

## RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

9 May 2024

### Present:

Councillors Peart (Chair), Best (Vice-Chair), Carter, Coles (vice Power), Slade and Sully

### Apologies:

Councillor Gilmour

#### \* **RC/23/24 Minutes**

**RESOLVED** that the Minutes of the meeting held on 5 February 2024 be signed as a correct record.

#### \* **RC/23/25 Treasury Management Performance 2023-24: Quarter 4 & Annual Report 2023-24**

*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 Treasurer (RC/24/9) on the performance of the Authority's borrowing and investment activities during quarter 4 of the 2023-24 financial year together with a summary of annual performance as compared to the treasury management strategy adopted. Such reporting was required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.

The report highlighted the following points:

- The Authority's investments had yielded a better than anticipated return during 2023-24 at £1.771m as a result of the higher interest rates fuelled by inflationary pressures;
- Inflation remained higher than the Bank of England's target of 2% (currently 3.2% as at the end of April 2024). There had been a number of interest rate rises during 2023-24 in a bid to control spending culminating in a bank rate of 5.25% in August 2023. It was expected that interest rates would start to decrease later in 2024 as a result of the success of the monetary policy employed and the associated reduction in inflation;
- There had been no additional borrowing undertaken during 2023-24 with total debt at £23.771m at the year-end;
- 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;

- The Authority's return on investments was above the benchmark returns set out within the Sterling Overnight Index Average (SONIA) with interest of £1.711m earned beating the target by £1.246m as a result of the buoyant investment market, a position which had contributed greatly to the increase in underspend on the revenue budget for 2023-24 reported elsewhere on the agenda for this meeting.

The Committee welcomed this very positive performance on investment returns and noted the associated impact on the approved Revenue Budget.

***NB. Minute RC/23/26 below also refers.***

## **RC/23/26 Provisional Financial Outturn 2023-24**

The Committee considered a report of the Treasurer (RC/24/10) on the draft financial outturn position for 2023-24 against agreed financial targets.

In particular, the report outlined the draft outturn spending position against the 2023-24 revenue budget with explanations of the major variations. It was indicated that gross spending was £4.782m below budget (5.8% of the total budget). Net spending (before transfers to earmarked reserves of £4.782m noted in this report) was £80.631m.

There had been some significant movements against the original budget (set in February 2023) as a result of the organisational focus on the need to save money to enable the Service to invest and modernise. This had been achieved largely as a result of vacancies held in both Wholetime and Professional and Technical staffing but the increased return on investment achieved in 2023-24 had also contributed significantly to this very positive outcome.

In relation to capital, the Authority had initially set its capital programme 2023-24 at £14m at its budget meeting on 15 February 2023 (Minute DSFRA/22(b) refers). This had subsequently been reduced to £13.086m in year as a result of timing differences in spending from the previous year and revisions to the capital plan, albeit that this did not represent any increase to the previously agreed borrowing limit. Capital spending of £5.966m was reported against the final capital programme, resulting from:

- an unspent programme of £7.129m, of which £7.039m related to timing differences to be carried forward to 2024-25; and  
£0.081m savings.

The Authority's reserves position as at 31 March 2024 was £28.809m (subject to approval of the recommendations for proposed transfers as set out in the report).

The report indicated that none of the prudential indicators associated with the 2023-24 budget had been breached albeit that the outturn as set out in the report was subject to external audit of the Authority's accounts.

## RESOLVED

- (a). That the Authority be recommended to approve that, of the provisional underspend against the 2023-24 revenue budget, £2.356m be transferred to the Revenue Contribution to Capital reserve and an element transferred to the General Reserve to ensure it is within 5% of the revenue budget for 2023-24;
- (b). That, subject to (a) above, the following be noted:
  - (i). The draft position in respect of the 2023-24 Revenue and Capital Outturn position, as indicated in this report.
  - (ii). That the net underspend figure of £2.612m is allocated as follows;
    - A. There is a requirement to transfer £0.100m to the Grants Unapplied Reserve as required under International Financial Reporting Standards (IFRS) relating to a grant received during the financial year but not utilised per 4.1.b.
    - B. The balance be allocated for the Fire Cover review £0.040, £1.125m be used to fund the Control Room system change and £1.0m be used to support the Change & Improvement Programme per 4.1.c.
    - C. The £2.8m added to the budget to fund the pay award for 2023-24, as agreed by the Fire Authority on 15 February 2023, is returned to the Capital Reserve per 4.1.d.
- (c). That a transfer of £0.348m be approved to increase the balance of the general fund balance reserve to ensure it was 5% of the revenue budget for 2023-24 as per paragraph 6.1.

***NB. Minute RC/23/25 above and RC/23/27 below also refer.***

### **RC/23/27 Revision to Capital Programme 2024-25 to 2026-27**

The Committee considered a report of the Treasurer (RC/24/11) on proposed revisions to the Capital Programme and associated Prudential Indicators 2024-25 to 2026-27, as approved by the Authority at its budget meeting on 16 February 2024 (Minute DSFRA/23/31b refers).

It was noted that the proposed revision did not require any adjustment to the Authority's external borrowing requirement. The Authority had not undertaken any external borrowing for over eleven years. There was no new borrowing required to support the Authority's Capital Programme forecast until 2026-27. The level of borrowing required would be reduced, however, due to the transfer of revenue funding to the capital reserve as highlighted under Minute RC/23/26 above.

**RESOLVED** that the Authority be recommended to approve the revised capital programme and associated prudential indicators for 2024-25 to 2026-27 as set out in report RC/24/11 and summarised in the tables at Appendices A and B respectively to these Minutes.

***NB. Minute RC/23/26 above also refers.***

**RC/23/28 Reserves Strategy 2024-25**

The Committee considered a report of the Treasurer (RC/24/12) upon the Reserves Strategy for 2024-25.

The Fire and Rescue National Framework for England as published in May 2018 introduced a requirement for fire and rescue authorities to prepare and publish a Reserves Strategy setting out the purpose of each earmarked and an analysis of the General Fund reserve, together with the expected timing of expenditure.

The report included a review of long-term sustainability together with a risk assessment on the adequacy of the General Fund which included a section on each of the Earmarked Reserves (which had been combined into broader categories to simplify the way that reserves were reported on). These included:

- Grants received in advance;
- Change and improvement;
- Budget smoothing reserve;
- Capital funding;
- Specific projects – Budget carry forwards or risks identified; and
- An explanation of specific reserves.

**RESOLVED** that the Authority be recommended to approve the Reserves Strategy 2024-2025 for publication.

**RC/23/29 His Majesty's Inspectorate of Constabulary & Fire & Rescue Services Areas for Improvement Action Plan Update**

The Committee received for information a report of the Chief Fire Officer (RC/24/13) upon the progress made by the Service in addressing the 14 Areas for Improvement (AFIs) identified by His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) and associated actions, of which two were linked to the Resources Committee, including:

- HMI-2.2-202206a - The Service needs to make sure that its fleet strategy is regularly reviewed and evaluated to maximise potential efficiency; and
- HMI-2.2-202206b – The Service needs to ensure that its estate strategy is regularly reviewed and evaluated to maximise potential efficiency.

Both of these areas for improvement had now been marked as closed which was a really positive step forward. The Committee noted that, as a result of the closure of these areas for improvement, this matter would not be reported to future meetings.

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

The Meeting started at 2.00 pm and finished at 3.10 pm

**APPENDIX A TO RESOURCES COMMITTEE MINUTES 09.05.24**

PROJECT	2024/25	2024/25	2025/26	2026/27
	£000	£000	£000	£000
	Approved Budget	Revised Budget	Approved Budget	Approved Budget
<b>Estate Development</b>				
Site re/new build	520	531	3,884	500
Improvements & structural maintenance	4,293	4,396	2,075	8,122
<b>Estates Sub Total</b>	<b>4,813</b>	<b>4,927</b>	<b>5,959</b>	<b>8,622</b>
<b>Fleet &amp; Equipment</b>				
Appliance replacement	1,489	2,236	1,950	1,630
Specialist Operational Vehicles	1,944	1,543	948	0
ICT Department	0	0	0	0
<b>Fleet &amp; Equipment Sub Total</b>	<b>3,433</b>	<b>3,779</b>	<b>2,898</b>	<b>1,630</b>
<b>Optimism bias Sub Total</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(200)</b>	<b>(500)</b>
<b>Overall Capital Totals</b>	<b>7,246</b>	<b>7,706</b>	<b>8,657</b>	<b>9,752</b>
<b>Programme funding</b>				
Earmarked Reserves:	4,716	5,167	4,795	1,446
Revenue funds:	719	719	2,050	2,050
Borrowing - internal	1,382	1,391	1,812	0
Borrowing - external		0		6,256
Contributions	429	429	0	0
<b>Total Funding</b>	<b>7,246</b>	<b>7,706</b>	<b>8,657</b>	<b>9,752</b>

## APPENDIX B TO RESOURCES COMMITTEE MINUTES 09.05.24

<b>PRUDENTIAL INDICATORS</b>			<b>INDICATIVE INDICATORS</b>		
	2024/25 £m Estimate	2025/26 £m Estimate	2026/27 £m Estimate	2027/28 £m Estimate	2028/29 £m Estimate
<b>Capital Expenditure</b>					
Non - HRA	7.706	8.657	9.752	6.780	3.520
HRA (applies only to housing authorities)					
<b>Total</b>	<b>7.706</b>	<b>8.657</b>	<b>9.752</b>	<b>6.780</b>	<b>3.520</b>
<b>Ratio of financing costs to net revenue stream</b>					
Non - HRA	3.04%	3.29%	3.18%	3.42%	3.06%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Capital Financing Requirement as at 31 March</b>					
	£000	£000	£000	£000	£000
Non - HRA	23,312	23,219	27,897	30,798	30,237
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	4,120	3,150	2,163	1,137	362
<b>Total</b>	<b>27,432</b>	<b>26,369</b>	<b>30,059</b>	<b>31,934</b>	<b>30,598</b>
<b>Annual change in Capital Financing Requirement</b>					
	£000	£000	£000	£000	£000
Non - HRA	3,005	(1,063)	3,690	1,875	(1,336)
HRA (applies only to housing authorities)	0	0	0	0	0
<b>Total</b>	<b>3,005</b>	<b>(1,063)</b>	<b>3,690</b>	<b>1,875</b>	<b>(1,336)</b>
<b>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</b>					
<b>Authorised Limit for external debt</b>					
	£000	£000	£000	£000	£000
Borrowing	26,037	25,574	32,984	34,033	33,412
Other long term liabilities	4,825	4,777	3,758	2,719	1,655
<b>Total</b>	<b>30,862</b>	<b>30,351</b>	<b>36,742</b>	<b>36,752</b>	<b>35,067</b>
<b>Operational Boundary for external debt</b>					
	£000	£000	£000	£000	£000
Borrowing	24,871	24,413	31,589	32,493	31,900
Other long term liabilities	4,620	4,620	3,650	2,663	1,637
<b>Total</b>	<b>29,490</b>	<b>29,032</b>	<b>35,239</b>	<b>35,156</b>	<b>33,537</b>
<b>Maximum Principal Sums Invested over 364 Days</b>					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

<b>TREASURY MANAGEMENT INDICATOR</b>	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 2024/25		
Under 12 months	30%	2%
12 months and within 24 months	30%	11%
24 months and within 5 years	50%	3%
5 years and within 10 years	75%	5%
10 years and above	100%	79%

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