

## RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

9 September 2021

### Present:

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

### In attendance (Part 2 only):

Dr Sian George, Alison Hasbrig-Hartley and Steve West (Officers of Red One Ltd.)

\* **RC/21/1**      **Minutes**

**RESOLVED** that the Minutes of the meeting held on 10 February 2021 be signed as a correct record.

\* **RC/21/2**      **Treasury Management Performance 2021-22: Quarter 1**

*NB. Adam Burleton, 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/21/9) that set out the Authority's performance relating to the first quarter of 2021-22 (to June 2021) 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:

- The UK bank base rate remained at 0.10% with quantitative easing in place of £875billion to the year-end which would assist in keeping interest rates low;
- Supply chain issues in the short term together with wage pressures had pushed inflation above the 2% target, although the Bank had accepted this position as transitory;
- Interest rates were not forecast to rise in the next two years with no change in monetary policy.

It was noted that the annual treasury management strategy had continued on a prudent approach, underpinned by investment priorities based on security of capital, liquidity and yield. Despite the pandemic and economic downturn, investment income of £0.023m in quarter 1 outperformed the LIBID benchmark rate of -0.04% by 0.19bp. None of the Prudential Indicators (affordability limits) had been breached in quarter 1 with external borrowing at 30 June 2020 being £24.851m, forecast to reduce to £24.757m by the end of the financial year with no new borrowing undertaken.

Reference was made to the policy of investment based on security of capital, liquidity and yield and whether the Authority would be considering an alternative approach in future. The Director of Finance & Resourcing (Treasurer) advised the Committee that the Authority aimed for the optimum return on investment based on current treasury management policy and CIPFA guidance. A move to more socially acceptable (green) investments was likely to result in lower yield, however, the Authority would benefit from implementing a policy on socially responsible investing.

\* RC/21/3

### **Financial Performance Report 2021-22: Quarter 1**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/21/10) that provided the Committee with details of the first quarter performance (to June 2021) against the agreed financial targets for 2021-22.

The Director of Finance & Resourcing (Treasurer) advised that, at this stage in the financial year, it was projected that spending would be £0.028m more than the budget of £74.222m representing an overspend of 0.04% of total budget. He added that it was relatively early in the financial year, however, and the Executive Board would be monitoring the forecast position closely. He drew attention to a transposition error in the report at Table 4 under earmarked reserves for grants unapplied from previous years. The figure of £5.244m should have been £0.715m less (£4.529m) and he explained the reason why and indicated this error had been flagged to the external auditor.

The Committee noted that the Authority was within its prudential limits for external debt and, although there may be some delays to forecast expenditure on some projects (an underspend of £0.792m was forecast), the capital programme was progressing well. The total debtor invoices outstanding at quarter 1 totalled £0.963m of which £0.686m related to Red One Ltd.

### **RESOLVED**

- (a). That the monitoring position in relation to projected spending against the 2021-22 revenue and capital budgets be noted; and
- (b). That the performance against the 2021-22 financial targets be noted.

RC/21/4

### **Revision to Capital Programme 2021-22 to 2023-24**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/21/11) setting out a proposed revision to the three year Capital Programme for 2021-22 to 2023-24.

**RESOLVED** that the Devon & Somerset Fire & Rescue Authority be recommended to approve the revised Capital Programme and associated Prudential Indicators for 2021-22 to 2023-24 as set in report RC/21/11 and summarised in Appendices A and B to these Minutes.

**RC/21/5 Reserves Strategy 2021-22**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/21/12) upon the Reserves Strategy for 2021-22.

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 – Budget carry forwards or risks identified.

**RESOLVED** that the Authority be recommended to approve the Reserves Strategy 2021-2022 for publication.

\* **RC/21/6 Resources Committee Future Scrutiny Arrangements & Forward Plan**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (RC/21/13) that set out proposed performance measures for the delivery of future scrutiny arrangements in accordance with strategic objective 4 as approved by the Authority at its meeting on 29 June 2021.

The Director of Finance & Resourcing advised that this was an iterative process and things would evolve as the Committee delved into more areas of its work. The Environmental Strategy may result in new performance targets being considered in future and investigation into areas such as investment into more sustainable ways of putting out fires could also be considered.

**RESOLVED**

- (a). That the performance measures identified at section 2.1. of report RC/21/13 be approved for monitoring progress against Strategic Priority 4 and its associated policy objectives; and
- (b). that the proposal at paragraph 2.5 of report RC/21/13 for presenting this information to future meetings be approved.

\* **RC/21/7 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 Radford and Shayer [Authority appointed Non-Executive Directors on the Board of Red One Ltd.]) be excluded from the meeting for the following item of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

\* **RC/21/8 Restricted Minutes of Resources Committee held on 10 February 2021**

(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.) were excluded from the meeting).

**RESOLVED** that the Restricted Minutes of the meeting held on 10 February 2021 be signed as a correct record.

\* **RC/21/9 Red One Performance 2021-22: 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 Officers of Red One Ltd.) were excluded from the meeting).

The Committee considered a report of the Officers of Red One Ltd. (RC/21/14) on the financial performance of Red One Ltd. in quarter 1 of 2021-22.

Following a discussion on this matter and consideration of information presented verbally to the Committee, Councillor Drea **MOVED** (seconded by Councillor Coles:

“That an interim Business Plan for 2021-22 as presented verbally to the Committee be submitted formally to the Authority on 29 September 2021”.

Upon a vote, this motion was **CARRIED** unanimously, whereupon it was:

**RESOLVED**

- (a). That the financial performance of Red One Ltd. for the quarter ended June 2021 be noted;
- (b). That the year to date performance against agreed budget for 2021-22 be noted; and
- (c). That an interim Business Plan for 2021-22 as presented verbally to the Committee be submitted formally to the Authority on 29 September 2021.

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

**APPENDIX A TO THE RESOURCES COMMITTEE MINUTES 9  
SEPTEMBER 2021**

<b>PROJECT</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
<b>Estate Development</b>			
Site re/new build	2,150	0	0
Improvements & structural maintenance	5,089	3,600	1,300
<b>Estates Sub Total</b>	<b>7,239</b>	<b>3,600</b>	<b>1,300</b>
<b>Fleet &amp; Equipment</b>			
Appliance replacement	5,157	2,300	2,800
Specialist Operational Vehicles	440	5,100	1,900
Equipment	0	0	0
ICT Department	400	0	0
Water Rescue Boats	0	0	0
<b>Fleet &amp; Equipment Sub Total</b>	<b>5,997</b>	<b>7,400</b>	<b>4,700</b>
Estates Optimism bias	(1,400)	(500)	(200)
Fleet Optimism bias	(1,200)	(800)	(600)
<b>Optimism bias Sub Total</b>	<b>(2,600)</b>	<b>(1,300)</b>	<b>(800)</b>
<b>Overall Capital Totals</b>	<b>10,636</b>	<b>9,700</b>	<b>5,200</b>
<b>Programme funding</b>			
Earmarked Reserves:			
Capital reserve	6,575	6,298	1,617
USAR - Water Rescue Boats			
Earmarked Reserves:	6,575	6,298	1,617
Revenue funds:	2,037	2,037	2,300
Borrowing - internal	2,024	1,365	1,283
Borrowing - external	0	0	0
<b>Total Funding</b>	<b>10,636</b>	<b>9,700</b>	<b>5,200</b>

**APPENDIX B TO THE RESOURCES COMMITTEE MINUTES 9  
SEPTEMBER 2021**

<b>PRUDENTIAL INDICATORS</b>	<b>INDICATIVE INDICATORS</b>				
	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate
<b>Capital Expenditure</b>					
Non - HRA	12,693	11,400	7,000	8,200	6,400
HRA (applies only to housing authorities)					
<b>Total</b>	<b>12,693</b>	<b>11,400</b>	<b>7,000</b>	<b>8,200</b>	<b>6,400</b>
<b>Ratio of financing costs to net revenue stream</b>					
Non - HRA	4.30%	3.93%	3.76%	3.64%	3.68%
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	24,758	24,264	23,771	24,540	26,747
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	907	791	656	509	349
<b>Total</b>	<b>25,665</b>	<b>25,055</b>	<b>24,426</b>	<b>25,049</b>	<b>27,096</b>
<b>Annual change in Capital Financing Requirement</b>	£000	£000	£000	£000	£000
Non - HRA	(196)	(610)	(628)	622	2,048
HRA (applies only to housing authorities)	0	0	0	0	0
<b>Total</b>	<b>(196)</b>	<b>(610)</b>	<b>(628)</b>	<b>622</b>	<b>2,048</b>
<b>PRUDENTIAL INDICATORS - TREASURY MANAGEMENT</b>					
<b>Authorised Limit for external debt</b>	£000	£000	£000	£000	£000
Borrowing	26,189	26,071	25,553	26,325	28,278
Other long term liabilities	1,056	947	823	681	527
<b>Total</b>	<b>27,244</b>	<b>27,018</b>	<b>26,376</b>	<b>27,006</b>	<b>28,805</b>
<b>Operational Boundary for external debt</b>	£000	£000	£000	£000	£000
Borrowing	24,951	24,857	24,364	25,098	26,941
Other long term liabilities	1,010	907	791	656	509
<b>Total</b>	<b>25,961</b>	<b>25,765</b>	<b>25,155</b>	<b>25,754</b>	<b>27,450</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%
<b>Maturity structure of fixed rate borrowing during 2021/22</b>		
Under 12 months	30%	2%
12 months and within 24 months	30%	2%
24 months and within 5 years	50%	13%
5 years and within 10 years	75%	3%
10 years and above	100%	80%