

RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

12 October 2020

Present:

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

In attendance:

Councillor Randall Johnson – Authority Chair (in accordance with Standing Order 38(1))

* **RC/30**

Minutes

RESOLVED that the Minutes of the meeting held on 2 July 2020 be approved as a correct record.

* **RC/31**

Treasury Management Performance 2020-21: Quarter 1

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

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) (RC/20/12) that set out the Authority's performance relating to the first quarter of 2020-21 (to June 2020) in accordance with the Treasury Management in Public Service Code of Practice (published by the Chartered Institute of Public Finance and Accountancy {CIPFA}) and the CIPFA Prudential Code. The report set out how this Authority was demonstrating best practice in accordance with these Codes.

During consideration of this item, the following points were noted:

- there was concern in respect of the position on growth in the major world economies as a result of the Covid-19 pandemic with the overall growth rate at -2.2% in quarter 1 of 2020-21 (-1.7%y.y). The main fall in growth occurred in April 2020 at -24.5% after closedown of whole sections of the economy;
- The UK bank base rate had been reduced firstly to 0.25% and then to 0.10% in March 2020, accompanied by an increase in quantitative easing of £200billion followed by a further £100billion in June 2020 to be implemented over an extended period to the end of 2020-21;
- The annual rate of inflation dropped to 0.5% in May 2020 and could reach 0% by the year end. It was considered unlikely that inflation would rise over 2% again in the next two years;
- There had been measures implemented to assist businesses during the pandemic including the furlough scheme and business support loans;
- Unemployment had increased to 4% and this may double in the future as the existing furlough scheme ceased in October 2020;

- there was concern that the Bank Rate may move interest rates into negative territory which could impact on the Authority's investment income in 2020-21;

It was noted that the annual treasury management strategy had continued on a prudent approach, being underpinned by investment priorities based on security of capital, liquidity and yield. Despite the pandemic and economic downturn, investment income of £0.063m in quarter 1 outperformed the LIBID benchmark rate of 0.26% by 0.59bp. The position would be monitored carefully, however, in the event that there was a move to negative interest rates which would impact on investment income. None of the Prudential Indicators (affordability limits) had been breached in quarter 1 with external borrowing at 30 June 2020 being £25.444m, forecast to reduce to £24.851m by the end of the financial year with no new borrowing undertaken.

RC/32

Financial Performance Report 2020-21: Quarter 1

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/13) that detailed performance against the financial targets set for 2020-21, together with a forecast of expenditure against the agreed revenue budget and an explanation of the major variations.

It was noted that at this stage in the financial year (to 30 June 2020) that spending was forecast to be £0.566m less than the budget at £76.710m equivalent to 0.73% of budget. The Director of Finance & Resourcing (Treasurer) advised that this was attributable largely to the receipt of grant funding of £1.6m of Covid-19 grant from the government which had not been utilised completely in the event that a second wave of the pandemic was forthcoming. Savings had also been made on service delivery staff (£0.294m), training investment (£0.187m), running costs and insurances (0.117m) and investment income (£0.071m) due to prudent planning by the Finance team. The position on investment income would be monitored carefully in light of the possibility of diminishing investment returns due to low interest rates.

The Director of Finance (Treasurer) also drew attention to proposed budget transfers totalling £1.952m as set out at Table 3 of the report.

The position in respect of Reserves was also set out in the report and it was indicated that £9.651m would be utilised in 2020-21 to support direct funding of capital projects such as the rebuild of Plymstock station.

RESOLVED

- (a) That the budget transfers shown in Table 3 of report RC/20/13 (and as set out overleaf for ease of reference), be recommended to the Devon & Somerset Fire & Rescue Authority for approval;

| Line Ref | Description | Debit £m | Credit £m |
|----------|---|--------------|----------------|
| | <i>Academy restructure move of cost centres - the net effect is nil</i> | | |
| 1 | Increase Service Delivery staff | 1.334 | |
| 1 | Decrease Service Delivery staff | | (1.334) |
| | <i>IFRS16 Lease accounting for vehicles and property rentals was included in leasing budget as a finance cost but now deferred to 2020-21, so budget remains as a direct cost charge rather than financing cost</i> | | |
| 9 | Increase Rent and Rates | 0.100 | |
| 12 | Increase Running Costs and Insurances | 0.518 | |
| 24 | Decrease Loan Charges and Lease Rentals | | (0.618) |
| | | 1.952 | (1.952) |

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

RC/33

Reserves Strategy 2020-21

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/20/14) upon the Reserves Strategy for 2020-21.

It was noted that the report included a risk assessment on the adequacy of the General Fund together with a section on each of the Earmarked Reserves including:

- Grants received in advance;
- Invest to improve;
- Budget smoothing;
- capital funding; and
- Specific projects - carry forward or risks identified.

RESOLVED that the Authority be recommended to approve the Reserves Strategy 2020-2021 for publication.

* RC/34

Exclusion of the Press and Public

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of the officers of Red One Ltd. and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd.]) be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in the following Paragraph of Part 1 of Schedule 12A (as amended) to the Act:

- Paragraph 3 (information relating to the financial and business affairs of any particular person – including the authority holding that information).

* RC/35

Restricted Minutes of Resources Committee held on 2 July 2020

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public [with the exception of the officers of Red One Ltd. and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd.]) were excluded from the meeting).

NB. Councillors Saywell and Thomas were present for this item in a non-voting capacity as Non-Executive Directors of Red One Ltd.

RESOLVED that the Restricted Minutes of the meeting held on 2 July 2020 be approved as a correct record.

* RC/36

Red One Performance 2020-21: Quarter 1

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public [with the exception of the officers of Red One Ltd. and Councillors Saywell and Thomas [Authority appointed Non-Executive Directors on the Board of Red One Ltd.]) were excluded from the meeting).

NB. Councillors Saywell and Thomas were present for this item in a non-voting capacity as Non-Executive Directors of Red One Ltd. In this context, each declared a non-pecuniary interest in this matter.

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) and report of the Board of Red One Ltd. (RC/20/15) on the financial performance of Red One Ltd. in quarter 1 of 2020-21.

Reference was made to the impact of the Covid-19 pandemic on the trading position for Red One Ltd. and to the financial forecasts going forward into 2020-21.

The Committee considered whether the repayment plan for Red One Ltd., to cover outstanding debt to the Authority, should restart from the second quarter of 2020-21 and be reviewed on a quarterly basis.

The Committee also considered a request from Red One Ltd. to fund staff who had not been able to be furloughed. As the company was not eligible for any of the Government's Coronavirus job retention schemes, £0.027m was to be provided to cover the costs of two Red One employees for the period March – August 2020. In doing so, the Committee noted that this amount was well below the De Minimis amounts allowed by state aid rules.

Councillor Wheeler expressed thanks on behalf of the Committee to Red One Ltd. for all of the work undertaken by the team in such difficult times. Councillor Saywell also expressed his thanks for the support given to the company by the Authority.

RESOLVED

- (a) That the repayment plan for the second quarter of 2020-21 be approved and that it be reviewed on a quarterly basis;
- (b) That a contribution of £0.027m to fund Red One Ltd. staff who were unable to be furloughed during Covid-19 restrictions be approved;
- (c) That the financial performance of Red One Ltd. for the quarter ended June 2020 be noted; and
- (d) That the forecast year-end performance against agreed budget for 2020-21 be noted.

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

The Meeting started at 2.05 pm and finished at 3.27 pm