DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

S.J. Sharman
CLERK TO THE AUTHORITY

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

(see below)

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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

Friday, 22nd November, 2024

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, Exeter** to consider the following matters.

S.J. Sharman
Clerk to the Authority

A G E N D A

PLEASE REFER TO THE NOTES AT THE END OF THE AGENDA LISTING SHEETS

1 Apologies

2 Minutes (Pages 1 - 4)

of the previous meeting held on 30 September 2024 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 2024-25: Quarter 2 (Pages 5 - 16)**

Report of the Head of Finance (Treasurer) (RC/24/17) attached.

5 **Financial Performance Report 2024-25: Quarter 2 (Pages 17 - 32)**

Report of the Head of Finance (Treasurer) (RC/24/18) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Peart (Chair), Best (Vice-Chair), Carter, Gilmour, Lugger, Sully and Power

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.	**Part 2 Reports** Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.
5.	**Substitute Members (Committee Meetings only)** 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.	**Other Attendance at Committees)** 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)

30 September 2024

Present:

Councillors Peart (Chair), Best (Vice-Chair), Carter, Gilmour, Lugger and Coles (Vice Sully)

Apologies:

Councillor Power

*** RC/24/1 Minutes**

RESOLVED that the Minutes of the meeting held on 9 May 2024 be signed as a correct record.

*** RC/24/2 Treasury Management Performance 2024-25: Quarter 1**

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/24/14) on the Treasury Management activities of the Authority for 2024-25 (to end June 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's Monetary Policy Committee's decisions regarding Bank Rates had remained unchanged since May 2024;
- Current predictions would see the Interest Rate fall to 4.5% by December 2024 with further decreases anticipated thereafter;
- Potential impacts of the above on the Service included a slight decrease in returns from investments, but borrowing would become cheaper; and
- Service Officers were updated daily with regards to forecast interest rates, enabling them to make informed investment decisions.

Regarding Investments and Borrowing, the report highlighted:

- The Authority's agreed investment priorities;
- The Authority had outperformed the 3-month Sterling Overnight Index Average (SONIA) benchmark by 0.05bp. It was anticipated that the actual investment return for the whole 2024-25 would match the Authority's budgeted investment target of £1.2m;

- This prediction came with the caveat that there was presently much volatility in the interest rates. Consequently, the above forecast was likely to alter which may then make it challenging for the Authority to achieve its investment target;
- The Authority had maintained, and worked within, its borrowing ability;
- There had been no breaches of the Prudential Indicators in the period to June 2024;
- The Authority had not undertaken external borrowing since June 2012, instead choosing to use cash resources to meet Capital expenditure;
- External debt was reducing year on year. At 30th June 2024, external debt totalled £23.771m and was forecast to fall to £23.313 by the end of the current financial year;
- Link Group advised that the Authority should focus on short term borrowing, were borrowing required at all; and
- The Authority had not borrowed in advance of need during this reporting period.

The report concluded that:

- A prudent approach was being taken by the Service in relation to investment decisions;
- Priority was being given to liquidity and security over yield; and
- Investment returns were anticipated to meet target by the end of the financial year.

The Committee was apprised that the current cash balance was relatively low as the Service had been using its reserves rather than borrowing externally. Link Group advised that, as investments matured, the Service should consider reinvestment even though there was an anticipated performance drop off towards the end of the next quarter.

The Committee welcomed the positive report on the investment returns and detail about future financial predictions.

*** RC/24/3** **Financial Performance Report 2024-25: Quarter 1**

The Committee considered a report of the Head of Finance (Treasurer) (RC/24/15) setting out the first quarter performance against agreed financial targets for the current financial year. The report provided a forecast of spending against the 2024-25 revenue budget with explanations of the major variations.

The report highlighted that there had been a Revenue Budget underspend of £0.629m but the Service anticipated most budgets to be spent as predicted by the end of the financial year.

The most significant variances from budget predictions were as follows:

- Professional and Technical pay: Recruitment challenges had created an underspend. Some of the challenges had now been overcome but there would be a continued significant underspend against this budget line at the end of the year;
- Premises repair and maintenance: Since budget formulation additional, yet necessary, costs had been identified against the Contingency Response Team (CRT) and Hot Villa Building; and
- Hydrants – installation and maintenance: Even though this budget line had been increased at budget setting, it was thought that there would still be an overspend for 24/25. Water Companies were working through their backlogs of inspection work, resulting in increased invoicing to the Service.

Reserves were currently healthy (£21.5m at the start of 2024/25) with just over £13.7m being set aside for the Capital Programme. The Service did not anticipate needing to borrow externally for at least 2 – 3 years. Capital Expenditure showed a neutral forecast position due to the in-built Optimism Budget of £1m. There was £0.057m of outstanding debt at the end June 2024. The Committee was assured that the Service regularly reviewed outstanding debt, sending debt recovery letters where needed, and that it fully anticipated much of the outstanding debt to be recovered in full.

The Treasurer provided an overview at the meeting of the current financial position, namely:

- At 30th June 2024, the Service's investments had totalled £25.6m;
- Currently, that position was much improved at £54m due to receipt of a £20m grant from the Government to cover the cost of the on-call pensions remedy issue. Until such time that that grant was needed (gradually over the next 2 years) the Service had invested the funds; and.
- The Treasurer was anticipating a £2m underspend for 2024/25 and would submit recommendations on utilisation of these funds to the Committee at its meeting in November 2024.

*** RC/24/4 <u>Environmental Strategy Update</u>**

The Committee considered a report of the Assistant Chief Fire Officer – Service Delivery Support (RC/24/16) on key aspects of the Environmental Board Action Plan and the annual reporting of Service Carbon Footprint compared to previous years.

The report highlighted that:

- Electric Vehicle charging infrastructure works were complete at four pilot sites, with work currently underway for phases 2 and 3 alongside the introduction of electric pool vehicles;
- A Heating Decarbonisation Plan had been developed following receipt of funds from the Low Carbon Skills Fund (LCSF);

- Applications were ongoing to the Public Sector Decarbonisation Scheme (PSDS) with the Service having been successful in its application; and
- The Service was starting to see positive impacts in reducing its Carbon Footprint as observed in the Greenhouse Gas Emissions Reporting (2023/24).

Identified next steps included:

- Installing Telematics on operational vehicles;
- Considering renewable fuel options; and
- Submitting applications as grant funding became available.

The Committee enquired if the Service had considered standardising the heating the systems it installed to simplify future maintenance requirements. It was acknowledged that solutions for sites were tailored, pertinent to the nuances of each, so there may not be a one size fits all solution. The Service took advice from external consultants/agencies so that it could reach net zero in a financially viable way.

Identifying from the report that Service Head Quarters (SHQ) had low energy efficiency, the Committee also enquired about plans for the site. Recognising that SHQ was a high impact site, the Service was developing appropriate applications in readiness for the next funding round.

In relation to the Service's Carbon Footprint, the Committee noted:

- Scope 1 & 2 emissions had decreased overall with this trend expected to continue; and
- Scope 3 emissions had significantly increased due to the Service broadening its scope 3 categories to include everything purchased (i.e. good/services). Work was in progress for this scope with the publication of a sustainable buying guide and this was considered a positive increase to carbon footprint reporting.

The Committee was pleased to hear that the Service was working collaboratively with the National Fire Chiefs Council Environmental Sustainability and Emergency Services Environmental Sustainability Groups to cross check DSFRS' Carbon Footprint and share best practice.

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

The Meeting started at 2.00 pm and finished at 3.05 pm

REPORT REFERENCE NO.	**RC/24/17**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**22 NOVEMBER 2024**
SUBJECT OF REPORT	**TREASURY MANAGEMENT PERFORMANCE 2024-25: QUARTER 2**
LEAD OFFICER	**Head of Finance (Treasurer)**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2024-25 (to September 2024) 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 September 2024.
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 16 February 2024 – Agenda DSFRAC/25/5 – item 10c refers.

1. INTRODUCTION

1.1. The Treasury Management Strategy for Devon and Somerset Fire & Rescue Authority has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in Public Services Code of Practice (the Code) and the CIPFA Prudential Code. The Code recommends that members be updated on treasury management activities regularly (Treasury Management Strategy Statement (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 TMSS - 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 borrowing, investments, 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

2.1. The second quarter of 2024 (July to September) saw:

- Gross Domestic Product (GDP) growth stagnating in July 2024 following downwardly revised Quarter 2 figures (0.5% quarter on quarter (q/q));
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June 2024 to 4.0% in July;
- Consumer Price Index (CPI) inflation hitting its target in June 2024 before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August 2024;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August 2024 and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September 2024.

2.2. The economy's stagnation in June and July 2024 points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index (PMI), from 53.8 in August 2024 to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Quarter 3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October 2024 will be more meaningful.

2.3. The 1.0% month on month (m/m) jump in retail sales in August 2024 was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the Office for National Statistics (ONS) reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.

2.4. The government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be announced in the Budget, which could weaken GDP growth in the medium-term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Colleagues at Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.

2.5. The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3myy growth rate of average earnings fell from 4.6% in June to 4.0% in July 2024. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.

2.6. Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative Pay as Your Earn (PAYE) measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August 2024 was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Quarter 2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July 2024 to 857,000 in the three months to August 2024. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

2.7. CPI inflation stayed at 2.2% in August 2024, but services inflation rose from a two-year low of 5.2% in July 2024 to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November 2024, before declining to around 2.0% by mid-2025.

2.8. The Bank initiated its loosening cycle in August 2024 with a 25 basis point (bps) rate cut, lowering rates from 5.25% to 5.0%. In its September 2024 meeting, the Bank, resembling the European Central bank (ECB) more than the Federal (Fed), opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August 2024 shifted to a solid 8-1 vote in favour of no change.

2.9. Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October 2024. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, the central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however, although a November 2024 rate cut still looks likely, December may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025, though, it is thought that a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.

2.10. Our forecast is next due to be updated around mid-November following the 30 October 2024 Budget, 5 November 2024 US Presidential Election, the 7 November 2024 MPC meeting and the release of the Bank of England Quarterly Monetary Policy Report.

2.11. Looking at gilt movements in the first half of 2024/25, and it is noted that the 10-year gilt yield declined from 4.32% in May 2024 to 4.02% in August 2024 as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September 2024, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.

2.12. The Financial Times Stock Exchange (FTSE) 100 reached a peak of 8,380 in the third quarter of 2024, but its performance is firmly in the shade of the US S&P500, which has breached the 5,700 threshold on several occasions recently. Its progress, however, may pause for the time being whilst investors wait to see who is elected the next US President, and how events in the Middle East (and Ukraine) unfold. The catalyst for any further rally (or not) is likely to be the degree of investors' faith in Artificial Intelligence.

3. MPC MEETINGS: 9 MAY, 20 JUNE, 1 AUGUST, 19 SEPTEMBER 2024

3.1. On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June 2024.

3.2. However, by the time of the August 2024 meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.

3.3. Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the Federal Open Market Committee (FOMC), but this came to nothing.

3.4. Nonetheless, November still looks most likely to be the next month to see a rate cut to 4.75% but, thereafter, inflation and employment data releases, as well as geo-political events, are likely to be the determinant for what happens in the remainder of 2024/25 and into 2025/26.

4. INTEREST RATE FORECASTS

4.1. The Authority has appointed Link Group as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates. The Public Works Loans Board (PWLB) rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

4.2. Our latest forecast on 28 May 2024 sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

Link Group Interest Rate View	28.05.24									
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

5. TREASURY MANAGEMENT STRATEGY STATEMENT

Annual Investment Strategy

5.1. The Authority's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement (TMSS) was approved by the Authority on the 16 February 2024. It outlines the Authority's investment priorities as follows:

- Security of Capital
- Liquidity
- Yield

5.2. The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Authority's risk appetite. 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 high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

5.3. As shown by the charts below, and the interest rate forecasts in section 4, investment rates remained elevated during the first quarter of 2024-25 but, are expected to fall back through the second half of 2024 as inflation reduces, the MPC will start to loosen monetary policy.

Creditworthiness

5.4. There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

Benchmark	Benchmark Return	Authority Performance	Investment interest to Quarter 1
3 Month SONIA	5.04%	5.03%	£0.028m.

5.5. As illustrated on the previous page, the Authority slightly underperformed the 3-month Sterling Overnight Index Average (SONIA) benchmark by 0.01bp. SONIA replaced the London Interbank Bid Rate (LIBID) at the end of December 2022 and has traded at a higher average rate than the previous LIBID benchmarks. Based on current market deposit rates on offer, it is anticipated currently that the actual investment return for the whole of 2024-25 will exceed the Authority's budgeted investment target of £1.2m by £0.773m. However, there is much volatility with interest rates at the moment, so this forecast is likely to be revised.

Borrowing Strategy

Prudential Indicators:

5.6. 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.

5.7. A full list of the approved limits (as amended) are included in the Financial Performance Report 2024-25, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to September 2024 and that there are no concerns that these will be breached during the financial year.

Current external borrowing:

5.8. The Authority has not taken any external loans since June 2012 and has been using cash resources to meet any capital expenditure. The amount of outstanding external borrowing as at 30 September 2024 was £23.724m, forecast to reduce to £23.313m by the end of the financial year as a result of contractual loan repayments. All of these existing loans are at fixed rate with the remaining principal having an average rate of 4.25% and average life of 22.4 years.

Loan Rescheduling

5.9. No debt rescheduling was undertaken during the quarter. As per previous updates, the Authority will continue to work closely with its treasury advisors to explore any opportunities to repay existing loans, however the differential between current Public Works Loan Board (PWLB) early repayment rates and new loan rates, mean there is no financial benefit in undertaking premature loan repayment at this time. A number of options were run during Quarter 1 of 2022 and will be kept under review.

New Borrowing

5.10. Gilt yields and PWLB certainty rates were less volatile than at this time last year. Overall, the 10, 25 and 50-year part of the curve endured a little volatility but finished September 2024 very much as it started in April 2024.

5.11. Where there was some movement downwards, this came in the shorter part of the curve as markets positioned themselves for Bank Rate cuts in the second half of 2024 and into 2025, although the continued stickiness of inflation and the prevailing tight labour market is a concern for those looking for more sizeable falls ahead.

5.12. At the beginning of April 2024, the 5-year certainty rate was the cheapest part of the curve at 4.72% whilst the 25-year rate was relatively expensive at 5.28%. May 2024 saw yields at their highest across the whole curve.

5.13. Conversely, 17 September 2024 saw the low point for the whole curve, with the 5-year certainty rate falling to 4.31% before rebounding to 4.55% by the end of the month. Similarly, the 50-year certainty rate fell to 4.88% but finished the month at 5.13%, slightly higher than at the start of April 2024.

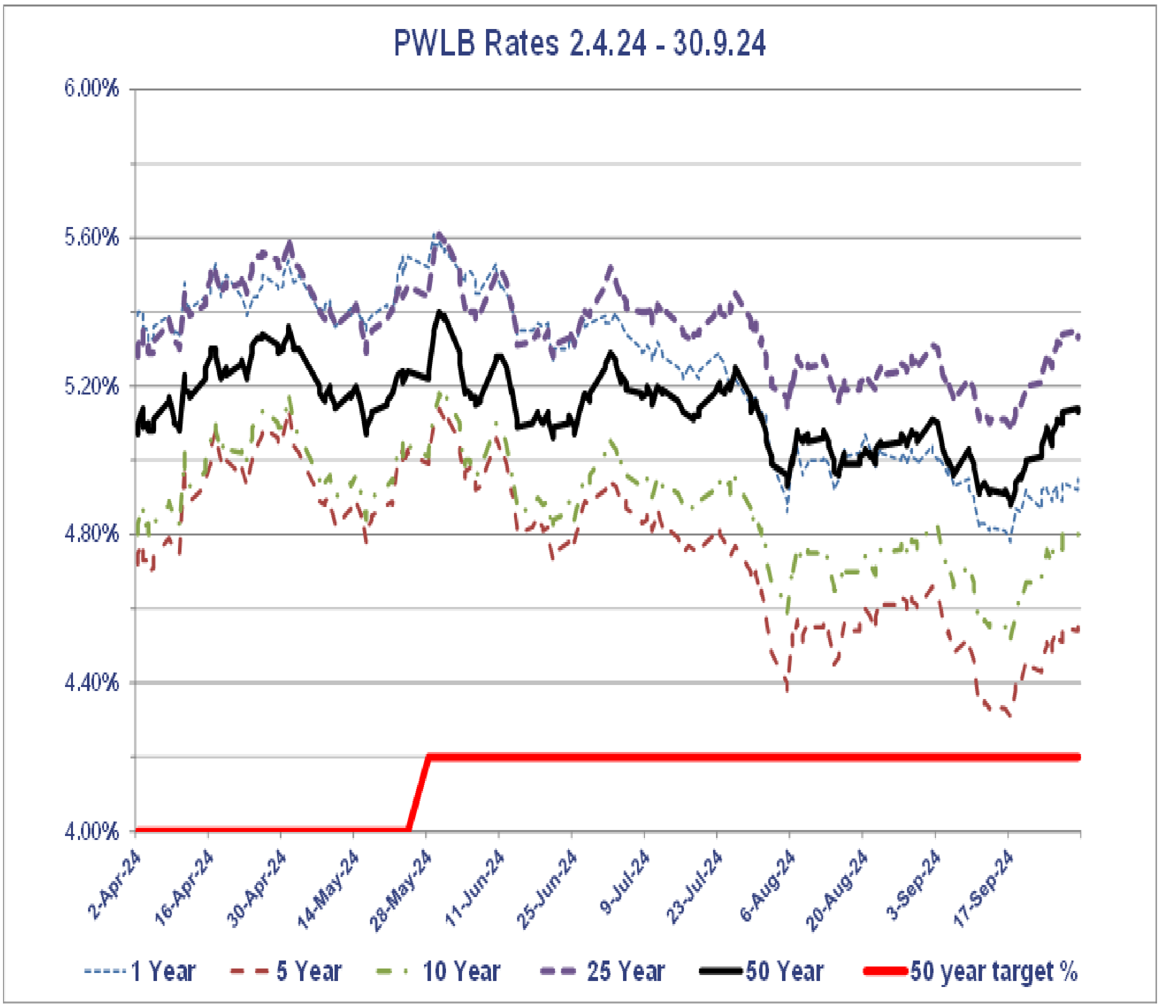
5.14. At this juncture, it is still forecast that rates will fall back over the next two to three years as inflation dampens, although there is upside risk to the Bank Rate forecast at present. The CPI measure of inflation is expected to fall below 2% in the second half of 2025, however, and it is forecast that 50-year rates will stand at 4.20% by the end of September 2026. The major caveats are that there is considerable gilt issuance to be digested by the market over the next couple of years, and geo-political uncertainties – which are generally negative for inflation prospects – abound in Eastern Europe and the Middle East, in particular.

5.15. No new borrowing was undertaken during the quarter, and none is planned during 2024-25 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

5.16. Public Works Loan Board (PWLB) rates quarter ended 30 September 2024

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

5.17. Borrowing rates for this quarter are shown below.



<u>Borrowing in Advance of Need</u>

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

6. SUMMARY AND RECOMMENDATION

6.1 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 2024-25 to September 2024. 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 high 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.

ANDREW FURBEAR
Head of Finance (Treasurer)

Investments as at 30 September 2024						
Counterparty	Maximum to be invested	Amount Invested	Maturity Date	Call or Term	Period invested	Interest rate(s)
	£m	£m				
Heleba	7.000	-1.000	02/10/2024	T	6 mths	5.26%
Lloyds	7.000	-4.000	25/10/2024	T	12 mths	5.15%
Lloyds	7.000	-3.000	29/10/2024	T	4 mths	5.13%
Standered Chartered Sustainable	7.000	-7.000	29/10/2024	T	12 mths	5.05%
Aberdeen City Council	7.000	-5.000	21/11/2024	T	6 mths	5.60%
National Bank of Canada	7.000	-4.000	17/12/2024	T	12 mth	5.22%
SMBC	7.000	-2.000	17/01/2025	T	6 mth	5.07%
SMBC	7.000	-5.000	24/01/2025	T	1 mth	5.04%
Natwest		-5.000	24/01/2025	T	6 mth	5.03%
Heleba		-1.000	25/02/2025	T	7 mth	5.05%
National Bank of Canada		-2.000	28/02/2025	T	6 mth	4.74%
National Bank of Canada		-1.000	25/03/2025	T	6 mth	4.70%
Blackpool Council		-7.000	12/05/2025	T	8 mth	4.75%
Heleba		-3.000	25/07/2025	T	12 mth	5.01%
Barclays Bank	8.000	-0.150		C	Instant Access	Variable
Aberdeen Standard	8.000	-4.560		C	Instant Access	Variable
Total Amount Invested		**-54.710**				

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REPORT REFERENCE NO.	**RC/24/18**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**22 NOVEMBER 2024**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2024-25 – QUARTER 2**
LEAD OFFICER	**Head of Finance (Treasurer)**
RECOMMENDATIONS	***(a). That the Devon & Somerset Fire & Rescue Authority be recommended to approve the budget transfers shown in Table 3 of this report;*** ***(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.***
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 2024-25 revenue budget with explanations of the major variations. At this stage in the financial year, it is forecast that spending will be £2.251m less than budget, an underspend of 2.4% of total budget, which includes the proposed transfer to the Earmarked Reserve.
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 2024-25 B. Reserves Position by Reserve C. Reserves Position by Expense Code
BACKGROUND PAPERS	None.

1. INTRODUCTION

1.1. This report provides the second quarterly financial monitoring report for the current financial year, based upon the position as at the end of September 2024. As well as providing projections of spending against the 2024-25 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators.

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

TABLE 1 –PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2024-25

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 2	Previous Quarter	Quarter 2%	Previous Quarter %
	Revenue Targets					
1	Spending within agreed revenue budget	£92.622m	£90.372m	£91.993m	2.40%	0.70%
2	General Reserve Balance as % of total budget (minimum)	5.00%	5.01%	5.01%	(0.01)bp*	(0.01)bp*
	Capital Targets					
3	Spending within agreed capital budget	£7.648m	£5.914m	£7.588m	(22.67%)	(0.78%)
4	External Borrowing within Prudential Indicator limit	£29.490m	£27.432m	£27,432m	(6.98%)	(6.98%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	1.99%	3.08%	(3.01)bp*	(1.92)bp*

**bp = base points*

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

- **SECTION A** – Revenue Budget 2024-25.
- **SECTION B** – Capital Budget and Prudential Indicators 2024-25.
- **SECTION C** – Other Financial Indicators.
- **SECTION D** – Medium-Term Financial Plan.

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 2024-25

2.1. Table 2 below provides a summary of the forecast spending against all agreed subjective budget heads, e.g. employee costs, transport costs etc.

TABLE 2 – REVENUE MONITORING STATEMENT 2024-25

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Revenue Budget Monitoring Report 2024/25

		2024/25 Budget £'000	Year To Date Budget £'000	Spending to Month 6 £'000	Projected Outturn £'000	Projected Variance over/ (under) £'000	Projected Variance over/ (under) %
	Employee Costs						
1	Wholetime	38,292	19,096	18,169	37,619	(674)	-1.8%
2	On-Call	23,179	11,221	9,235	22,663	(517)	-2.2%
3	Fire Control	1,911	947	885	1,821	(90)	-4.7%
4	Professional & Technical	17,765	9,126	7,946	17,269	(496)	-2.8%
5	Training	952	476	644	946	(6)	-0.6%
6	Fire Service Pension costs	2,638	1,512	1,244	2,703	64	2.4%
		84,737	**42,378**	**38,122**	**83,019**	**(1,718)**	
	Premises						
7	Repair and maintenance	1,281	640	1,218	1,690	410	32.0%
8	Energy costs	1,143	479	369	1,111	(32)	-2.8%
9	Cleaning costs	683	341	516	690	7	1.1%
10	Rent and rates	2,066	1,221	2,053	2,070	4	0.2%
		5,172	**2,682**	**4,156**	**5,561**	**389**	
	Transport						
11	Repair and maintenance	709	354	308	740	31	4.4%
12	Running costs and insurances	1,285	808	586	1,225	(60)	-4.6%
13	Travel and subsistence	901	404	745	899	(2)	-0.2%
		2,894	**1,567**	**1,640**	**2,864**	**(30)**	
	Supplies & Services						
14	Equipment and furniture	4,406	2,203	1,878	3,986	(420)	-9.5%
15	Hydrants-installation and maintenance	246	123	197	320	74	30.1%
16	Communications Equipment	2,851	1,425	2,046	2,645	(206)	-7.2%
17	Protective Clothing	564	282	233	560	(3)	-0.6%
18	External Fees and Services	178	89	106	197	19	10.9%
19	Partnerships & regional collaborative projects	266	133	145	307	41	15.6%
20	Catering	23	12	5	16	(7)	-29.2%
		8,533	**4,267**	**4,610**	**8,032**	**(501)**	
	Establishment Costs						
21	Printing, stationery and office expenses	274	166	107	254	(20)	-7.3%
22	Advertising including Community Safety	31	15	19	31	1	2.0%
23	Insurances	548	274	324	557	9	1.6%
		852	**455**	**451**	**842**	**(10)**	
	Payments to Other Authorities						
24	Support service contracts	1,119	524	303	997	(122)	-10.9%
		1,119	**524**	**303**	**997**	**(122)**	
	Capital Financing						
25	Loan Charges & Lease rentals	3,807	543	415	3,807	0	0.0%
26	Revenue Contribution to Capital Spending	661	-	-	661	-	0.0%
		4,468	**543**	**415**	**4,468**	**0**	
	Income						
28	Investment Income	(1,700)	(600)	(365)	(1,973)	(273)	16.1%
29	Grants and reimbursements	(13,363)	(6,682)	(8,393)	(13,387)	(24)	0.2%
30	Other income	(835)	(417)	(55)	(794)	40	-4.8%
		(15,898)	**(7,699)**	**(8,813)**	**(16,155)**	**(257)**	
	Reserves						
32	Transfer to/(from) Earmarked Reserves	745	(128)	-	745	-	0.0%
		745	**(128)**	**-**	**745**	**-**	
	NET SPENDING	**92,622**	**44,590**	**40,884**	**90,372**	**(2,251)**	-2.4%

2.2. Table 2 indicates that spending by the year end (31 March 2025) will be £90.372m, representing a predicted underspend of £2.251m, equivalent to 2.40% of the total budget after the transfer to reserves has been taken into account. It should be noted that 'Spending to month 6' represents actual year to date expenditure and those which have already been committed but not spent as yet. Additionally, the budget profile and actual costs for Service Delivery staff (i.e. Wholetime and On-call) appear low due to the time lag in claiming the hours worked – for instance, time worked in June is paid at the end of July. This naturally catches up at year-end when there are two payroll entries for March relating to claims worked in February and March.

2.3. These forecasts are based on the spending position at the end of September 2024, 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. on-call pay costs which are linked to activity levels. It is inevitable, therefore, that final spending figures for the financial year will differ than those projected in this report.

2.4. Reporting of variances is based on a percentage of the budget of either 2% for pay lines, or 5% for non-pay lines. This is to ensure the narrative is more meaningful and to also hone-in on the major variances. That said, the Treasurer reserves the right to report on budgets that fall outside of this. (e.g. based on materiality etc.).

2.5. **On-call: underspent by £0.517m – 2.2% of budget.**

Savings resulted from the agreed grey book pay award are £0.217m for on-call colleagues. Further savings on availability payments (lower numbers of colleagues being available) contribute towards the difference.

2.6. **Fire Control pay: underspend of £0.090m – 4.7% of budget**.

There are 2 vacancies within the Control Room, both of which are forecast to be filled soon, which have resulted in the saving identified. Minor savings (£0.018m) were as a result of the agreed pay award.

2.7. **Professional & Technical pay: underspend of £0.496m – 2.8% of budget.**

The agreed pay award has resulted in a saving of £0.250m. A number of vacancies, across the Service, have resulted in this forecasted underspend position which has resulted in the suggestion to move £0.500m from this budget into the capital reserve to assist with future spending plans. Savings, per Directorate, are shown below:

Professional & Technical Variances	
Directorate	£m
Service Delivery Support	(0.174)
Service Delivery	(0.093)
Other	(0.074)
Corporate Services Support	(0.057)
Corporate Services	(0.133)
Chief Fire Officer	(0.127)
Total	(0.658)

2.8. The Service is experiencing competition recruiting into some specialist roles, specifically within DDaT and People Services, which have contributed towards this forecasted underspend.

2.9. **Fire Service pension costs: overspend of £0.064m – 2.4% of budget.**

Costs associated with injury pensions have risen, greater than the Service had anticipated, by £5k per month. The number of people eligible has increased from 6 this time in 2023, to 11 in September 2024.

2.10. **Premises repair and maintenance: overspend of £0.410m – 32.0% of budget**

Costs associated with addressing the issues experienced at the Exeter Airport Academy site (£0.335m) incurred costs that weren't included within the original budget build. These have moved the line into a forecasted overspend position. However, these repairs were necessary and critical to firefighter safety.

2.11. **Equipment and furniture: underspend of £0.420m – 9.5% of budget.**

Delays in the Control Room futures project will result in an underspend of £0.529m this year. The good news being that the tender is less than the Service had anticipated so this won't be required to be carried-forward to future years. £0.038m additional costs associated with the Contingency Response Team (CRT) and the Hot Villa issue at the airport is forecast to be incurred, which were not within the budget, and a further £0.072m will be incurred to purchase additional equipment at the Airport site that was not budgeted for.

2.12. **Hydrants – installation and maintenance: overspend of £0.074m – 30.1% of budget**

As experienced last year, the water companies are clearing backlogs and inspecting more hydrants resulting in additional charges. Despite increasing the budget for this year by £0.050m, it is felt, at this stage, that this line will overspend.

2.13. **Communication Equipment: underspend of £0.206m - 7.2% of budget.**

The increase in Airwave charges is only 4.3% - the Service had assumed a 10% increase, this has resulted in a saving of £0.097m. A saving of £0.047m is anticipated in relation to paging service and an underspend of £0.036m resulting from delays in the Dynamic Coverage Tool have been realised.

2.14. **External fees and services: overspend of £0.19m – 10.9% of budget.**

Costs incurred as a result of the recent vacancy selection process (Deputy Chief Fire Officer) of £0.021m have resulted in this area being forecast to overspend.

2.15. **Partnerships & regional collaborative projects: overspend of £0.041m – 15.6% of budget.**

Fees associated with the recruitment of a senior officer role (Chief Fire Officer) have moved this section into a slight overspend position.

2.16. **Catering: underspend of £0.007m – 29.2% of budget.**

A minor variation on the provision of meals for courses has resulted in this modest underspend.

2.17. **Printing, stationery and office expenses: underspend of £0.020m – 7.3% of budget.**

Minor variations across the Service have brought this section into a forecasted underspend position. Call on printing and stationery can fluctuate across the year so this could move in year.

2.18. **Support service contracts: £0.122m underspend – 10.9% of budget.**

A new contract that offered better value-for-money, coupled with closer management of the provision, has resulted in a forecasted underspend on occupational health costs of £0.107m.

2.19. **Investment income: over-recovery of £0.273m – 16.1% of budget.**

This budget line has been increased to better match the forecasted year-end position by £0.500m. An early receipt of a pensions grant of £20.2m has been invested until it is required. This has resulted in greater returns on investment than was anticipated.

2.20. **TABLE 3: BUDGET TRANSFERS**

The Service requests the Authority to authorise the following budget movements (virements) for the Emergency Services Mobile Communication Programme (ESMCP) and to also better balance the revenue budget, in-year, with a proposal to move some of the forecasted underspend into the capital reserve.

Line Ref	Description	Debit £m	Credit £m
	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.		
	Increase Change & Improvement Reserve	0.480	
	Decrease ESMCP Reserve		(0.480)
	Transfer some of the reported underspend into the Capital Reserve to ensure borrowing is delayed further in the future.		
32	Transfer to Earmarked Reserve	1.000	
4	Professional & Technical		(0.500)
28	Investment income		(0.500)
		1.480	**(1.480)**

3. RESERVES AND PROVISIONS

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

Reserves

3.2. 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

3.3. 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.

3.4. A summary of predicted balances on Reserves and Provisions is shown in Table 4 below. The proposed virements detailed in Paragraph 2.2 above have been included for reference.

TABLE 4 – FORECAST RESERVES AND PROVISION BALANCES

RESERVES AND PROVISIONS						
RESERVES	**Balance as at 1 April 2024 £'000**	**Approved Transfers £'000**	**Proposed Transfers £'000**	**Spending Month 6 £'000**	**Forecast Outturn 2024-25 £'000**	**Forecasted Balance as at 31 March 2025 £'000**
Earmarked reserves						
Grants unapplied from previous years	(805)	-	-	58	398	(407)
Invest to Improve	(2,873)	-	(480)	288	1,104	(2,249)
Budget Smoothing Reserve	(666)	-	-	-	-	(666)
Direct Funding to Capital	(13,765)	-	(1,000)	(8)	3,783	(10,982)
Projects, risks, & budget carry forwards	-	-	-	-	-	-
PFI Equalisation	(50)	-	-	-	11	(39)
Emergency Services Mobile Communications Programme	(1,050)	-	480	-	-	(570)
Breathing Apparatus Replacement	-	-	-	-	-	-
Mobile Data Terminals Replacement	(144)	-	-	2	144	0
Pension Liability reserve	(1,222)	-	-	-	-	(1,222)
Budget Carry Forwards	(201)	-	-	36	90	(111)
Environmental Strategy	(148)	-	-	7	69	(79)
Control Room System change	-	-	-	-	-	-
Finance System Replacement	(459)	-	-	150	458	(2)
Fire Cover Review	(116)	-	-	-	54	(62)
MTA Action Plan	(55)	-	-	12	12	(43)
Total earmarked reserves	**(21,554)**	**-**	**(1,000)**	**546**	**6,122**	**(16,432)**
General reserve						
General Fund (non Earmarked) Balance	**(4,631)**	**-**	**-**	**-**	**-**	**(4,631)**
Percentage of general reserve compared to net budget						
TOTAL RESERVE BALANCES	**(26,185)**	**-**	**(1,000)**	**546**	**6,122**	**(21,064)**
PROVISIONS						
Doubtful Debt	(27)		-	-	-	(27)

4. SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2024-25

Monitoring of Capital Spending in 2024-25

4.1 Table 5 overleaf provides a summary of anticipated expenditure for this financial year and demonstrates the funding requirements.

4.2 At the end of Quarter 2, the Service is forecasting to underspend of £0.097m – which includes an optimism bias built in to allow for some timing differences. Timing differences (slippage into next year) are forecast to be £1.637m of which £0.500m relates to the rebuild of Camels Head Fire Station, £0.295m for muster-bay separation, £0.225m for adaptions associated with the Aerial Ladder Platform roll-out and £0.370m for an extension at Bere Alston. £0.200m is associated with drainage works at Service Head Quarters (SHQ) with the balance being made of minor projects.

TABLE 5 – FORECAST CAPITAL EXPENDITURE 2024-25

Capital Programme 2024/25					
PROJECT	2024/25 £000 Revised Budget	2024/25 £000 Forecast Outturn	2024/25 £000 Actuals	2024/25 £000 Timing Differences	2024/25 £000 Re-scheduling/ Savings
Estate Development					
Site re/new build	531	9	(21)	(500)	(22)
Improvements & structural maintenance	4,338	2,086	28	(2,137)	(115)
Estates Sub Total	**4,869**	**2,095**	**7**	**(2,637)**	**(137)**
Fleet & Equipment					
Appliance replacement	2,236	2,254	1,468	0	18
Specialist Operational Vehicles	1,543	1,565	391	0	22
ICT Department	0	0	0	0	0
Fleet & Equipment Sub Total	**3,779**	**3,819**	**1,859**	**0**	**40**
Optimism bias Sub Total	**(1,000)**	**0**	**0**	**1,000**	**0**
Overall Capital Totals	**7,648**	**5,914**	**1,866**	**(1,637)**	**(97)**
Programme funding					
Earmarked Reserves:	5,167	3,783	0	(1,391)	7
Revenue funds:	661	661	0	0	0
Borrowing - internal	1,391	1,391	0	0	0
Borrowing - external	0	0	0		0
Total Funding	**7,648**	**5,914**	**0**	**(1,637)**	**(97)**

Prudential Indicators (including Treasury Management)

4.3 Total external borrowing with the Public Works Loan Board (PWLB) as at 30 September 2024 stood at £23.7724 and is forecast to reduce to £23.313m as at 31 March 2025. This level of borrowing is well within the Authorised Limit for external debt of £30.862m (the absolute maximum the Authority has agreed as affordable). No new external borrowing is planned during this financial year.

4.4 Investment returns in the quarter yielded an average return of 5.04% which under-performs the Sterling Overnight Index Average (SONIA) 3 Month return (industry benchmark) by 0.01%. It is forecast that investment returns from short-term deposits will exceed the revised budgeted figure of £1.7m at 31 March 2025.

4.5 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2024-25, which illustrates that there is no anticipated breach of any of these indicators.

5. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

5.1 Total debtor invoices outstanding as at Quarter 2 were £0.017m table 6 below provides a summary of all debt outstanding as at 30 September 2024.

TABLE 6 – OUTSTANDING DEBT AT END OF QUARTER

	Total Value £	**%**
Current (allowed 28 days in which to pay invoice)	0.0	0.00%
29-56 days	2,373	14.00%
57-84 days	7,420	43.00%
Over 85 days	7,286	43.00%
Total Debt Outstanding as at 30 September 2024	**17,079**	**100.00%**

6. SECTION D – MEDIUM-TERM FINANCIAL PLAN (MTFP)

6.1 The MTFP was presented to the Fire Authority on the 16 February 2024 where a number of scenarios were included based on the best, base and worse cases in relation to funding and costs.

6.2 The current MTFP identifies the need to reduce the costs for the Service over the next 3 years (2025-26, 2026-27 and 2027-28).

6.3 Table 7 overleaf identifies the current position with regards to assumptions made regarding both funding and expenditure.

Table 7 – MTFP SHORTFALL FOR THE FOLLOWING 3 YEAR PERIOD

2. FINANCIAL PLANNING MODELLING				
	2024/25	2025/26	2026/27	2027/28
CORE REVENUE BUDGET	£92,448,300	£99,142,943	£104,142,683	£106,954,329
REVENUE SUPPORT GRANT	£11,679,714	£11,901,628	£12,127,759	£12,358,187
TARRIF TOP-UP	£11,324,047	£11,550,528	£11,781,538	£12,017,169
NNDR	5,375,324	£5,482,830	£5,592,487	£5,704,336
COUNCIL TAX BASE	636,966	647,157	657,512	668,032
ANTICPATED INCREASE IN CT INCOME RESULTING FROM SECOND HOMES		£1,507,265	£1,507,265	£1,507,265
COUNCIL TAX COLLECTION FUND SURPLUS	£855,991	£864,551	£873,196	£881,928
COUNCIL TAX - BAND 'D' %	£99.68	£102.66	£104.70	£106.78
COUNCIL TAX - BAND 'D' 0%	£96.79	£96.79	£96.79	£96.79
3. SAVINGS REQUIRED TO MEET COUNCIL TAX FIGURE				
REDUCTION REQUIRED TO BASE BUDGET (CUMULATIVE)	-	(2,905,736)	(4,924,763)	(4,662,863)

6.4 An update was reported to the Fire Authority on 11 December 2023 where 4 initiatives were presented and discussed:-

- A change to the Whole Time duty System (Annualised Hours) which is estimated would save £1.3m.
- Changes to the operating model for specialist rescue – estimated saving of £0.133m.
- Amendments to the Pay for Availability remuneration agreement which is estimated to save £0.250m, and
- Amendments to the policy and practice for dealing with unwanted fire signals – estimated saving of £0.069m.

6.5 Work on these initiatives is on-going. The emphasis being on the change to the wholetime duty system as this would realise the greater saving.

6.6 The MTFP is a dynamic tool that is amended and updated as and when intelligence is presented to the Service with regards to funding and costs. The Autumn Budget suggested employer's National Insurance contributions would increase from April 2025. This increase would add an additional £1.0m of costs onto the Authority. Funding can cover increases in sources such as Council Tax, national non-domestic rates or Government support. Costs will include items such as inflation or changes to legislation that have an impact.

ANDREW FURBEAR
Head of Finance (Treasurer)

SUMMARY OFF PRUDENTIAL INDICATORS 2024-25

Prudential Indicators and Treasury Management Indicators		Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure		**5.914**	**7.648**	**(1.637)**
External Borrowing vs Capital Financing Requirement (CFR) - Total - Borrowing - Other long term liabilities		**27.432** 23.312 4.120	**27.432** 23.312 4.120	**£0.000**
External borrowing vs Authorised limit for external debt - Total - Borrowing - Other long term liabilities		**27.432** 23.312 4.120	**30.862** 26.037 4.825	**(3.430)**
Debt Ratio (debt charges as a %age of total revenue budget		**1.99%**	**5.00%**	**(3.01)bp**
Cost of Borrowing – Total -Interest on existing debt as at 31-3-2024 -Interest on proposed new debt in 2024-25		**1.282** 1.282 0.000	**1.282** 1.282 0.000	**(0.000)**
Investment Income – full year		**1.332**	**0.525**	**(0.807)**
		Actual (30 September 2024) %	**Target for quarter %**	Variance (favourable) /adverse
Investment Return		**5.03%**	**5.04%**	**0.01bp**
Prudential Indicators and Treasury Management Indicators	**Forecast (31 March 2024) %**	**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	1.93%	30.00%	2.00%	(28.01%)
12 months to 2 years	11.30%	30.00%	2.00%	(28.15%)
2 years to 5 years	3.23%	50.00%	14.00%	(36.75%)
5 years to 10 years	4.63%	75.00%	1.00%	(73.89%)
10 years and above - 10 years to 20 years - 20 years to 30 years - 30 years to 40 years - 40 years to 50 years	**78.91%** 15.57% 23.98% 39.37% 0.00%	**100.00%**	**81.00%**	**(20.19%)**

RESERVES POSITION BY RESERVE

DSFRS Reserves in detail	Budget £'000	Committed spend £'000	Forecast spend £'000	Balance remaining £'000
Asset Management & Tracking	103	44	113	(10)
Availability Systems	2	-	2	-
Bequest Axminster Gym Equip	-	(8)	(0)	-
BSR Grant Funding	100	6	16	83
Budget Smoothing Reserve	666	-	-	666
Capital Support from 2011/12	13,765	-	3,783	9,982
CLG USAR Grant	36	-	22	14
Command support project	116	-	116	-
Conference Room Fit Out	88	-	88	-
Control Room Futures Project	1,125	-	-	1,125
CT Irrecoverable Deficits	245	-	245	-
Digital Trans Strategy	100	62	100	-
Environmental Strategy	148	7	69	79
ESMCP (reserve funding)	480	-	-	480
ESMCP Home Office Grant	570	-	-	570
Estate Conditional Survey	60	18	51	9
Finance System Replacement	459	150	458	2
Fire Cover Review	40	14	14	27
Grenfell Infrastructure grant	26	-	26	-
Haz Mat Det and ID Equip	17	15	16	2
ICT Managed Switch Replacement	55	-	-	55
Invest to Improve Reserve	944	81	381	563
Learn 2 Live	48	(3)	20	28

DSFRS Reserves in detail	Budget	Committed spend	Forecast spend	Balance remaining
Livery and Blue Light fit out	15	-	15	-
Management of Risk Information	108	26	108	-
MDT Replacement	144	2	144	-
NNDR Additional Reliefs	334	-	-	334
Office 365 Project	27	19	27	-
Pensions Admin Grant c/f	112	10	30	82
Pensions Reserve	1,222	-	-	1,222
People Services System	204	76	213	(10)
Personal Misting Systems	7	1	3	4
PFI equalisation reserve	50	-	11	39
Prev Accred grant c/f	4	0	4	-
SharePoint Intranet	35	12	33	2
Temp accom for capital project	84	2	2	82
Vehicle Telematics	12	12	12	-
Website Comp and Comms Strat	3	-	-	3
	21,554	**546**	**6,122**	**15,433**

RESERVES POSITION BY EXPENSE CODE

DSFRS Reserves in detail	Committed spend £'000	Forecast spend £'000
Fire Protection Training Exter	6	10
External Trainer Hire	-	16
Principal Officers Salary	-	15
Principal Officer Salary NI	-	1
Principal Officer Salary Super	-	4
Admin/Manage Salary	70	300
Admin/Manage Overtime	(1)	-
Agency Staff Admin	27	65
Admin/Manage Salary NI	7	16
Admin/Manage Salary Superan	12	24
Unforseen Other Contractor	5	5
Standard Equipment	56	4,544
ICT Desktop Service	81	381
ICT Application Services (Oth)	197	532
ICT Infrastructure Service	35	35
Operational Equipment	14	14
ICT Sat Nav Serv/Vehicle track	12	12
ICT Mobile Telephony Service	14	14
External Prof Support/Advice	32	134
Other Miscellaneous Income	(8)	-
Non-Uniformed Training	1	1
Agencies/OLA Income	(16)	(16)
Livery	-	15
ICT Datacentre Service	2	-
	546	**6,122**

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