

RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

22 November 2024

Present:

Councillors Best (Vice-Chair - in the Chair), Coles (vice Carter) Gilmour and Sully

In attendance (via Teams, non-voting):

Councillors Lugger, Peart and Power

* **RC/24/5 Minutes**

RESOLVED that the Minutes of the meeting held on 30 September 2024 be signed as a correct record.

* **RC/24/6 Treasury Management Performance 2024-25: Quarter 2**

NB. Adam Burleton, the Service's Treasury Management adviser (Link Group) was in attendance for this item.

The Committee received for information a report of the Head of Finance (Treasurer) (RC/24/17) on the Treasury Management activities of the Authority for 2024-25 (to the end of September 2024) in accordance with The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice.

The report provided an economics update, setting the scene for the reporting period, highlighting the following points:

- The Bank of England had initiated an interest rate cut to 5% in August 2024. This had since been reduced to 4.75% in November 2024;
- The Government's cost of borrowing had been falling during this reporting period but had since risen due to the Government's Budget announcement of 30 October 2024;
- Inflation was anticipated to increase from current rates, 2.3% in October 2024, due to government increases in spending. Consequently, interest rate cuts were now expected to slow and possibly settle around 3.5%; and
- The effect of significant election outcomes in the United States of America, and unknowns around its new government's policy decisions, were yet to be observed.

Regarding Investments and Borrowing, the following was highlighted:

- The Authority's investment strategy remained unchanged with priority given to security of capital, liquidity and yield

- The Service had achieved slightly under the Sterling Overnight Index Average (SONIA) benchmark by 0.01bp. with investment interest of £0.028m in quarter 2. The Service was on track to achieve its investment strategy and target investment return of £1.2m by the end of the 2024/25 financial year;
- Reflecting on the Public Work Loans Board rates, it was recommended that any additional borrowing be undertaken on a short-term basis, should this be required; and
- During Quarter 2, the Prudential Indicators had not been breached and the Service had not undertaken any borrowing in advance of need.

The Committee welcomed the positive report understanding that the Authority was in a relatively good position with regards to external borrowing, and that the Service was making effective use of its existing revenue budgets to meet planned expenditure.

* **RC/24/7 Financial Performance Report 2024-25: Quarter 2**

The Committee considered a report of the Head of Finance (Treasurer) (RC/24/18) setting out the second quarter performance against agreed financial targets for the current financial year. The report provided a forecast of spending against the 2024-25 revenue and capital budget along with explanations for any major variations.

The following was highlighted to the Committee:

- There was a current forecast underspend of £2.251m against the 2024/25 financial year (net of the £1m proposed transfer to reserves set out in table 3 of this report) representing 2.4% of total budget;
- Pay Awards: Since the report had been published pay awards for 2024/25 had been confirmed at less than anticipated resulting in a £0.8m saving against the Revenue budget. The Committee expressed concern for colleagues whose existing government funded In-Work benefits could be detrimentally impacted by receipt of a lump sum pay award and was pleased that the Service was investigating possibilities for mitigating against this;
- Equipment and furniture underspend: A contract between three Fire Service partners had been agreed against the Network Fire Services Project resulting in a saving of £0.5m;
- Hot Villa Development: A £0.5m saving had been redirected towards developing the Hot Villa to a high standard without the need to use reserves. Plans were also progressing towards creation of a new state of the art training facility, for specialist training, and hub training sites where training could be delivered locally; and
- Investment income: Early receipt of a £20m government grant to cover anticipated cash flow issues associated with the On-Call Firefighters Pension Scheme remedy had been invested until needed resulting in an over-recovery of £0.273m.

The Treasurer referred to the proposed budget transfers set out at Table 3 of the report, and resulting from the underspend highlighted above, which he commended to the Authority for approval.

The report further highlighted:

- there had been no breaches of prudential indicators for this reporting period; and
- The Service was comfortable with the current level of outstanding debt of £0.017m.

The Treasurer provided an update on the Medium Term Financial Plan (MTFP) which had been adjusted since publication of this report due to National Insurance (NI) increases announced in the Government's Autumn Budget. Budget meetings with all Service Departments had taken place to review future spending needs which, combined with the increases in NI, had resulted in a forecast budget deficit of £4.4m for 2025-26. As a result, the Service Leadership Team had agreed the following;

- A vacancy margin of £1.7m for Whole time colleagues, £0.500m for On Call Colleagues (increase from £0.250), and £1.0m for Professional and Technical staff (increase from £0.295m); and
- An increase in the target for Treasury Management interest returns by £0.200m to £1.2m.

The revised forecast deficit for 2025-26 was £2.0m. The grant settlement announcement by Government was not expected until 19 December 2024 at which point further assessment of any budgetary deficit could be undertaken.

RESOLVED:

- (a). That the Devon & Somerset Fire & Rescue Authority be recommended to approve the budget transfers shown in Table 3 of report RC/24/18 and reproduced overleaf for ease of reference;

| Line Ref | Description | Debit £m | Credit £m |
|----------|---|--------------|----------------|
| | <i>Movement of the ESMCP reserve into the Change & Improvement Reserve. The delay in the project for the replacement radio network has meant this reserve is better allocated to the Invest to Improve reserve.</i> | | |
| | Increase Change & Improvement Reserve | 0.480 | |
| | Decrease ESMCP Reserve | | (0.480) |
| | <i>Transfer some of the reported underspend into the Capital Reserve to ensure borrowing is delayed further in the future.</i> | | |
| 32 | Transfer to Earmarked Reserve | 1.000 | |
| 4 | Professional & Technical | | (0.500) |
| 28 | Investment income | | (0.500) |
| | | 1.480 | (1.480) |

- (b). That the monitoring position in relation to projected spending against the 2024-25 revenue and capital budgets be noted;
- (c). That the performance against the 2024-25 financial targets be noted.

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

The Meeting started at 10.00 am and finished at 11.05 am