepared in accordance with the requirements of the Local Government Act 2003 and the Treasury Management Code of Practice produced by the Chartered Institute of Public Finance and Accountancy.

RESOLVED that the Authority be recommended to approve:

(a). expansion of its approved counter-parties to include subsidiary entities, subject to the terms and conditions of any such arrangement being reserved to the Authority;

(b). the Treasury Management Strategy and Annual Investment Strategy 2022-23 as set out in report RC/22/4; and

(c). the Minimum Revenue Provision Statement 2022-23 as appended to the report.

(See also Minute RC/21/20 above)

*** RC/21/22 <u>Treasury Management Performance 2021-22: Quarter 3</u>**

The Committee received for information a report of the Director of Finance, People & Estates (Treasurer) (RC/22/5) on the Treasury Management performance of the Authority as at the third quarter (to December 2021) of the current (2021-22) financial year.

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

Mr Burleton gave an update on the economic position since publication of the report circulated and drew attention to the recent increase in bank base rate to 0.50% on 3 February 2022, a measure which had been instigated by the Bank of England in a bid to curb inflationary pressures. The interest rate forecast had been reviewed and it was anticipated that this may rise to 0.75% in March 2022 with a further rise to 1% later in 2022. Inflation had reached 5.4% in February 2022 and this was forecast to increase to 7.2% by April 2022. This was likely to result in an increase in borrowing costs which should result in better returns on investment for the Authority than those predicted at the time the budget was set.

No Prudential Indicators had been breached and a prudent approach had been taken in relation to investment decisions, with priority being given to liquidity and security over yield. While investment returns were recovering as a result of an increase in interest rates as indicated above, the Committee would be apprised of the impact on investment returns, which did not meet the budgeted target presently, at its next meeting in May 2022.

*** RC/21/23 <u>Financial Performance Report 2021-22: Quarter 3</u>**

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/22/3) on performance against agreed financial targets as at the third quarter of the current (2021-22) financial year.

An overspend of £0.107m (0.15%) was projected against the approved revenue budget. Significant variations (over £0.050m) from budget were detailed in the report. Additional costs had been incurred for Pay for Availability linked to greater take-up than initially anticipated for the initiative. A budget virement was proposed to address these additional costs.

An underspend of £5.416m was projected for capital spending, linked to delays in the refurbishment of Camels Head fire station as a result of a requirement for more intrusive structural work to address potential risks. For fleet, there had been delays in evaluating the type of vehicle required to replace both aerial ladder platforms and 4x4 medium rescue pumps, together with extended chassis build times.

The report also detailed:

- projected expenditure against and forecast reserves and provision balances as at 31 March 2022;
- a summary of performance against all Prudential Indicators agreed for 2021-22; and
- aged debt analysis.

Attention was drawn to the projected overspend of 0.15% of budget which was within the target set and the question was raised as to at what point the Treasurer would consider this to be a critical issue and whether a level of tolerance should be instigated to assist the Committee in its monitoring of the budgetary position. The Treasurer expressed the view that he was confident that there would be no overspend at the year-end in 2021-22 but he acknowledged the need to consider a level of tolerance for monitoring purposes. He undertook to report back to the Committee on this matter in the next report.

RESOLVED

(a). that the budget transfer as set out in the table below, to fund Pay for Availability due to quicker take up than initially anticipated, be approved:

Line Ref	**Description**	**Debit (£m)**	**Credit (£m)**
1	Increase Service Delivery staff	0.390	
36	Reduce earmarked reserve established to fund future year costs		(0.390)
		0.390	**(0.390)**

(b). that, subject to (a) above, the report be noted.

* **RC/21/24** **<u>Exclusion of the Press and Public</u>**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of representatives 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 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/21/25** **<u>Restricted Minutes of Resources Committee held on 30 November 2021</u>**

(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 representatives from Red One Ltd., were excluded from the meeting).

(Councillor Radford declared a personal, non-pecuniary interest in this item, by virtue of being an Authority-appointed Non-Executive Directors on the Board of Red One Ltd. and did not participate in any voting on this item).

RESOLVED that the Restricted Minutes of the meeting held on 30 November 2021 be signed as a correct record.

*** RC/21/26 Red One Performance 2021-22: Quarter 3**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public, with the exception of representatives from Red One Ltd. and Councillor Radford were excluded from the meeting).

(Councillor Radford declared a personal, non-pecuniary interest in this item, by virtue of being an Authority-appointed Non-Executive Directors on the Board of Red One Ltd. and did not participate in any voting on this item).

The Committee considered a joint report of the Director of Finance, People & Estates (Treasurer) and Co-Chief Executives and Finance Director of Red One Ltd. (RC/22/7) on the financial performance of Red One Ltd. for the third quarter of the current (2021-22) financial year. The report also identified an issue relating to ICT costs incurred by Red One Ltd. from the Service and relating to development of a system similar to the Service Training for Competence system for use by Red One Ltd. in relation to one of its major contracts.

RESOLVED

(a). that the recommendations as set out in report RC/22/7 relating to terms for the payment of Red One Ltd. invoices be approved;

(b). that the Treasurer be authorised to agree the matter related to ICT costs further with Red One Ltd. and to come to a solution within the limits set out in Financial Regulations; and

(c). that, subject to (a) and (b) above, the report be noted.

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

The Meeting started at 2.00 pm and finished at 5.40 pm

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REPORT REFERENCE NO.	**RC/22/8**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**18 MAY 2022**
SUBJECT OF REPORT	**PROVISIONAL FINANCIAL OUTTURN 2021-22**
LEAD OFFICER	**Director of Finance, People & Estates (Treasurer)**
RECOMMENDATIONS	***(a) That the Authority be recommended to approve that the provisional overspend against the 2021-22 revenue budget of £1.379m be met by transferring from the General Reserve.*** ***(b) That, subject to (a) above, the following be noted:*** ***(i) The draft position in respect of the 2021-22 Revenue and Capital Outturn position, as indicated in this report.*** ***(ii) That the net overspend figure of £1.379m is after the removal of the Pensionable Allowances Provision (£0.409) which is deemed no longer to be required plus a transfer of £2.013m to the Grants Unapplied Reserve as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised as per Appendix C.***
EXECUTIVE SUMMARY	This report sets out the draft financial outturn position for 2021-22 against agreed financial targets. In particular, it provides a draft outturn spending position against the 2021-22 revenue budget with explanations of the major variations. Spending will be £1.379m over budget, (net of transfers to earmarked reserves noted in this report) equivalent to 1.86% of the total budget. There have been some significant challenges in the year, most notably the nationally agreed pay award (1.5% to firefighters and 1.75% to support staff) the cost to the Authority was in the region of £0.800m which was unbudgeted. The majority of the balance is as a result of a quicker than expected take-up of the new Pay for Availability pay system introduced for on-call firefighters. The figures are also subject to external audit of the Accounts.
RESOURCE IMPLICATIONS	As indicated in the report

EQUALITY RISKS AND BENEFITS ANALYSIS	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Provisional Revenue Outturn Position 2021-22. B. Summary of Reserve and Provision Balances at 31 March 2022 C. Grants Received in Advance.
BACKGROUND PAPERS	None

1. INTRODUCTION

1.1. This report provides the Authority with the final outturn position (subject to audit) for revenue and capital spending for the financial year 2021-22 and makes recommendations as to how the overspend against the revenue budget is to be funded. The report is in two parts. Section 1 deals with the revenue outturn position while Section 2 deals with the position in relation to capital spending.

1.2. The Authority is well aware of the difficult financial climate that local authorities are currently operating under as a result of cuts in government funding. In setting the 2021-22 revenue budget for the Authority in February 2021, consideration of the Medium-Term Financial Plan (MTFP) recognised that further recurring savings will be required over the next five years to 2026-27 over above the savings already achieved by the implementation of the changes agreed as part of the 2013 Corporate Plan and Safer Together programme.

1.3. Mindful of this difficult outlook the strategy adopted during the last financial year of 2021-22 was to balance the budget using 2 reserves; one allocated by the Department for Levelling Up, Housing and Communities (DHLUC) to smooth the loss of council tax as a result of Covid and the second from the reserve created to assist with the introduction of Pay for Availability. Both reserves have been called upon in year.

2. SECTION 1 – REVENUE OUTTURN 2021-22

2.1. Total revenue spending in 2021-22 was £75.601m compared to an agreed budget of £74.222m, resulting in an overspend of £1.379m, equivalent to 1.86% of total budget. A summary of spending is shown in Table 1 overleaf and Appendix A provides a more detailed analysis of spending against individual budget heads.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2021-22

	£m	£m	£m
Approved Budget			**74.222**
Gross Spending (Appendix A Line 28)	91.455		
Gross Income (Appendix A Line 34)	(12.734)		
Net Spending		78.722	
Transfers to/(from) Earmarked Reserves			
- Transfers to Reserves (Appendix A Line 35)	(3.120)		
- Capital Funding (Appendix A Line 36)	0.000		
- Grants Unapplied (Appendix A Line 37)	0.000		
Total Transfer to/from Earmarked Reserves (Appendix A Line 38)		(3.120)	
TOTAL NET SPENDING			75.602
NET OVERSPEND			**1.379**

2.2. These figures are based upon the spending position at the end of March 2022 and whilst they provide a provisional financial performance for the year, are subject to final accounting adjustments and audit scrutiny for the year end.

2.3. The underspend is after several variances against budget as reported in Appendix A to this report but is mainly due to pressure on the pay budgets resulting from the pay awards which were unbudgeted.

2.4. Variances against other budget heads e.g. uniformed staffing costs, training expenses and capital financing costs are also reported. Explanations of the more significant variations from budget (over £50k variance) are explained below.

3. VARIATION AGAINST BUDGET

Service Delivery Staff

3.1. **Overspend of £3.239m**. As mentioned previously, the nationally agreed pay award (£0.650m) and the accelerated implementation of Pay for Availability (P4A) (£1.301) were the primary drivers for this overspend. Additionally, a £0.520m (97%) overspend against the on-call holiday pay budget also due to the accelerated introduction of P4A. Costs associated with the ambulance provision amount to £0.280m, however, these are off-set as we do receive income from the Ambulance Trust for their provision – see line 31. The balance being made up over multiple pay lines.

Professional and Technical Staff

3.2. **Overspend of £0.721m.** Overspends within the Academy - Driver Training School due to additional instructor resource needed to clear the backlog of training as a result of Covid-19 amounts to £0.057m. Academy Management also overspent by £0.110m due to the need for secondary contact trainers to ensure sufficient instructors. There is also an overspend by £0.053m relating to the Academy Planning and Resourcing team. A greater than anticipated reliance on Agency staff within HR caused an overspend of £0.023m and an overspend within ICT of £0.130m contributed to the position. Additionally, there was also an unbudgeted pay award which amounted to over £0.200m. The balance being made up over multiple pay lines.

Training Investment

3.3. **Underspend of £0.316**. Covid restricted the number of external courses available for the first quarter of the year. Therefore, the Academy reviewed the priority of the courses (in terms of availability) which has resulted in an under spend of £0.081m. The budget for conferences were underspent by £0.017m due to events being held virtually. Training within Fire Safety was underspent by £0.065m due to lack of course availability. Planned training within ICT was delivered using the apprenticeship levy which resulted in an underspend of £0.16m. On top pf these, People Development were underspent by £0.023m The balance being saved over multiple budget lines**.**

Repair and Maintenance (Transport Related)

3.4. **Underspend of £0.174m**. £0.076m of this relates for blue light fit-out that for vehicles that did not get delivered in the financial year. There has also been a reduction from Fleet of £0.034m which is likely driven by the introduction of the newer fleet.

Communications

3.5. **Underspend of £0.316m**. There was budget in year to purchase a Dynamic Coverage Tool, this was no longer required for 2021/22 resulting in an underspend of £0.050m. Mobile telephones costs were underspent by £0.040m against budget and the radio network costs were underspent by £0.043m. Delays in the replacement of the LAN Edge has resulted in a further amount of £0.110m that could not be acquired

Support Services Contracts

3.6. **Overspend of £0.230m**. The majority is from an overspend on Personnel Services (mediation, placement fees, occupational health etc.). The balance being made up over multiple lines.

Revenue contribution to Capital Spending

3.7. **Reduced contribution of £0.165m**. A reduction in budgeted income from Red One resulted in an underspend against this budget.

Grants and Re-imbursements

3.8. **Grants were £2.158m greater than budget**. Some were used in-year, the majority of the value (£2.013m) however are requested to be moved into an Earmarked Reserve as they are classed as receipts in advance. See Section 4.1 b of this report refers with the grants being detailed within Appendix C.

Other Income

3.9. **Other income was £0.419m greater than budget.** The continued support to Southwest Ambulance Service Trust (SWAST) has created additional income of £0.289m that was unbudgeted. Coupled with this, Station 60 (USAR) delivered an additional £0.037m of income related to training they provide. Procurement also generated an additional £0.060m of income from the use of their call-off contracts and a further £0.024m resulting from the support provided to the G7 summit.

4. CONTRIBUTION TO EARMARKED RESERVES

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

a) **Budgeted Transfers from Reserves (£1.379m)** – A reduction in the General Fund Balance as per paragraph 5.1 which references the transfers seeking authorisation in line with financial regulations.

b) **Grants Unapplied (£2.013m) -** under International Financial Reporting Standards (IFRS) accounting arrangements, any unused grants at the year-end, which are not subject to repayment, are to be identified and carried forward to 2022-23 via an Earmarked reserve. The detail of the grants are provided within Appendix C. Members are requested to authorise the two grants received which are in excess of the delegated limit of £0.200m.

c) **Removal of Pensionable Provision (£0.409)** – This provision was initially created to fund additional costs associated with the part-time workers regulations. Latterly, it has been used to fund the pension associated with allowances for both Area Managers and Trainers. Following a review and as these now form part of the revenue budget, this provision is no longer required and so is returned into the revenue budget. Members are requested to authorise the removal of this provision.

d) **Doubtful Debt (0.600m)** – Due to the improved financial standing of Red One Ltd, a review of the doubtful debt provision has been undertaken, it is felt this can be reduced to a more realistic amount.

5. PROPOSALS FOR FUNDING THE OVERSPEND

5.1. The Authority is asked to approve the recommendation that the overspend figure of £1.379m be funded using a transfer from the General Fund Balance (GFB). The level of the General Fund should be based on risk associated with the Authority. A general guide is that the General Fund is roughly 5% of the revenue budget. This reduction in the General Fund will leave the balance at 5.3% of Revenue budget which is felt to be adequate.

5.2. A summary position of Reserves and Provisions as at 31 March 2022, including the recommendations included in this report, is included as Appendix B to this report.

Provisions

5.3. Included in Appendix B is a summary of the Provision balances as at 31 March 2022. As part of the year-end process the Authority is required to review the adequacy of Provision balances and consider whether any changes during the year require additional amounts to be set aside. As a result of the most recent review it has been assessed that £1.029m can be released from the Provision back in to the revenue budget.

6. SECTION 2 – CAPITAL OUTTURN 2021-22

6.1. The 2021-22 capital programme was originally set at £10.6m at the budget setting meeting held in February 2021. The programme figure was increased during the financial year to £12.7m, as a result of timing differences in spending from the previous year and revisions to the capital spending plan. As has been reported to the Resources Committee during the year, whilst these changes represent a change in the 2021-22 programme they do not represent any increase to the previously agreed borrowing requirement.

6.2. Table 2 overleaf provides a summary of the provisional outturn position against the agreed 2021-22 capital programme. Against a final capital programme of £12.693m, capital spending in year was £8.254m, resulting in unspent programme of £4.439m, of which £4.341m relates to timing differences to be carried forward to 2022-23, and £0.098m of savings.

6.3. The 2021-22 budget included an “optimism bias” again, based on experience of considerable timing differences in capital spending against plans. The figures in table 2 below are net of the optimism bias and the outturn suggests that it would be prudent to continue using this approach, which has been incorporated in to the programme for 2022-23.

TABLE 2 – SUMMARY OF CAPITAL SPENDING IN 2021-22

Capital Programme 2021/22				
PROJECT	2021/22 £000 Revised Budget	2021/22 £000 Actuals	2021/22 £000 Timing Differences	2021/22 £000 Re-scheduling/ Savings
Estate Development				
Site re/new build	2,207	1,816	(473)	82
Improvements & structural maintenance	5,762	1,083	(4,539)	(127)
Estates Sub Total	**7,969**	**2,899**	**(5,012)**	**(45)**
Fleet & Equipment				
Appliance replacement	6,403	5,190	(1,212)	0
Specialist Operational Vehicles	480	90	(400)	10
ICT Department	409	62	(317)	(30)
Water Rescue Boats	32	0	0	(32)
Fleet & Equipment Sub Total	**7,324**	**5,342**	**(1,929)**	**(52)**
Optimism bias Sub Total	**(2,600)**	**0**	**2,600**	**0**
Overall Capital Totals	**12,693**	**8,241**	**(4,341)**	**(97)**

Capital Spending 2021-22

6.4. This Authority has a three year rolling capital programme, reviewed annually. This reflects changes in circumstances within individual projects and slippage that will occur from time to time. This has particularly been the case in relation to some Estates projects which have been delayed and moved into 2022-23.

6.5. Timing differences for Estates projects include; Plymstock (£0.473); Camels Head rebuild (£2.511m); wash-down improvements (environmental protection) on various sites (£0.311m); dignity at work (£0.628m); various roofing schemes (£0.4742m); Bere Alston (£0.324m); Paignton (£0.249m); SHQ buildings (£0.040m).

6.6. Timing differences for Fleet & Equipment and ICT projects relate to: MRPs (£0.732m);MRP 4 X 4 (£0.480m); Incident Command Training vehicles (£0.160m); ALPs (£0.240m); SQL server (£0.317m); Water Rescue Boats (£0.032m).

7. FINANCING THE 2021-22 CAPITAL PROGRAMME

7.1. The table below provides an analysis of how the 2021-22 capital spending of £8.254m is to be financed.

TABLE 3 – SUMMARY OF CAPITAL FINANCING IN 2021-22

	Actual Financing Required £m
Application of existing borrowing	**2.024**
Other financing sources:	
Revenue contribution to capital	1.737
Red One contribution to capital	0.135
Capital reserve	4.338
Sub-total – Direct revenue funding/earmarked reserve	**6.210**
Capital receipts	0.020
Total Financing	**8.254**

Borrowing

7.2. The amount of external borrowing at the beginning of the financial year stood at £24.851m. No new borrowing was taken out during the year and an amount of £0.094m has been repaid, resulting in an overall reduction of external borrowing to £24.757m as at 31 March 2021. This level of borrowing is well below the agreed maximum borrowing figure of £27.244m allowed under the Prudential Code.

8. DRAFT PRUDENTIAL INDICATORS

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

Capital Expenditure

8.2. This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £6.715m less than anticipated as a consequence of delays on progressing Estates & Fleet capital projects.

	£m
Approved Budget	12.693
Actual Expenditure	8.241
Variance	(4.452)

Capital Financing Requirement– External Borrowing

8.3. The Capital Financing Requirement (CFR) reflects the underlying need to borrow for capital purposes. Given that existing borrowing has been applied to the spending in 2021-22 the need to borrow to fund capital spending has remained static.

	£m
Approved CFR	24.757
Revised CFR (Based on Actual Spending)	24.757
Variance	0.000

Capital Financing Requirement– Other Long-Term Liabilities

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

	£m
Approved CFR	0.907
Revised CFR (Based on Actual Spending)	0.907
Variance	0.000

Authorised Limit and the Operational Boundary for External Debt

8.5. Actual external debt as at 31 March 2022 was £24.757m. This is within the revised authorised limit (absolute maximum borrowing approval) of £27.244m and the operational boundary of £25.961m.

Ratio of Financing Cost to Net Revenue Stream

8.6. This ratio aims to show the percentage of revenue resources which are applied to financing debt. The Authority’s estimate was that 4.29% would be applied, a better ratio has been achieved as a result of investment returns.

	£m
Capital Financing Costs	3.324
Interest on Investments	(0.093)
Net Financing Costs	3.231
Net Revenue	74.222
Percentage	4.29%
Budgeted	4.68%
Variance	(0.39 bp

9. DETERMINATION OF CAPITAL FINANCE

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

- That an amount of £2.024m of external borrowing from previous years be utilised to fund the Capital programme;
- That an amount of £6.210m is capitalised and funded from revenue contributions to capital spending, either directly from the 2021-22 revenue budget or from balances in Earmarked Reserves;
- That an amount of £0.020m of capital receipts be utilised to fund the Capital Programme.

10. RESERVES

10.1. A new requirement was introduced in 2018 under CIPFA guidance for the Fire Authority to publish a Reserves Strategy which outlines the intended use of reserves over the medium term financial period. The strategy for 2021-22 is available on the Authority's website and the next iteration will be reviewed and presented to the Authority in light of proposals made in this report.

10.2. The Authority reserves position at the end as at 31 March 2022 is £36.023m, subject to approval of the recommendations in this report, the details of which are shown at Appendix B and in paragraph 4.1 above.

SHAYNE SCOTT
Director of Finance, People & Estates (Treasurer)

SUBJECTIVE ANALYSIS OF REVENUE SPENDING

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY

Line No		2020/21 Budget £000	Outturn £000	Projected Variance over/ (under) £000
	SPENDING			
	EMPLOYEE COSTS			
1	Service Delivery Staff	52,159	55,399	3,239
2	Professional and technical support staff	11,193	11,914	721
3	Training investment	854	537	(316)
4	Fire Service Pension costs	2,352	2,339	(12)
		66,558	**70,190**	**3,632**
	PREMISES RELATED COSTS			
5	Repair and maintenance	1,010	1,026	16
6	Energy costs	578	616	38
7	Cleaning costs	499	525	26
8	Rent and rates	1,921	1,948	27
		4,009	**4,114**	**105**
	TRANSPORT RELATED COSTS			
9	Repair and maintenance	708	535	(174)
10	Running costs and insurances	1,257	1,228	(29)
11	Travel and subsistence	1,402	1,354	(48)
		3,368	**3,116**	**(251)**
	SUPPLIES AND SERVICES			
12	Equipment and furniture	3,642	3,619	(23)
13	Hydrants-installation and maintenance	131	128	(3)
14	Communications Equipment	2,403	2,087	(316)
15	Protective Clothing	521	543	22
16	External Fees and Services	148	117	(31)
17	Partnerships & regional collaborative projects	311	281	(30)
18	Catering	66	97	30
		7,223	**6,872**	**(351)**
	ESTABLISHMENT COSTS			
19	Printing, stationery and office expenses	265	253	(12)
20	Advertising	34	69	35
21	Insurances	434	444	11
		732	**766**	**34**
	PAYMENTS TO OTHER AUTHORITIES			
22	Support service contracts	733	963	230
		733	**963**	**230**
	CAPITAL FINANCING COSTS			
23	Capital charges	3,474	3,562	88
24	Revenue Contribution to Capital spending	2,037	1,872	(165)
		5,511	**5,435**	**(76)**
25	**TOTAL SPENDING**	**88,134**	**91,455**	**3,322**
	INCOME			
26	Treasury management investment income	(100)	(93)	7
27	Grants and Reimbursements	(9,151)	(11,309)	(2,158)
28	Other income	(912)	(1,331)	(419)
29	**TOTAL INCOME**	**(10,163)**	**(12,734)**	**(2,570)**
30	**NET SPENDING**	**77,971**	**78,722**	**751**
	TRANSFERS TO EARMARKED RESERVES			
31	Transfers to reserves	-3,748	-4,499	(751)
32	Transfer to Capital funding	0	0	0
33	Grants Unapplied	0	0	0
		(3,748)	**-4,499**	**(751)**
36	**NET SPENDING**	**74,222**	**74,223**	**0**

APPENDIX B TO REPORT RC/22/8

SUMMARY OF RESERVES AND BALANCES AS AT 31 March 2022

RESERVES AND PROVISIONS							
RESERVES	**Note**	**Balance as at 1 April 2021 £'000**	**Approved Transfers £'000**	**Proposed Transfers £'000**	**Spending Month 12 £'000**	**Proposed Balance as at 31 March 2022 £'000**	
Earmarked reserves							
Grants unapplied from previous years	4.1.b	(4,526)		(2,013)	3,432	(3,107)	
Invest to Improve		(3,897)			916	(2,981)	
Budget Smoothing Reserve		(1,818)			-	(1,818)	
Direct Funding to Capital		(23,270)			4,338	(18,932)	
Projects, risks, & budget carry forwards		-			-	-	
PFI Equalisation		(150)	100		-	(150)	
Emergency Services Mobile Communications Programme		(1,347)			45	(1,301)	
Breathing Apparatus Replacement		-			-	-	
Mobile Data Terminals Replacement		(266)			98	(168)	
Pension Liability reserve		(1,231)			8	(1,223)	
Budget Carry Forwards		(3,459)			1,439	(2,020)	
Environmental Strategy		(308)			40	(268)	
Uncategorised		-			-	-	
MTA Action Plan		(200)			49	(151)	
Total earmarked reserves		**(40,471)**	**100**	**(2,013)**	**10,364**	**(32,120)**	
General reserve							
General Fund (non Earmarked) Balance	4.1.a	**(5,282)**	**-**	1,379	**-**	**(3,903)**	
Percentage of general reserve compared to net budget							5.3%
TOTAL RESERVE BALANCES		**(45,753)**	**100**	**(634)**	**10,364**	**(36,023)**	
PROVISIONS							
Doubtful Debt	4.1.d	(655)	600	-	-	(55)	
Fire fighters pension schemes	4.1.c	(502)	429	-	73	(0)	

Grants received in advance

GRANT	£m
Protection Uplift	0.257
NNDR Additional Reliefs	1.756
Member Approval	2.013

REPORT REFERENCE NO.	**RC/22/9**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**18 MAY 2022**
SUBJECT OF REPORT	**REVISION TO CAPITAL PROGRAMME 2022-23 TO 2024-25**
LEAD OFFICER	**Director of Finance, People & Estates (Treasurer)**
RECOMMENDATIONS	***That the Authority be recommended to approve the revised capital programme and associated prudential indicators for 2022-23 to 2024-25 as set out in this report.***
EXECUTIVE SUMMARY	A three-year capital programme for 2022-23 to 2024-25 was approved by the Authority at its budget meeting on 19 February 2022 (Minute DSFRA/21/39(b) refers). This report proposes a revision to that programme to allow for an amount of money not spent in 2021-22 being carried forward to 2022-23; 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 ten years, but the Capital Programme will require borrowing from 2024-25.
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 2022-23 to 2024-25. B. Revised Prudential Indicators 2022-23 to 2024-25.
LIST OF BACKGROUND PAPERS	Report DSFRA/22/5 (Capital Programme 2022-23 to 2024-25) to the Authority budget meeting on 21 February 2022 (and the Minutes of that meeting).

1. INTRODUCTION

1.1. The current capital programme covering the three years 2022-23 to 2024-25 was approved at the budget meeting in February 2022.

1.2. This report seeks approval of the Authority to revise this programme to reflect budget not spent in 2021-22.

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 2022-23 TO 2024-25

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 its budget meeting on 21 February 2022, the Authority considered and approved a three-year capital programme covering the years 2022-23 to 2024-25. This approved programme is included at Appendix A (2022/23 Approved Budget column).

3. PROPOSED REVISION TO THE CAPITAL PROGRAMME

3.1. Appendix A to this report also sets out a revised capital programme for the years 2022-23 to 2024-25. The changes included in the revised programme reflect that:

(a) Since setting the original programme in February 2022, there is further variance against budget in 2021-22 of £1.57m.

(b) This is made up of savings of £0.05 and budget unspent in 2021-22 of £1.52m which will align the Capital programme with the future aspirations of the Service going forward. The £1.52m unspent budget is still required (carried forward to 2022-23) but reflects only a change to the timing of spend rather than an increase to funding requirements.

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

Figure 1

	Estates	Fleet & Equipment		Optimism Bias	Total
	£m	£m		£m	£m
Original Programme					
2021-22 (predicted outturn)	3.7	6.2	9.9	0.0	9.9
2022-23	3.9	4.9	8.8	-1.8	7.0
2023-24 (provisional)	7.3	10.5	17.8	-1.8	16.0
2024-25 (provisional)	0.9	4.6	5.5	2.5	8.0
Total 2021-22 to 2024-25	15.8	26.2	42.0	-1.1	40.9
Revised Programme					
2021-22 (actual outturn)	2.9	5.4	8.3	0.0	8.3
2022-23	4.7	5.7	10.4	-1.8	8.6
2023-24 (provisional)	7.3	10.5	17.8	-1.8	16.0
2024-25 (provisional)	0.9	4.6	5.5	2.5	8.0
Total 2021-22 to 2024-25	15.8	26.2	42.0	-1.1	40.9
Proposed change	0.0	0.0	0.0	0.0	0.0

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 2022. The next review of capital spending plans will take place in good time to inform the budget setting process for 2023-24.

4. CONCLUSION

4.1 This report proposes a revision to the agreed capital programme for the year 2022-23, having considered the outturn figures for 2021-22. The Committee is commended to recommend the revised Capital Programme 2022-23 to 2024-25 and associated prudential indicators to the Authority for approval.

Shayne Scott
Director of Finance, People & Estates (Treasurer)

APPENDIX A TO REPORT RC/22/9

PROJECT	2022/23 £000 Approved Budget	2022/23 £000 Revised Budget	2023/24 £000 Budget	2024/25 £000 Budget
Estate Development				
Site re/new build	0	693	4,700	0
Improvements & structural maintenance	3,923	3,957	2,600	900
Estates Sub Total	**3,923**	**4,650**	**7,300**	**900**
Fleet & Equipment				
Appliance replacement	3,861	4,593	4,500	2,400
Specialist Operational Vehicles	820	820	6,000	2,200
ICT Department	250	317	0	0
Fleet & Equipment Sub Total	**4,931**	**5,730**	**10,500**	**4,600**
Optimism bias Sub Total	**(1,800)**	**(1,800)**	**(1,800)**	**2,500**
Overall Capital Totals	**7,054**	**8,580**	**16,000**	**8,000**
Programme funding				
Earmarked Reserves:	4,189	5,715	12,417	900
Revenue funds:	1,500	1,500	2,300	2,300
Borrowing - internal	1,365	1,365	1,283	1,370
Borrowing - external	0	0	0	3,430
Total Funding	**7,054**	**8,580**	**16,000**	**8,000**

PRUDENTIAL INDICATORS

	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	INDICATIVE INDICATORS 2025/26 £m Estimate	INDICATIVE INDICATORS 2026/27 £m Estimate
Capital Expenditure					
Non - HRA	8.580	16.000	8.000	6.600	6.400
HRA (applies only to housing authorities)					
Total	8.580	16.000	8.000	6.600	6.400
Ratio of financing costs to net revenue stream					
Non - HRA	3.80%	3.48%	3.52%	3.82%	3.52%
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	24,264	23,771	26,743	28,910	31,087
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	791	656	509	349	182
Total	25,055	24,426	27,252	29,259	31,269
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000
Non - HRA	(610)	(628)	2,825	2,008	2,010
HRA (applies only to housing authorities)	0	0	0	0	0
Total	(610)	(628)	2,825	2,008	2,010
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£000	£000	£000	£000	£000
Borrowing	26,071	25,553	28,638	30,549	33,335
Other long term liabilities	947	823	681	527	359
Total	27,018	26,376	29,319	31,076	33,693
Operational Boundary for external debt	£000	£000	£000	£000	£000
Borrowing	24,857	24,364	27,301	29,104	31,780
Other long term liabilities	907	791	656	509	349
Total	25,765	25,155	27,957	29,613	32,130
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 2022/23		
Under 12 months	30%	2%
12 months and within 24 months	30%	4%
24 months and within 5 years	50%	13%
5 years and within 10 years	75%	1%
10 years and above	100%	80%

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REPORT REFERENCE NO.	**RC/22/10**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**18 MAY 2022**
SUBJECT OF REPORT	**TREASURY MANAGEMENT – QUARTER FOUR AND ANNUAL REPORT 2021-22**
LEAD OFFICER	**Director of Finance, People & Estates (Treasurer)**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2021-22 including the fourth quarter, as set out in this report, be noted.***
EXECUTIVE SUMMARY	The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, requires that the Authority receives a report in respect of borrowing and investment activities during the year, and compares this performance against the treasury management strategy adopted. The report includes a performance report relating to the final quarter of the 2021-22 financial year and a summary of annual performance.
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY RISK AND BENEFIT ANALYSIS	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Prudential indicators 2021-22 B. Glossary of Terms
BACKGROUND PAPERS	Report DSFRA/21/5 (Treasury Management Strategy (including Prudential and Treasury Indicators) 2021-22 to 2023-24 to the Authority budget meeting on 19 February 2021 (and the Minutes of that meeting).

1. INTRODUCTION

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

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

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

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

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

2. OVERALL TREASURY POSITION AS AT 31 MARCH 2022

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

2.2. At the end of 2021-22 the Authority's treasury position was as follows:

SUMMARY	31st March 2021 Principal	Rate/ Return	31st March 2022 Principal	Rate/ Return
Total Debt - PWLB (All fixed rate funding) -Other Long-Term Liabilities Total	*£24.851m* *£2.481m* *£27.332m*	*4.24%*	*£24.757m* *£0.907m* *£25.665m*	*4.25%*
CFR	*£27.332m*		*£25.665m*	
Over/(under) borrowing	*£0.000m*		*£0.000m*	
Total Investments	*£38.016m*	*0.13%*	*£34.251m*	*0.78%*
NET DEBT	***£(10.684)m***		***£(8.586)m***	

2.3. The maturity structure of the debt portfolio was as follows:

	31 March 2021 actual	2021-22 original limits	31 March 2022 actual
Under 12 months	£0.093m	30% = £7.455m	£0.493m
12 months and within 24 months	£0.493m	30% = £7.455m	£0.493m
24 months and within 5 years	£1.044m	50% = £12.426m	£3.145m
5 years and within 10 years	£3.417m	75% = £18.638m	£0.856m
Over 10 years	£19.804m	100% = £24.851m	£19.770m

3. STRATEGY FOR 2021-22

3.1. Investment returns remained low during 2021-22. The expectation for interest rates within the treasury management strategy for 2021-22 was that Bank Rate would stay at 0.10% during 2021-22 as it was not expected that the Monetary Policy Committee (MPC) would need to increase bank rates post Covid.

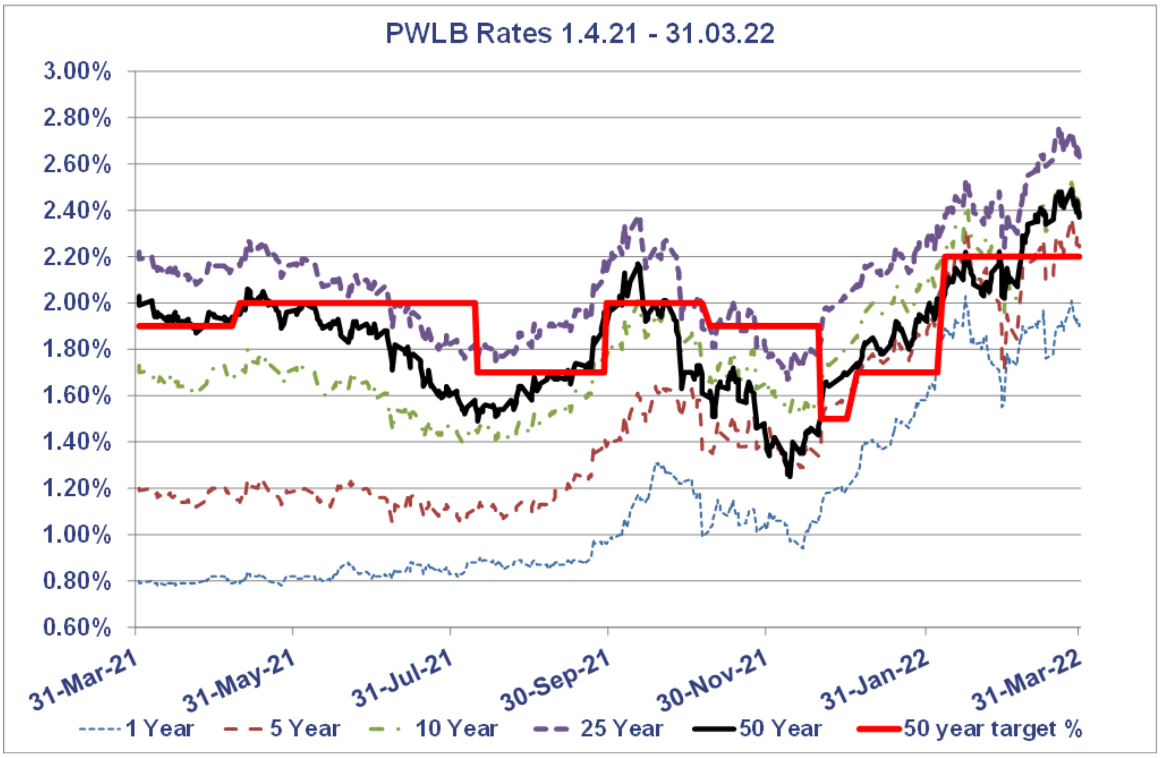
3.2. After the Bank of England became the first major western central bank to put interest rates up in this upswing in December, it has quickly followed up its first 0.15% rise by a further two 0.25% rises to 0.75%, in what is very likely to be a series of increases during 2022.

- The MPC voted by a majority of 5-4 to increase Bank Rate by 25bps to 0.5% on 4th February, with the minority preferring to increase Bank Rate by 50bps to 0.75%. The Committee also voted unanimously for the following:
  - to reduce the £875n stock of UK government bond purchases, financed by the issuance of central bank reserves, by ceasing to reinvest maturing assets; and
  - to begin to reduce the £20bn stock of sterling non-financial investment-grade corporate bond purchases by ceasing to reinvest maturing assets and by a programme of corporate bond sales to be completed no earlier than towards the end of 2023.
- The Bank again sharply increased its forecast for inflation – to now reach a peak of 7.25% in April, well above its 2% target.
- The Bank estimated that UK GDP rose by 1.1% in quarter 4 of 2021 but, because of the effect of Omicron, GDP would be flat in quarter 1, but with the economy recovering during February and March. Due to the hit to households' real incomes from higher inflation, it revised down its GDP growth forecast for 2022 from 3.75% to 3.25%.
- The Bank is concerned at how tight the labour market is with vacancies at near record levels and a general shortage of workers - who are in a very favourable position to increase earnings by changing job.
- By the time the MPC met in March, the Russian invasion of Ukraine was well established. Serious supply side shocks impacting energy and food stuffs, as well as impediments to global trade, had persuaded MPC members, by a majority of 8-1, to increase Bank Rate to 0.75% but caution as to the extent of further increases was emphasised. One member of the MPC wanted rates to stay on hold at 0.5%.
- The CPI measure of inflation is now expected to exceed 8% in Q1 2022/23, and despite measures announced by the Chancellor in his Spring Fiscal Statement to try to reduce the impact of the cost-of-living squeeze on households by reducing fuel duty by 5p a litre and increasing the threshold for employees paying National Insurance by £3,000 from July, we are still about to see the biggest squeeze on households' living standards for over 50 years.

4. BORROWING

Public Works Loan Board (PWLB) borrowing rates 2021-22

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



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.26%	1.65%	1.85%	2.06%	1.72%
Date	04/01/2022	04/01/2022	04/01/2022	04/01/2022	04/01/2022
High	2.03%	2.37%	2.52%	2.75%	2.49%
Date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.71%	2.01%	2.19%	2.38%	2.09%
Spread	0.77%	0.72%	0.67%	0.69%	0.77%

5. AUTHORITY BORROWING STRATEGY

Prudential Indicators

5.1. It is a statutory duty for the Authority to determine and keep under review the “Affordable Borrowing Limits”. The Authority’s’ approved Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy.

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

Authority borrowing during and at the end of 2021-22

5.3. 5.3 No new borrowing was taken out in 2021-22 to support capital spending and therefore, because repayments of £0.093m loan principal have been made in year, the value of loans outstanding has decreased to £24.757m during the year. A summary of the loan (debt) position of the Authority is given in the table below. All existing borrowing has been taken out at Fixed Interest Rates.

5.4. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2020-21) plus the estimates of any additional capital financing requirement for the current (2021-22) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allowed the Authority some flexibility to borrow in advance of its immediate capital needs in 2021-22.

5.5. It is noted that the external borrowing figure of £25.665m as 31 March 2022 is the same as the Capital Financing Requirement (CFR), which means that there is no over-borrowing position at the year-end. The Authority has complied with this prudential indicator. The table below demonstrates how the CFR is calculated and shows the CFR for 2021-22.

Capital Financing Requirement (£m)	31 March 2021 Actual	31 March 2022 Budget	31 March 2022 Actual
Opening balance	26.556	25.861	25.861
Add borrowing applied in year	1.528	2.024	2.024
Less MRP/VRP*	2.122	2.117	2.117
Less PFI & finance lease repayments	0.101	0.103	0.103
Closing balance	25.861	25.665	25.665

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

Summary of loan movements during 2021-22	**Amount £m**
Value of loans outstanding as at 1/4/2021	**24.851**
Loans taken during 2021-22	0.00
Loans repaid upon maturity during year	(0.094)
Loans rescheduled during year	0.00
Total value of loans outstanding as at 31/3/2022	**24.757**

6. INVESTMENTS

Authority Investment Strategy

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

- Security of Capital
- Liquidity
- Yield

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

Authority Investments during and at the end of 2021-22

6.3. No institutions in which investments were made during 2021-22 had any difficulty in repaying investments and interest in full during the year and the Authority had no liquidity difficulties.

6.4. A full list of investments held as at 31 March 2022 are shown in the table below:

Investments as at 31 March 2022					
Counterparty	**Maximum to be invested**	**Amount Invested**	**Call or Term**	**Period invested**	**Interest rate(s)**
	£m	£m			
Staffordshire & Moorlands District Council	7.000	-1.500	T	6 mths	0.50%
Goldman Sachs	7.000	-3.000	T	6 mths	0.20%
National Bank of Kuwait (International) PLC	7.000	-5.000	T	12 mths	0.21%
National Bank of Kuwait (International) PLC	7.000	-2.000	T	12 mths	0.20%
Lancashire County Council	7.000	-5.000	T	12 mths	0.10%
Close Brothers	7.000	-5.000	T	6 mths	0.65%
Helaba	7.000	-3.500	T	6 mths	0.92%
Helaba	7.000	-3.500	T	6 mths	1.06%
First Ab Dhabi Bank	7.000	-4.000	T	12 mths	2.01%
Barclays Bank	8.000	-0.151	C	Instant Access	Variable
Blackrock	8.000	-1.600	C	Instant Access	Variable
Total Amount Invested		**-34.251**			

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

6.6. The historic benchmark used to gauge performance of the investments has been the 3 Month London Inter-Bank Bid Rate (LIBID). This was phased out at the end of 2021 so, the new benchmark shall be the Sterling Overnight Index Average (SONIA). SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. This rate is used for Quarter 4 overleaf and will be used moving forward.

Benchmark – 3 month LIBID	**Average level of funds available for Investment £m**	**Benchmark Return**	**Authority Performance**	Investment Interest Earned £m
Quarter 1	40.671	(0.04)%	0.15%	£0.023m
Quarter 2	51.022	(0.05)%	0.15%	£0.023m
Quarter 3	445.890	0.02%	0.10%	£0.034m
Quarter 4	38.559	0.40%	0.78%	£0.013m
2021-22	**43.174**	**0.67%**	**0.30%**	**£0.093m**

6.7. The amount of investment income earned of £0.93m has fallen short of the budgeted target of £0.100m by £0.007m as a result of very low levels of returns available in the market.

7. SUMMARY

7.1. In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides Members with a summary report of the treasury management activities during 2021-22. As is indicated in this report, none of the Prudential Indicators have been breached, and a prudent approach has been taken in relation to investment decisions taken during the year, with priority being given to liquidity and security over yield.

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

SHAYNE SCOTT
Director of Finance, People & Estates (Treasurer)

PRUDENTIAL INDICATOR	2020-21 £m actual	2021-22 £m approved	2021-22 £m Actual
Capital Expenditure			
TOTAL	2.878	12.693	8.252
Ratio of financing costs to net revenue stream			
Non – HRA	3.92%	4.28%	3.83%
Capital Financing Requirement as at 31 March (borrowing only)			
TOTAL	25.861	25.665	25.665
Annual change in Cap. Financing Requirement			
TOTAL	(0.695)	(0.196)	(0.196)
TREASURY MANAGEMENT PRUDENTIAL INDICATORS			
	£m	**£m**	**£m**
Authorised Limit for external debt -			
Borrowing	26.787	26.189	
other long term liabilities	1.162	1.056	
TOTAL	27.949	27.244	
Operational Boundary for external debt -			
Borrowing	25.544	24.951	
other long term liabilities	1.122	1.010	
TOTAL	26.656	25.961	
Actual external debt	24.851	24.757	

	Actual 31st March 2022	upper limit %	lower limit %
Limits on borrowing at fixed interest rates	71%	100%	70%
Limits on borrowing at variable interest rates	29%	30%	0%
Maturity structure of fixed rate borrowing during 2021-22			
Under 12 months	1.98%	30%	0%
12 months and within 24 months	1.98%	30%	0%
24 months and within 5 years	12.65%	50%	0%
5 years and within 10 years	3.45%	75%	0%
10 years and above	79.94%	100%	50%

ABBREVIATIONS USED IN THIS REPORT

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

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

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

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

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

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

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

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

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

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

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

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

HRA: housing revenue account.

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

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

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

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

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

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

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

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

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

SONIA: is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

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

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

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