

Policy & Resources Panel

10 November 2022



Membership:

Councillors: Evans, Galley, Lambert, Powell, Redstone and Taylor

You are requested to attend this meeting to be held in the County Hall, East Sussex County Council, St Anne's Crescent, Lewes BN7 1UE at 11.30 am

Quorum: 3

Contact:	Rebecca Smith, Democratic Services Officer 07866 100895 democraticservices@esfrs.org
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Agenda

10. Declarations of Interest

In relation to matters on the agenda, seek declarations of interest from Members, in accordance with the provisions of the Fire Authority's Code of Conduct for Members.

11. Election of Chairperson

12. Apologies for Absence/Substitutions

13. Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's business items

Any Members wishing to raise urgent items are asked, wherever possible, to notify the Chairman before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgently.

14. Minutes of the last Policy & Resources meeting held on 21 July 2022 5 - 10

15. Callover

The Chairman will call the item numbers of the remaining items on the open agenda. Each item which is called by any Member shall be

reserved for debate. The Chairman will then ask the Panel to adopt without debate the recommendations and resolutions contained in the relevant reports for those items which have not been called.

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|------------|--|----------------|
| 16. | Revenue Budget 2022-23 and Capital Programme 2022-23 to 2026-27 Monitoring at Month 6 | 11 - 36 |
| | Report of the Assistant Director Resources/Treasurer | |
| 17. | Treasury Management Half Year Review 2022-23 | 37 - 52 |
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ABRAHAM GEBRE-GHIORGHIS
Monitoring Officer
East Sussex Fire Authority
c/o Brighton & Hove City Council

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Information for the public

East Sussex Fire and Rescue Service actively welcomes members of the public and the press to attend public sessions of its Fire Authority and Panel meetings.

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POLICY & RESOURCES PANEL

Minutes of the meeting of the POLICY & RESOURCES PANEL held at Council Chamber, County Hall, East Sussex County Council, St Anne's Crescent, Lewes BN7 1UE at 11.30 am on Thursday, 21 July 2022.

Present: Councillors Peltzer Dunn (Chairman), Galley, Lambert, Powell (In place of Maples) and Taylor

Also present: D Whittaker (Chief Fire Officer & Chief Executive), D Norris (Deputy Chief Fire Officer), M Matthews (Assistant Chief Fire Officer), D Savage (Assistant Director Resources/Treasurer), L Woodley (Deputy Monitoring Officer), L Ridley (Assistant Director Planning & Improvement), J King (Assistant Director People Services), E Simpkin (Democratic Services Officer) and Abigail Blanshard (Senior Democratic Services Officer)

41 Declarations of Interest

It was noted that, in relation to matters on the agenda, no participating Member had any interest to declare under the Fire Authority's Code of Conduct for Members.

42 Apologies for Absence/Substitutions

Apologies had been received from Councillors Evans and Maples. Cllr Powell had been appointed to attend as substitute for Councillor Maples.

43 Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's business items

There were none.

44 Minutes of the last Policy & Resources meeting held on 12 May 2022

RESOLVED: That the minutes of the meeting of the Policy & Resources Panel held on 12 May 2022 be approved as a correct record and signed by the Chairman.

45 Callover

Members reserved the following items for debate:

- 6 Provisional Revenue Budget & Capital Programme Outturn 2021/22
- 7 Revenue Budget & Capital Programme Monitoring 2022/23
- 8 Fire Authority Response – Home Office White Paper “Reforming our Fire & Rescue Service”
- 9 Provision of Occupational Health Service

Unconfirmed minutes – to be confirmed at the next meeting of the Policy & Resources Panel

46 Provisional Revenue Budget & Capital Programme Outturn 2021/22

The Policy & Resources Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T). This was the sixth report to Members for the 2021/22 financial year and highlighted the Provisional Outturn on the Revenue Budget 2021/22 and the 5 year Capital Programme, approved by the Fire Authority in February 2021 and the revised Capital Budget approved in February 2022. It was noted that the provisional outturn was based on currently available information and was subject to External Audit. The restructuring of the Finance team was almost complete, new members had started and there was already a noticeable improvement.

The provisional outturn was a net revenue underspend of £20,000 which was a reduction in underspend of £244,000 from the position identified in the last report to this Panel of £264,000 underspend. The ADR/T explained that of the variances listed the major ones would be picked up in terms of the 2022/23 monitoring. The movement of £322,000 from the position reported at P11 could largely be attributed to an increase in overtime and on-call costs, an increase in funding and a reduction in forecast Occupational Health recharges.

The ADR/T commented that the level of savings achieved would be very important for the coming year. The performance against grants and spending plans was summarised in the report, £3million was carried forward in earmarked reserves and spending plans were being developed for future years. The Capital Budget included further slippage from figures agreed at the February Fire Authority meeting. Worldwide supply chain disruption had particularly impacted Estates and Fleet/Engineering projects.

Members asked how these compared to other Fire Authorities. The ADR/T responded that there were no readily available comparative figures. However East Sussex was viewed as a financially well-managed Authority including by the HMICFRS. There were several smaller Authorities where the NFCC/Home Office had concerns about their financial sustainability.

Internally there was more work to do financially, the Senior Leadership Team would have to have some difficult conversations over the coming months, however, it was important to remember that the Authority was in a relatively good position in terms of its financial standing and stability. The Panel could rely on and draw assurance from both the Internal and External Audit processes and the HMICFRS Inspection.

Members stated that there were likely to be difficult times ahead in terms of Government funding and asked where more savings could be found. The ADR/T agreed that the lack of long-term funding would inevitably have impacts on the Authority. A report would be taken to September Fire Authority setting out the latest assessment of future funding and the impact of pay and price inflation on expenditure

RESOLVED – The Policy & Resources Panel agreed to note:

Unconfirmed minutes – to be confirmed at the next meeting of the Policy & Resources Panel

- i. the provisional 2021/22 Revenue Budget outturn;
 - ii. the provisional Capital Programme outturn, including the slippage amount and spending incurred in advance;
 - iii. the net drawdown from reserves during the year;
 - iv. the savings delivered in 2021/22; and
 - v. cash balances invested at year end and borrowing repaid.
- vi. The Policy & Resources Panel agreed to approve that the outturn underspend of £20,000 be transferred to the improvement & Efficiency reserve.

47 Revenue Budget & Capital Programme Monitoring 2022/23

The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) on the 2022/23 Revenue Budget and the Capital Programme 2022/23 to 2026/27. This was the first report to Members for the 2022/23 financial year. Whilst a full forecast had not been undertaken at P2 this report identified emerging risks and pressures in relation to the 2022/23 revenue and capital budgets. At this early stage it was difficult to give a definitive forecast but based on current information the Authority could face net unfunded pressures of between £1.005m and £2.473m. Pressures on both pay and prices were outside of the Authority's control and the former might not crystallise until later in the year once pay settlements were agreed. The situation would be regularly monitored and reported to both SLT and the Fire Authority throughout the year.

The ADR/T explained that there were both risks and opportunities. The potential impacts of pay awards were being assessed along with the pressures from last year's budget and inflation. This assessment also involved considering contingency and unallocated reserves.

Members queried whether there was money being set aside to deal with the likely future increase in wildfires. The Chief Fire Officer (CFO) responded that the country had had the hottest and the wettest extremes of weather over the last decade and that this was a matter of national resilience. Locally the Service had coped with the recent wildfires in its area and had enough additional capacity to offer assistance to neighbouring Services. The CFO added that there was some concern that this matter had not been referenced at all within the White Paper on Fire Reforms and that the NFCC had suggested that there was a need for early dialogue with the fire minister on this.

Members queried whether the savings figures set out in the report, or the Capital Programme plans could still be met as planned. The ADR/T responded that the delivery of savings was being closely monitored, but as the Service had been delivering savings since 2010 it was becoming increasingly challenging. Savings may have been reprofiled, SLT would manage and monitor these through the Medium Term Financial Plan (MTFP), they would also look for alternative savings. The Capital Strategy had

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experienced further delays to Fleet and Estates projects due to the worldwide supply chain issues, and tenders were coming in significantly higher than had been budgeted for. Future procurement would be adjusted using the lessons learned so far. There would be delays, but officers were working hard on the delivery timeline.

The Members queried the impacts on the Service of being over establishment with Firefighters. The ADR/T explained that there were a number of ways in which this was impacting the Service. It was over-establishment due to a recruitment campaign based on the age profile of the workforce and the anticipated high number of retirements. These individuals had not retired as expected due to national pension issues. The Service was working hard to manage this in a positive way, including less overtime etc. There was a risk that when the national pension issues were resolved all these retirees would leave at the same time, but the situation was constantly under review and being managed as best as possible.

RESOLVED – The Policy & Resources Panel agreed to:

- i. note the current assessment of risk facing the Authority in 2022/23; and
- ii. approve the proposed changes to the Engineering capital programme

48 Fire Authority Response - Home Office White Paper "Reforming Our Fire & Rescue Service"

The Policy & Resources Panel considered the report of the Senior Democratic Services Officer (SDSO) which provided an opportunity for Members to consider and approve the proposed response of East Sussex Fire Authority, collectively drafted by the four Group leaders. On 18 May 2022, the Home Office launched its consultation for the long anticipated White Paper setting out proposed reforms to the Fire and Rescue sector in England. There were three principal areas covered by the proposals People, Professionalism and Governance and views were being sought on the specific proposals and the wider package of reforms presented. The response that would be agreed by the Panel was the Member led response, a separate response would be submitted by the Service.

The White Paper had been circulated on its publication to all Fire Authority (FA) Members to allow for detailed scrutiny. The Group Leaders then submitted comments and responses on behalf of their Groups. A combined document was drawn up setting out the consultation questions and collated responses to allow the Group Leaders to consider each in depth at their Working Group meeting on 23 June 2022. The Working Group created a draft collective response for the FA, further consultation followed, and the Group Leaders met again to update the response which they felt represented a collaborative and collective response.

The Panel appreciated the thorough work that had gone into the creation of the draft response, it was clear that all Groups had been closely involved and

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that this was a good, cross-party response. Members were disappointed that the White Paper made no mention of Firefighter Pensions and only small mention made to pay. Members were surprised that there was so much apparently missing from the White Paper, such as business safety and the recruitment of appropriate staff, no mention of sprinklers or the new core code of ethics fire standard.

There was a discussion amongst the panel regarding proposed small amendments to the “scoring element” and small textual amendments

RESOLVED: The Policy & Resources Panel agreed to:

- i. amendments to the scoring element on questions twenty-two and twenty-three to become “disagree” additions and the addition of a reference to equality, diversity and inclusion at question seven on the draft response at Appendix 1;
- ii. Approved the draft response at Appendix 1 as modified as pursuant to recommendation i) above; and
- iii. Authorised the Senior Democratic Services Officer to submit the final response by the deadline of 26 July 2022.

49 Provision of Occupation Health Service

The Panel considered the report of the Assistant Director People Services (ADPS) presenting the proposed future arrangements for the provision of Occupational Health and Wellbeing Services within East Sussex Fire & Rescue Service (ESFRS). The Service had entered an in-house collaborated Occupational Health, Fitness and Wellbeing Service in 2018. The main aims were to improve the quality of service, clinical governance and self resilience. The agreement was for an initial 3 years with a one-year extension agreed to by the Service expiring on 8 August 2022.

The ADPS explained that a new collaboration agreement and service specification had been developed that clearly set out how the partnership would operate in the future. Alternative options for the provision of these services had been considered but none were assessed to provide the same scope and quality of service as that which was provided through the current collaboration.

RESOLVED – The Panel agreed to:

- i. extend the collaboration for a further 5 years from 8 August 2022, with an option for a one-year extension, with the option to utilise the 6-months’ notice period if the standard of service is not found to be adequate;
- ii. note the performance improvement measures for the collaboration;

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- iii. note the granting of a waiver under the Authority's Procurement Standing Orders; and
- iv. delegate authority to the Assistant Director People Services to take all actions necessary to put in place the new Collaboration Agreement.

The meeting concluded at 12.35 pm

Signed

Chairman

Dated this

day of

2022

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting Policy & Resources Panel

Date 10 November 2022

Title of Report Revenue and Capital Budget 2022/23 and Capital Programme 2022/23 to 2026/27 Monitoring at Month 6 (end September).

By Duncan Savage, Assistant Director Resources/Treasurer

Lead Officer Alison Avery, Finance Manager

Background Papers Fire Authority Service Planning processes for 2022/23 and beyond – Revenue Budget 2022/23 and Capital Asset Strategy 2022/23 to 2026/27

Revenue and Capital Budget 2021/22 and Capital Programme 2021/22 to 2025/26 – Provisional Outturn

Appendices

1. Revenue Budget 2022/23 Objective
2. Savings Programme 2022/23
3. Grants and Spending Plans 2022/23
4. Capital Programme 2022/23 to 2026/27
5. Estates Capital Budget 2022/23
6. Engineering Capital Budget 2022/23
7. Reserves 2022/23

Implications (please tick ✓ and attach to report)

Any implications affecting this report should be noted within the final paragraphs of the report

CORPORATE RISK		LEGAL	
ENVIRONMENTAL		POLICY	
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	

PURPOSE OF REPORT To report on the findings of the Month 6 monitoring undertaken on the Revenue and Capital Budget 2022/23 and Capital Programme 2022/23 to 2026/27.

EXECUTIVE SUMMARY This is the third report to Members for the 2022/23 financial year and highlights the findings from the Month 6 monitoring undertaken on the Revenue Budget 2022/23 and 5 year

Capital Programme 2022/23 to 2026/27, approved by the Authority in February 2022.

A net revenue overspend to the sum of £253,000 has been identified, as summarised in Appendix 1. This is due to the following pressures:

- Wholetime overtime and on-call training within Training
- Utilities due to inflationary pressures
- Fuel due to inflationary pressures
- Wholetime and overtime within Safer Communities
- Unachievable savings

These are offset by:

- Rates reductions
- PMO vacancies
- Maintenance and equipment within Engineering
- Treasury Management interest receivable
- Additional funding

The forecast has reduced by £193,000 since P4, this can be attributable to:

- An increase in Treasury Management interest receivable
- Reductions in overtime and retained training following a reduction in year-to-date spend
- Reductions in pay, due to the correction of numerous miscodings and a better understanding of the wholetime establishment
- Reduction in NI following government announcement
- Offset by transfers to reserves in relation to People Strategy and Firefighter recruitment

There are several potential pressures not included within the current forecast. These include additional pay awards and inflationary pressures on non-pay spend above the 2% budgeted. It is expected these may be in the region of £700,000 to £1,200,000. This is a reduction from the Month 4 position due the recent pay offer made to Grey Book staff and a review of non-pay inflation.

Further work is required to review the forecast and management action is required in reviewing staffing and overtime forecasts.

SLT agreed the following actions at its July meeting:

- Vacancy Management would be reviewed immediately and started to be put in place in the coming months. Workforce Planning Group would be used as mechanism to:
 - approve recruitment to all vacancies
 - approve the use of agency staff
 - have oversight of overtime spend (with particular focus on Safer Communities and Training)
 - review and agree forecasts for operational (grey book) strength.

- Management of discretionary spend would also be a key focus and SLT agreed that as part of P4 budget monitoring:
 - all budget managers would review with their Finance Business Partner opportunities to manage underspends on non-pay spend in 2022/23 with a particular focus on areas such as training, estates maintenance and equipment (IT and Engineering)
 - the finance team would review corporate opportunities to manage generic spend e.g. agency staff, conferences, catering, accommodation / venue hire, printing etc.

Performance against the Savings Programme is summarised in Appendix 2 and detailed in section 5.

Performance against grants and spending plans is summarised in Appendix 3 and detailed in section 5.

Revenue and Capital programme risks are detailed in section 3, focusing specifically on areas that are subject to further investigation and the outcome could result in significant additional pressures in the current and future financial years.

The original 2022/23 Capital Budget and five year Capital Strategy of £25,181,000 was approved by the Fire Authority on 10 February 2022. The Capital Strategy has been increased to £27,927,000 to include slippage of £933,000 and allocation of spend in advance of £203,000 from 2021/22 and additional budgets for Estates to cover temperature control in sleeping pods and general schemes at £2,016,000.

The current year Capital Budget was approved by the Fire Authority at £7,250,000 and updated to £8,738,000 (Property £4,428,000 and Fleet and Equipment £4,310,000) including slippage of £933,000 brought forward from 2021/22, allocation of spend in advance of £166,000 from 2021/22 and

an additional £721,000 for Estates to cover temperature control in sleeping pods and general schemes

Officers have reviewed the capital plans for 2022/23 and report slippage on delivery of projects to the value of £3,159,000 (37.9%). In addition underspend of £153,000 is expected against capital schemes. Detailed information is contained within section 7. The Estates and Engineering Capital Projects 2021/22 are detailed in Appendices E and F.

The position on reserves shows an opening balance of £19,161,00. The forecast net drawdown from reserves is £7,846,000, a reduction in drawdown of £3,934,000 compared to the planned drawdown of £11,780,000. This results in an estimated closing balance of £11,315,000, as detailed in section 8 and summarised in Appendix 7. This would reduce further if reserves are used to cover the inflation related risks described elsewhere in this report of £0.7m - £1.2m. Work is ongoing to review likely drawdown of reserves (including grants brought forward) for the rest of the current year on both Revenue and Capital projects.

There is an increase in the interest receivable on the Authority's cash investments of £22,300,000 due to the Bank of England's increasing base rate. Interest receivable is projected at £280,000, resulting in a surplus of £260,000 when compared to the budget. Interest payments on fixed rate loans of £10,298,000 are unaffected.

RECOMMENDATION

The Panel is recommended to note:

- i. the risks to Revenue Budget and the projected overspend;
- ii. the risks to the Capital Programme;
- iii. the reduced net forecast drawdown from reserves;
- iv. the grants available and spending plans;
- v. the monitoring of savings taken in 2022/23; and
- vi. the current year investments and borrowing

1. INTRODUCTION

- 1.1 The Original Revenue Budget 2022/23 and Capital Strategy 2022/23 to 2026/27 was approved at the meeting of the Fire Authority on 10 February 2022.

- 1.2 This is the third report to Members for the 2022/23 financial year and highlights the findings from Month 6 (end September) monitoring undertaken on the Revenue and Capital Budget 2022/23 and Capital Programme 2022/23 to 2026/27. It should be noted the review is based on currently available information and the result may change as new information emerges during the year.

	This P&R (Month 6)	Last CFA (Month 4)	Movement
	£'000	£'000	£'000
Revenue (see section 2)	253	446	(193)
Capital in year (see section 7)	(3,312)	(3,456)	144

- 1.3 The Revenue Budget approved by the Fire Authority in February 2022 was a net expenditure requirement of £41,766,000.
- 1.4 A net revenue overspend to the sum of £253,000 has been identified at Month 6 (end September) and is reflected in the Revenue Budget 2022/23 objective summary at Appendix 1 and detailed in section 2.
- 1.5 The savings requirement 2022/23 is £778,000. The current position shows we have delivered or are on course to deliver £405,000 (52%) of savings. There are a number of savings at risk as detailed in Section 5.
- 1.6 The grants available total £4.2m, including grants brought forward from previous years. The Quarter 2 grant claims are in progress, as summarised in Appendix 3 and detailed in section 5.
- 1.7 The five year Capital Strategy 2022/23 to 2026/27 was approved by the Fire Authority in February 2022 at £25,181,000. The 5 year Capital Programme is projected to underspend by £166,000 as detailed in section 8.
- 1.8 The Capital Budget for 2022/23 was approved by the Fire Authority at £7,250,000 and updated to £8,738,000 including slippage of £933,000 brought forward from 2021/22, allocation of spend in advance of £166,000 from 2021/22 and an additional £721,000 for Estates.
- 1.9 A number of Revenue Budget and Capital Programme risks are set out in section 3 which will be monitored throughout the year. The updated position on Contingency, Reserves, Borrowing and Investments is provided at sections 6, 8 and 9, respectively.

2. REVENUE BUDGET COMMENTARY

- 2.1 The Revenue Budget is projected to overspend by £253,000. This is a reduction of £193,000 from the position of £446,000 overspend reported at P4.

This is summarised across divisions in Appendix 1 and detailed explanations are provided below.

2.2 **People Services:** The expected overspend is £344,000 as detailed below. There is further work required to identify if budget allocated from the People Strategy needs to be returned to the reserve, where projects or activities are delayed or rephased.

2.2.1 **AD People Services:** Expected underspend of £10,000 (previously reported £10,000 underspend). The underspend is due to post holder being on development rate.

2.2.2 **HR:** Expected overspend of £14,000 (previously reported £10,000 overspend). The main reason for the variance is an overspend of £13,000 on staffing due to maternity and sickness cover, onboarding pensions specialist at £9,000, £25,000 due to the unachievable Firewatch saving, and a saving on occupational health costs of £26,000. There are a number of other small variances across the department.

It was agreed that Occupational Health underspend would be used to support a Station Manager post in Health & Safety, but the budget virement is yet to be processed.

There has been a delay in recruiting to the Pensions Administrator post and as such £32,000 has been transferred to the Pensions Admin reserve to fund this post into 2023/24.

A total of £65,000 has been transferred to the People Strategy reserve, relating to delayed drawdowns for Mentoring system (£15,000), Training Suite for EDI (£20,000), Korn Ferry review of salary structure (£30,000), HR Intelligence (£10,000) and HR Operating models (£10,000), offset by drawdowns for Staff survey (£10,000) and Grievance training (£10,000).

The increase in forecast spend since P4 can be attributed to increased of £8,000 Occupational Health costs following receipt of additional costs from February 2022, this is offset by a number of small underspends.

2.2.3 **Health & Safety:** An overspend of £38,000 is expected (previously forecast to budget). This relates to a temporary Station Manager post within the team. The intention was that this would be funded by an underspend within Occupational Health, with the budget adjustment yet to be made.

2.2.4 **Service Training Centre:** An overspend of £300,000 is expected (previously reported £230,000 overspend). The overspend is driven by pay and overtime at £400,000 to deliver essential training, including on-call training. This is offset by an underspend of £132,000 on external training. There is additionally £32,000 overspend made up of a number of small overspends across the department.

Within the overspend a total of £178,000 excluding on-costs has been incurred on overtime. There have been a number of unplanned and unbudgeted training

requirements, such as L2 officers training and ship alongside. Ship alongside will be incorporated into the structural firefighting course reducing pressure in future years. During Covid courses had to run with a reduced number of delegates increasing the overall number of courses required, this has a knock-on consequence into 2022/23 and this pressure will not be incurred once the courses have caught up.

Analysis is underway to understand the additional training costs associated with Covid and consideration will be given by SLT as to whether this pressure can be funded from the Covid reserve, which currently has an unallocated balance of £96,000.

Additionally there is £116,000 spent on retained training and overspend on wholetime staff, with an additional Watch Manager and Crew Manager offsetting a Station Manager vacancy and support staff pay within Driver training.

The forecast spend has increased by £70,000 since P4. The underspend of £154,000 on firefighter recruitment has been transferred to reserves. This is offset by reductions in overtime and retained training as spend is reducing and forecasts are based on extrapolations.

- 2.2.5 **Work Force Development:** An overspend of £1,000 expected (previously forecast £6,000 overspend). The overspend can be attributed to unachievable training course income (£5,000) and instructors on zero hours contracts (£1,000) offset by staff vacancy of £5,000.

The £5,000 reduction of overspend can be attributed to the staff vacancy.

- 2.3 **Resources/Treasurer:** Expected underspend of £62,000, as follows:

- 2.3.1 **AD Resources/Treasurer :** An overspend of £1,000 (previously reported £2,000 overspend) is expected relating to National Insurance, due to the allocations used at budget setting.

- 2.3.2 **Estates:** An overspend of £39,000 is expected (previously reporting £26,000 overspend). Underspends of £10,000 on staffing and £152,000 on rates, due to revaluation of properties, is offset by an overspend on utilities of £192,000 due to inflationary pressures, with other small variances across the department.

The forecast spend has increased by £13,000 since P4, which mainly relates to furniture spend for design guide sites.

The full impact of utility costs is not yet known. There is a possibility that the utilities baskets sourced through CCS contracts will not benefit from the government energy price cap.

Within the position above it has been assumed £326,000 (the net Business Rates rebate) will be transferred to the capital programme reserve to support potential pressures on Estates capital scheme costs.

2.3.3 **ITG:** Currently expecting an underspend of £62,000 (previously reported £60,000 overspend). This can be attributed to delay in project spend for Pagers & Alerters, Finance Improvement, Station End 4 and EDRMS, offset by the pressure caused by the reduction of £71,000 in Firelink grant.

The forecast movement since P4 can be attributed to the delay in project related spend.

2.3.4 **Finance:** An underspend of £55,000 is expected (previously reporting £38,000 underspend). The underspend can be attributed to an overprovision for audit fees of £24,000 and underspend of £30,000 relating to one-off costs for the Finance Improvement Plan. The underspend resulting from the removal of personal accident insurance cover is offset by an increase in other insurance costs due to inflation.

The movement of £17,000 can largely be attributed to audit fees.

2.3.5 **Procurement:** A forecast overspend of £20,000 (previously £39,000 overspend) is attributable to workwear and uniform as we have had to change supplier which is offset by a vacancy within the team and a small underspend of £3,000 on travelling expenses. The reduction in forecast is attributable to a delay in recruiting to a vacancy within the department.

2.3.6 **Fire Authority Legal Services:** A small underspend of £5,000 expected as previously reported.

2.4 **Planning and Improvement:** A forecast underspend of £121,000 is expected as follows:

2.4.1 **Communications:** An underspend of £12,000 is expected (previously £23,000 underspend). The underspend is due to vacancies within the department with movement relating to dates vacancies are expected to be filled.

2.4.2 **Performance:** An overspend of £2,000 is expected (previously £5,000 overspend) relating to pay costs, due to the allocation of budget for increments and on-costs during budget setting. The reduction in overspend can be attributed to pay costs.

2.4.3 **PMO:** An underspend of £101,000 is expected (previously reported £100,000 underspend) due to vacancies within the department, offset by agency staff spend.

2.4.4 **Cost of Democracy:** An underspend of £10,000 (previously on £2,000 underspend) is expected due to a vacancy within the department and mileage payments. The movement since P4 can be attributed to the delay in filling the vacancy.

2.5 **Safer Communities:** An overspend of £907,000 is expected (previously forecast £1,001,600 overspend). The details are below.

- 2.5.1 **AD Safer Communities:** An underspend of £42,000 is expected with the majority of the underspend relating to the £40,000 on-call budget allocated outside of the Groups, which is held as contingency. The change in forecast of £9,000 since P4 can be attributed to the post holder's competent pay being backdated.
- 2.5.2 **Flexible Crewing Pool:** There is currently an underspend reported of £348,000. The budget was allocated for the Flexible Crewing Pool based on the Pool commencing on 01 June 2022. Whilst recruitment for the posts is in progress, with positions expected to be filled in January 2023 the current forecast is showing an underspend of the full amount as the budget currently offsets overspend within the Groups. When the pool is recruited to the budget will be transferred to OSR and it is expected the pressure reported in the Groups will reduce. The budget for 10% allowances for the Crewing Pool was not included within the budget and this results in a full year pressure of £34,000.
- 2.5.3 **Groups:** The Groups are reporting an overspend of £1,305,000 (previously reported £1,401,000 overspend). This overspend can largely be attributed to wholetime pay and overtime.

The wholetime pay overspend is £1,099,000 which can be attributed to over establishment as below:

Month	June	July	Sept	Nov	Feb	Mar
Over-establishment	29	22	32	34	34	34

The Service has been running over establishment for two key reasons. Firstly a recruits course was run against a predicted retirement profile, which had been a sound assumption for many years. However, due to the uncertainty surrounding immediate detriment, a number of colleagues decided not to retire at the earliest date possible. Secondly, and more lately as new recruits have been located into substantive positions, a number of fixed term contracts covering long term absences and light duties have inflated the establishment, as has been the case for a number of years.

As we have reduced the overall establishment through reducing the ridership factor on watches the contingency against long term sickness and light duties has been largely removed. The current Integrated Risk Management Plan (IRMP) will offer some additional resilience through the flexible crewing pool and flexible on call contracts but thought will need to be given to how we can reduce long term sickness, light duties and suspensions whilst considering a staffing contingency (the number that is most cost effective to limit overtime) against long term sickness/light duties that is costed and offset through the forthcoming Community Risk Management Plan (CRMP) to ensure a balanced Medium Term Financial Plan (MTFP).

For the reasons above the planned reduction in establishment through the agreed IRMP proposals can be taken on paper but the paid headcount (impacted by the two reasons above) will ultimately dictate the overall grey book related pay and therefore the ongoing pressure.

A total of £575,000 of staff cost savings for city crewing and day crewing were planned to be made through IRMP this year, with £348,000 of the £575,000 being invested into the crewing pool. As we are over establishment there is currently no need to implement the crewing pool in the way envisaged at this point, which reduces the pressure to £227,000 across the service, with the underspend for the crewing pool reported outside of the groups.

Individuals on light duties are costing £47,000 a month. For the purpose of forecasting the fixed term contracts have been forecast for the remainder of the financial year, but if these were to cease in line with their current anticipated end dates then the forecast would reduce by £178,000.

The overtime overspend is £325,000. 80% of the overtime paid to date can be attributed to crewing shortages (49%), firecalls (19%) and outposts (12%). The overtime increases from May, with August being considerably higher than previous months and in part can be attributed to recent heatwaves. The overtime forecast is based on extrapolation of the overtime to date.

An additional pressure of £30,000 relates to income from Dry Riser Testing, which is not being delivered.

These pressures are offset by underspends on on-call staff at £70,000 due to being under-establishment and support staff at £28,000.

The reduction in forecast of £395,000 can be attributed to pay, where a full review has been undertaken and a number of mispostings corrected, offset by an increase in overtime as amounts rose in August as a result of heatwaves.

2.5.6 **Protection:** An underspend of £186,000 is expected (previously forecast £146,000 overspend). The underspend relates to pay costs with a number of vacancies.

The movement can be attributed to pay as Protection was significantly impacted by the miscodings.

2.5.7 **Prevention:** An overspend of £177,000 is expected (previously reporting £139,000 overspend). There is pressure of £100,000 from savings not deliverable in year, with additional pressure due to agency staff and additional staff costs covering maternity leave and overtime, which has been extrapolated at the current rate for the remainder of the year. In addition a pressure of £28,000 is expected for Child Safety income due to a budget setting error.

The increase in forecast can be attributed to the income pressure and additional staff costs following a further maternity leave within the department.

2.6 **Operational Support & Resilience:** A forecast underspend of £163,000 is expected as follows:

2.6.1 **AD OSR:** An overspend of £1,000 is expected as previously reported.

- 2.6.2 **Engineering:** An underspend of £140,000 is expected (previously reporting £148,000 underspend). Currently a pressure of £98,000 is reported on fuel, as prices have been currently an average of 35% higher than in the first quarter of 2021/22. This pressure is offset by underspends on maintenance and on equipment, as this budget is based on an old replacement programme.

Despite fuel costs reducing the forecast remains at an overspend of £98,000 and this will be continually reviewed. There is a possibility this may increase based on the year to date spend.

- 2.6.3 **Ops P&P:** An underspend of £25,000 is expected (previously reported £123,000 underspend). There is underspend of £48,000 on wholetime staff, relating to vacant Station Manager position, with an underspend of £15,000 on overtime, although it is possible this is miscoded elsewhere in the service. This is offset by an overspend on hydrant repairs at £40,000, based on the current commitments. There is a significant backlog in hydrant repairs causing this overspend.

The movement from P4 can largely be attributed to pay costs, as there were several miscodings within Ops P&P which have now been rectified.

- 2.6.4 **Control Room:** An overspend of £1,000 is expected (previously reporting £3,000 overspend). An underspend of £103,000 expected for JFC based on the latest information provided by Surrey, with additional one off spend of £104,000 expected for upgrades and decommissioning at Haywards Heath.

The forecast does not include our share for a GM post, which is included within the budget, but is yet to be agreed.

It is likely that the JFC recharge will increase due to pay rises, maternity leave and increased overtime due to increased activity seen as a result of the recent heat waves. Surrey has indicated the pay offer of 5% would result in an additional charge of £17,000.

- 2.7 **CFO:** An underspend of £35,000 is expected (previously £10,000) due to part time appointments covering full time roles and a number of underspends on non-pay costs for travelling, accommodation and subsistence.

The increase in underspend is across pay and the non-pay headings above and is based on a thorough review of year-to-date spend.

- 2.8 **Treasury Management:** This income budget is expected to overachieve by £260,000 (previously reported £160,000), with the amount receivable dependent on the amount available in invest and the interest rates available. Changes to the capital programme, through additional budget allocation and significant slippage will impact on the level of borrowing required and therefore interest payable. It is possible that this interest receivable could increase further during the year as interest rates continue to rise.

- 2.9 **Non Delegated Costs:** An overspend of £42,000 is expected (previously £38,000). Overspend of £50,000 relates to Procurement savings, which need

to be allocated across the service offset by an underspend of £8,000 on pension costs based on year-to-date charges.

2.10 **Corporate Contingency:** This budget is intended to provide some flexibility for SLT to manage in-year budget pressures and was set at £298,000 for 2022/23. Currently no amounts have been allocated.

2.12 **Financing:** Current information indicates that the Service will receive additional funding of £399,000.

2.12.1 When the budget paper was presented to the Fire Authority in February the exact position regarding business rates income was unknown. Updated information from Local Government Futures based on billing authorities NNDR1 forms indicate additional income of £412,000.

2.12.2 An additional £27,000 will be received from Council Tax and Business Rates Covid-19 Tax Income Guarantee following confirmation of the final amounts in the last financial year.

2.12.3 The additional income is offset by a pressure of £40,000 in Council Tax as an incorrect tax base was provided by one billing authority during the budget setting process.

3. **REVENUE BUDGET AND CAPITAL PROGRAMME RISKS**

3.1 **Pension Costs:** There is continued reliance on one-off grant to fund increased contributions for FPS as well as the uncertainty on the cost and funding of the remedy from the Sargent case (initial estimate of historic liability approx. £5m, ongoing costs £0.9m p.a.). For the latter it is now understood that the cost will impact through the next quadrennial scheme valuation i.e. from 2024/25 onwards. The Authority will be directly liable for the cost of any Injury to Feelings claims and any additional administrative costs of implementing the remedy. The Government has also confirmed that it will not fund non scheme costs including unauthorised tax charges and scheme sanction charges in the current tax year. A Pension Administration reserve of £222,000 is held to fund costs resulting from remedy implementation. Of this total £32,000 relates to funding for the Pensions Administrator post as there has been a delay to recruiting to this post during 2022/23.

3.2 **Pay Award 2022/23:** The budget provided for 2% pay awards across gold, grey and green book staff and this is the amount included within the current forecast position. However, with high inflation rates, there is pressure from representative bodies for significantly higher pay awards.

3.2.1 Green book staff have been offered a pay rise of £1,925. It is expected the additional pressure will be £275,000 based on the current pay forecast.

3.2.2 Grey book staff have been offered a pay rise of 5%. Based on the current pay forecast for grey book staff this would create an additional pressure of between £410,000 in 2022/23, resulting in a full year effect pressure of £550,000.

- 3.3 **Worldwide Supply Chain Issues:** The impact of worldwide supply chain disruption is impacting construction projects across the nation. The dwindling supplies along with increased costs and long delivery times being experienced by the construction industry could impact on the Capital Programme. The Estates team are working to understand the potential financial impact and it is likely that this will become evident as we move planned projects through procurement to delivery during 2022/23. There are two potential impacts, firstly increases in the cost of projects and secondly slippage of projects and spend into future years (which could in itself lead to additional increased costs). The Estates team will work with stakeholders to bring tender costs back within budget through value engineering where possible on those projects which the Authority committed to following the phase 1 review of the Estates Capital Programme. The Phase 2 review which is considering all projects at Day Crewed and On Call stations will need to assess the impact of increased costs and affordability before it feeds into the next round of budget setting.
- 3.4 **Utilities and Fuel Inflationary Increases:** There have been considerable inflationary rises in utilities and fuel costs, which have been exacerbated by the ongoing conflict in Ukraine. An additional pressure of £85,000 over and above the standard 2% inflationary factor was included in the budget for 2022/23. The forecast for utilities and fuel are both reporting forecast overspends and these budgets will continue to be monitored closely with Estates and Engineering colleagues throughout the year.
- 3.5 **Inflationary Contract Increases:** In addition to utilities and fuel additional budget provision was allocated for timber (£40,575) and catering (£13,000). A standard 2% inflationary budget increase was included for all non-pay totalling £227,000. Work is ongoing with Procurement to understand the financial impact of inflation on contracts. Recent analysis indicates this could be lower than originally anticipated and is likely to be between £200,000 and £500,000.

4. **MANAGING REVENUE BUDGET PRESSURES**

- 4.1 Whilst there is still work to be completed to understand the expected outturn forecast, current analysis indicates additional pressures of between £900,000 and £1.2m. Although current indications indicate the pressure will be at the lower end of the scale with known pressures relating to pay.
- 4.2 There may be opportunities to support some of this pressure from reserves. SLT have agreed to review recruitment to vacancies, however SLT need to consider whether further controls are implemented on spend.
- 4.3 SLT agreed the following actions at its July meeting:
- Vacancy Management would be reviewed immediately and started to be put in place in the coming months. Workforce Planning Group would be used as mechanism to:
 - approve recruitment to all vacancies
 - approve the use of agency staff

- have oversight of overtime spend (with particular focus on Safer Communities and Training)
- review and agree forecasts for operational (grey book) strength.
- Management of discretionary spend would also be a key focus and SLT agreed that as part of the P4 budget monitoring:
 - all budget managers would review with their Finance Business Partner opportunities to manage underspends on non-pay spend in 2022/23 with a particular focus on areas such as training, estates maintenance and equipment (IT and Engineering)
 - the finance team would review corporate opportunities to manage generic spend e.g. agency staff, conferences, catering, accommodation / venue hire, printing etc

5. SAVINGS PROGRAMME 2022/23

5.1 Appendix 2 summarises the net savings requirement 2022/23 of £778,000. Work is in ongoing with Service managers to identify and report actual delivery of savings compared to budgeted savings.

5.2 Current projections show we have delivered or are on course to deliver £405,000 (52%) of savings.

The following savings are currently rated as red and causing a pressure in the revenue budget:

- £25,000 Firewatch– due to duplication in budget
- £25,000 Procurement Category – due to impact of inflationary increases
- £40,000 Education Team – although plans to deliver this saving are to be presented
- £55,000 CRM
- £130,000 IRMP

In addition, the following savings are currently amber rated:

- £25,000 consolidation of project management capacity
- £63,000 Telent contract savings – dependent on IT projects

6. GRANTS 2022/23

6.1 The Government has awarded grants for use on specific purposes and your officers will ensure these are delivered in accordance with grant conditions. These include grants awarded in year, brought forward from previous years where their spending plans fall over more than financial year and others that require development of spending plans. The amount available is £4.2m, as summarised in Appendix 3. Quarter 1 grant returns have been submitted and Quarter 2 grant returns are in progress.

6.2 The latest grants are detailed below:

- 6.2.1 **Covid-19:** – £95,855 has been carried forward from 2021/22. The current position is that any Covid related costs are being funded from the revenue budget. The Home Office have confirmed any outstanding balance of the 2021/22 Covid Grant can be utilised on Efficiency or Productivity. Options for use of this grant will be discussed during the year.
- 6.2.2 **Surge Protection Grant Funding:** – this is specifically to deal with inspections for high rise buildings and other high-risk buildings. The grant conditions have been received. A further allocation of £358,079 has been awarded for 2022/23. A spend plan has been developed to utilise this grant and the £227,808 brought forward from 2021/22.
- 6.2.3 **Grenfell Infrastructure Fund:** £4,509 is carried forward from 2021/22 to help support FRS to put in place a local Grenfell Inquiry recommendations co-ordination function which will help co-ordinate local activity and support the national work led by the NFCC; drive progress on local improvements and ensure funding for smoke-hoods and other technical investments.
- 6.2.4 **Accreditation & RPL Grant Funding:** £22,737 is carried forward from 2021/22 for the purposes of accrediting fire protection officers and fire safety engineers. It is anticipated this grant will be utilised over the next three years.
- 6.2.5 **Fire Fighter Pension Scheme:** this is used towards the shortfall in employer's pension contributions and £1.7m will be received in 2022/23.
- 6.2.6 **New Dimensions:** £31,739 is carried forward from 2021/22 and additional £27,430 grant relates to 2022/23. A spending plan needs to be developed to utilise this grant funding.
- 6.2.7 **Responding to New Risks:** £32,520 is carried forward from 2021/22, with the 2022/23 grant confirmed as £6,500. A spending plan needs to be developed to utilise this grant funding.

7. CONTINGENCY 2022/23

- 7.1 The Fire Authority maintains a contingency in order to assist it in managing one-off unforeseen pressures and making investments within the financial year. At its' meeting held in February 2022, the Fire Authority agreed a contingency of £298,000 for the 2022/23 financial year. None of the contingency has currently been allocated. If that position remains then it would reduce the forecast outturn accordingly. At this stage it is recommended that the contingency is held to help fund the pay and non-pay inflation risks set out elsewhere in this report.

8. CAPITAL PROGRAMME COMMENTARY

- 8.1 The original 2022/23 Capital Budget and five year Capital Strategy of £25,181,000 was approved by the Fire Authority on 10 February 2022. The Capital Strategy has been increased to £27,927,000 to include slippage of £933,000 and allocation of spend in advance of £203,000 from 2021/22 and

additional budgets for Estates to cover temperature control in sleeping pods and general schemes at £2,016,000.

8.2 The Capital Programme is funded by: Capital Receipts Reserve £4,672,000, Capital Programme Reserves £9,905,000, Community Infrastructure Levy (CIL) £289,000, and New Borrowing £12,895,000 as shown in the table below. Overall, the revised 5 year Capital Programme is forecasted to come in underspent by £166,000, as summarised in Appendix 4.

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Estates	3,729	3,719	2,878	2,779	1,873	14,978
Fleet & Equipment	3,521	2,105	1,763	1,599	1,215	10,203
Original Approved Programme	7,250	5,824	4,641	4,378	3,088	25,181
						0
Slippage from 2021/22	933	0	0	0	0	933
Spend in Advance from 2021/22	(166)	(28)	(9)			(203)
Additional Estates	721	513	369	205	208	2,016
Underspend	(153)	0	0	0	0	(153)
Slippage into 2023/23	(3,159)	3,159	0	0	0	0
Updated Capital Programme	5,426	9,468	5,001	4,583	3,296	27,774
Funded by:						
Capital Receipts Reserve	4,672	0	0	0	0	4,672
Capital Programme Reserve	754	4,150	1,333	1,666	2,000	9,903
CIL	0	0	289	0	0	289
New Borrowing / Need to Borrow	0	5,318	3,379	2,917	1,296	12,910
Updated Capital Programme	5,426	9,468	5,001	4,583	3,296	27,774

8.3 **Capital Funding** – the sale of the old Fort Road site in Newhaven to Lewes District Council proceeding with a 10% deposit received in 2020/21. The outstanding balance is expected during 2022/23 and will be £75,000 lower than the original offer due to issues within planning permission. The Service has also been successful in its bid for Community Infrastructure Levy (CIL) funding from Lewes District Council. £289,000 has been awarded which will part fund the planned enhancements at Barcombe and Seaford Fire Stations, reducing the need for future borrowing.

8.4 The **Capital Budget 2022/23** was approved by the Fire Authority at £7,250,000 and updated to £8,738,000 (Property £4,428,000 and Fleet and Equipment £4,310,000) including slippage of £933,000 brought forward from 2021/22, allocation of spend in advance of £166,000 from 2021/22 and an additional £721,000 for Estates to cover temperature control in sleeping pods and general schemes omitted from the original budget.

8.5 A review of the 2022/23 capital budget by officers has identified slippage to the value of £3,159,000 (37.9%). Estates are expecting slippage of £1,984,000, with Fleet and Equipment expecting slippage of £1,175,000. There is additional

underspend of £153,000 expected, as summarised in Appendix 6. Since P4 the slippage has reduced by £154,000, with additional underspend of £10,000.

8.5.1 The Estates / Property underspend is £1,948,000 which is slippage due to the reprioritisation and reprofiling of works. It is expected Hove, Eastbourne Multi-Purpose Training Hub (MPTH) and Bohemia Road will be completed during this year. Spend on Bohemia Road has been brought forward following a request from the IRMP team. Significant work at Preston Circus, Roedean and Eastbourne is now re-phased to 2023/24. Additional work on roof repairs, bay doors, floors and training towers is aligned to other work at the stations, with some delays due to the availability of Estates and contractor resources. The movement since P4 of a reduction in slippage of £193,000 is due to the reprofiling of projects, namely Preston Circus and Bohemia Road.

8.5.2 The Fleet underspend is £1,328,000. Of this £1,175,000 relates to slippage due to the global supply chain issues, lead times have increased by 45% for HGV chassis and doubled for light vehicles in comparison to pre-pandemic. Underspend of £153,000 is expected in relation to a number of vehicle purchases. The slippage has increased by £49,000 since P4 and this is due to a review of the profiling over the remainder of the year, an additional underspend £10,000 is expected.

9 RESERVES 2022/23

9.1 The Fire Authority maintains Reserves in order to assist it in managing its specific spending plans across the financial year (Earmarked Reserves), making provisions for the financial risks it faces (General Fund Reserves) and making investments (Capital Receipts Reserve).

9.2 The opening balance at 1 April is £19,161,000.

9.3 The forecast net drawdown from reserves totals £8,655,000 compared to the original planned net drawdown of £11,780,000. This is a net reduction in drawdown of £3,125,000 resulting in an estimated balance at 31 March 2023 of £10,696,000 as summarised in the table below and detailed over individual reserves in Appendix 7.

	Balance at 1 April 2022	Original Planned Net Transfers	Forecast Net Transfers	Net change	Month 6 Balance at 31 March 2023
	£'000	2021/22 £'000	2021/22 £'000	2021/22 £'000	£'000
Earmarked Reserves	12,993	(7,763)	(4,400)	3,363	8,593
General Fund	1,913	0	0	0	1,913
Total Revenue Reserves	14,906	(7,763)	(4,400)	3,363	10,506
Total Capital Reserves	4,255	(4,017)	(4,255)	(238)	0
Total Usable Reserves	19,161	(11,780)	(8,655)	3,125	10,506

9.4 Work continues with budget managers to confirm the planned use of revenue and capital reserves in 2022/23.

9.5 The main reasons for the overall net reduction in forecast drawdown of £3,315,000 are as follows:

Earmarked Reserves – Decrease of £3,363,000

- £84,000 – changes to Business Rates Pool Reserve following latest confirmed position from the pool for 2021/22 and reduction in funding to support Protection in 2022/23
- £431,000 – reduced drawdown from the ITG Strategy Reserve
- £388,000 – reduced drawdown from Mobilising Strategy Reserve due to balance of reserve being lower than anticipated
- £2,783,000 – reduced drawdown from the Capital Programme Reserve
- (£284,000) – increased drawdown from the Improvement & Efficiency Reserve
- £80,000 – reduced drawdown from the People Strategy Reserve
- £77,000 – reduced drawdown from the Carry Forward Reserve
- £179,000 – reduced drawdown from the Pensions Admin Reserve
- (£375,000) – increased drawdown in respect of grant balances carried forward

Capital Reserves – Increase £238,000

- £238,000 – due to balance of Capital Receipts Reserve being higher than anticipated when the budget was set, due to underspends/slippage on 2021/22 capital budgets

10. BORROWING AND INVESTMENT

10.1 As at end September, the Authority held cash balances of £22,300,000 which are invested in accordance with the Treasury Management Strategy, as follows:

Counterparty	Duration	Amount	Interest Rate
		£m	%
Aberdeen Cash Money Market Fund	Overnight Access	4.000	2.14
DB Money Market Fund	Overnight Access	0.300	1.78
Barclays	95 Day Notice	4.000	2.30
Standard Chartered ESG	Fixed to 05/10/22	1.000	1.60
Standard Chartered ESG	Fixed to 05/10/22	2.000	1.46
Santander	Fixed to 31/10/22	4.000	1.39
Standard Chartered ESG	Fixed to 02/11/22	1.000	1.84
Goldman Sachs	Fixed to 06/02/23	2.000	2.33
Natwest	Fixed to 25/04/23	2.000	2.46
Natwest	Fixed to 02/08/23	2.000	2.61
Total Investments		22.300	

- 10.2 The Bank of England base rate has increased to 2.25%, a rise of 1% since the P4 report. We are seeing an impact as Banks increase their rates on investments, resulting in higher levels of interest receivable. Latest modelling indicates the income of around £280,000 can be achieved, £260,000 above the budgeted level of £20,000. The interest income budget has been reduced to reflect the planned reduction in funds available for short term investment and the previous reduction in interest rates during Covid-19.
- 10.3 Further work is in progress to confirm the forecast level of drawdown from reserves during the year. The current forecast of a reduction in reserves of £8.655m means that the Service will need to monitor its liquidity and cashflow closely during the year and this may involve giving notice on some of its existing investments. Finance continues to work with the ESCC Treasury Management team to improve cash-flow monitoring
- 10.4 The Authority has borrowing totalling £10,298,000 and there is no impact on the interest payable, as these are subject to fixed interest rate deals.

Revenue Budget 2021/22 – Objective Summary

	Original Budget	Revised Budget	Projected Outturn	Month Variance	Variance	Variance Month 4 Reported to SLT	Variance From Last Reported
	£'000	£'000	£'000	£'000	%	£'000	£'000
Peoples Services	4,337	4,337	4,681	344	7.9	271	73
Resources/Treasurer	8,180	8,193	8,130	(62)	(0.8)	84	(146)
Planning and Improvement	1,248	1,248	1,127	(121)	(9.7)	(120)	(1)
Total Deputy Chief Fire Officer	13,766	13,778	13,938	160	(3)	234	(74)
Safer Communities	21,939	21,950	22,857	907	4.1	1,002	(94)
Operational Support	4,566	4,543	4,380	(163)	(3.6)	(267)	104
Total Assistant Chief Fire Officer	26,505	26,493	27,237	744	1	734	10
CFO Staff	805	805	770	(35)	(4.3)	(10)	(25)
Treasury Management	870	870	610	(260)	(29.9)	(160)	(100)
Non Delegated costs	(1,108)	(1,108)	(1,066)	42	(3.8)	46	(5)
Corporate Contingency	298	298	298	0	0.0	0	0
Covid-19	0	0	0	0	0.0	0	0
Transfer from Reserves	(462)	(462)	(462)	0	0.0	0	0
Transfer to Reserves	1,092	1,092	1,092	0	0.0	0	0
Total Corporate	1,495	1,495	1,242	(253)	(38)	(123)	(129)
Total Net Expenditure	41,766	41,766	42,418	652	1.6	845	(194)
Financed By:							
RSG	(3,325)	(3,325)	(3,325)	0	0	0	0
Council Tax	(29,288)	(29,288)	(29,248)	40	(0)	40	0
Business Rates	(7,764)	(7,764)	(7,494)	270	(3)	270	0
Service Grant Allocation	(535)	(535)	(535)	0	0	0	0
Covid-19 Local Tax Support Grant	(29)	(29)	(56)	(27)	93	(27)	0
S31 Grants	(1,125)	(1,125)	(1,440)	(315)	28	(315)	0
S31 Grants BRR Relief	0	0	0	0	0	0	0
Transfer from Reserves	(836)	(836)	(906)	(70)	8	(70)	0
Collection Fund Surplus/Deficit	1,136	1,136	839	(297)	(26)	(297)	0
Total Financing	(41,766)	(41,766)	(42,165)	(399)	1	(399)	0
Total Over / (Under) Spend	0	0	253	253	0	446	(193)

Savings Programme 2021/22

Division	Team	Responsible Officer	Business Area Lead Name	Description	Savings 22/23 £'000	Projection 22/23 £'000	At Risk £'000	R.A.G Rating Select Status
RT	Estates	Duncan Savage		Estates Strategy revenue maintenance savings.	(45)	(45)		Delivered
All	All	All		Travel & subsistence	16	16		Delivered
OSR	Engineering	Hannah Scott-Youldon		Fuel	15	15		Delivered
PS	HR	Jules King		Firewatch Project	(25)		(25)	Not
PS	Training	Jules King		STC Catering contract savings	(8)	(8)		Delivered
RT	ITG	Duncan Savage		IT Strategy - delaysome projects from 21/22 to 22/23	100	100		Delivered
RT	Procurement	Duncan Savage		Category Strategy Savings	(25)		(25)	Not
SC	All ops	Matt Lloyd		RMP Savings	(130)		(130)	Not
PS	Training	Jules King		Catering contract	(8)	(8)		Delivered
PS	Training	Jules King		Deep cleaning contract	(2)	(2)		Delivered
PS	Training	Jules King		First Aid training	(9)	(9)		Delivered
PS	Training	Jules King		IOSH training	(3)	(3)		Delivered
PS	Training	Jules King		CMI leadership	(2)	(2)		Delivered
OSR	Engineering	Hannah Scott-Youldon		C-trak extension	(5)	(5)		Delivered
OSR	AD	Hannah Scott-Youldon		Equipment	(8)	(8)		Delivered
OSR	Ops P&P	Hannah Scott-Youldon		External Training	(1)	(1)		Delivered
OSR	Ops P&P	Hannah Scott-Youldon		Equipment	(1)	(1)		Delivered
OSR	Ops P&P	Hannah Scott-Youldon		Hydrants Repairs	(2)	(2)		Delivered
OSR	Ops P&P	Hannah Scott-Youldon		Subscription (Services)	(4)	(4)		Delivered
SC	Groups	Matt Lloyd		RDSO Post	(50)		(50)	Not
SC	Community Safety	Matt Lloyd		Education Team	(40)	(40)		Delivered
SC	All	Matt Lloyd		Advert & Publicity	(43)	(43)		Delivered
P&I	PMO	Liz Ridley		Consolidation of Project Management capacity	(25)		(25)	Part Delivered
P&I	Comms	Liz Ridley		External Printing	(10)	(10)		Delivered
P&I	Comms	Liz Ridley		Stationery	(1)	(1)		Delivered
P&I	Comms	Liz Ridley		Postage	(4)	(4)		Delivered
P&I	P&I	Liz Ridley		Advert & Publicity	(1)	(1)		Delivered
P&I	P&I	Liz Ridley		Car Allowances	(1)	(1)		Delivered
P&I	P&I	Liz Ridley		Consultants Fees	(10)	(10)		Delivered
P&I	P&I	Liz Ridley		Officer Subsistence	(1)	(1)		Delivered
P&I	Dem Services	Liz Ridley		Subscriptions	(1)	(1)		Delivered
P&I	Dem Services	Liz Ridley		Member conferences	(1)	(1)		Delivered
RT	Finance	Duncan Savage		Non psy budgets	(10)	(10)		Delivered
RT	Procurement	Duncan Savage		Accommodation & conference fees	(2)	(2)		Delivered
RT	ITG	Duncan Savage		Password Management	(15)	(15)		Delivered
RT	ITG	Duncan Savage		CAM Management	(3)	(3)		Delivered
RT	ITG	Duncan Savage		Talent Contract	(83)		(83)	Part Delivered
Central	Contingency	Duncan Savage		Reduce contingency (one year only)	(48)	(48)		Delivered
RT	ITG	Duncan Savage		Control - IT	(218)	(218)		Delivered
RT	ITG	Duncan Savage		IT Strategy - delaysome projects from 22/23 to 23/24	(33)	(33)		Delivered
SC	Prevention	Matt Lloyd		CRM	(55)		(55)	Not
				Total Net Savings	(778)	(485)	(373)	

Grants and Spending Plans 2022/23

Grants Requiring Claims	Lead AD	*Grant Brought Forward 1 April 2022	Grant 2022/23	Total Available Grant	Claim Quarter 1	Claim Quarter 2	Claim Quarter 3	Claim Quarter 4	Balance Remaining
		£	£	£	£	£	£	£	£
ESMCP - LTR Regional	Hannah Scott-Youlton	163,439	-	163,439	20,618				142,821
**ESMCP - Infrastructure	Hannah Scott-Youlton	1,425,000	-	1,425,000	-				1,425,000
Accreditation & RPL Funding	Matt Lloyd	22,737	-	22,737	-				22,737
Grenfell Infrastructure Fund	Hannah Scott-Youlton	4,509	-	4,509	-				4,509
Surge Protection Grant Funding - Protection Uplift	Matt Lloyd	227,808	358,079	585,887	70,290				515,597
		1,939,347	358,079	2,201,571	90,908	-	-	-	2,110,663

Grants - No Claims Requirement	Lead AD	Balance Remaining	Grant 2022/23	Total Available Grant	Comments	Balance Remaining
		£	£	£		
COVID - 19	Duncan Savage	95,855	-	95,855	Available to spend on Efficiency & Productivity	95,855
Firelink	Duncan Savage	0	191,227	191,227	Planned to use on ITG Strategy Projects in 2022/23	0
New Dimensions	Hannah Scott-Youlton	31,739	27,430	59,169	Spending plan being developed	59,169
Pensions Grant	Duncan Savage	0	1,734,984	1,734,984	Planned to use in 2022/23	0
Responding to New Risks	Hannah Scott-Youlton	32,520	TBC	32,520	Spending plan being developed	32,520
Total		1,083,975	1,953,641	2,017,900		

Overall Total Grants		3,023,322	2,311,720	4,219,471		2,110,663
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Notes:

* the grants brought forward are held in earmarked reserves (Appendix 7)

**Responding to New Risks grant yet to be advised

Capital Programme 2022/23 to 2025/26

Capital Programme Expenditure 2022-23 to 2026-27	Total Budget	Total Previous Years	2022/23	2023/24	2024/25	2025/26	2026/27	Remaining Spend	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property									
Shared Investment Schemes									
Integrated Transport Project	1,000		200				800	1,000	-
Preston Circus	3,287	122	1,340	1,825				3,165	-
Total Shared Investment Schemes	4,287	122	1,540	1,825	-	-	800	4,165	-
Strategic Schemes									
- Replacement Fuel Tanks	492	450	42					42	-
- Partner contribution	(292)	(292)						-	-
- Replacement fuel tanks net cost	200	158	42	-	-	-	-	42	-
Design Guide	356	356						-	-
Hove	491	64	427					427	-
Roedean	493	45	448					448	-
Eastbourne	550	74	276	200				476	-
Bohemia Road	485	28	93	364				457	-
Security	386	67	219	100				319	-
Sustainability	171	21	40	80	30			150	-
MPTH	399	399						-	-
Eastbourne MPTH	259	7	252					252	-
Training Centre MPTH	308	7	1	300				301	-
Hove MPTH	278	7	271					271	-
Bohemia Road MPTH	258	8		250				250	-
FTU	4,000	48		472	2,500	980		3,952	-
Total Strategic Schemes	8,634	1,289	2,069	1,766	2,530	980	-	7,345	-
End July									
General Schemes	830	830						-	-
Seaford CIL	296	3	7	5	281			293	-
Seaford CIL partner Contribution	(133)				(133)			-	133
Barcombe CIL	392	4	1	95	292			388	-
Barcombe CIL Partner Contribution	(156)				(156)			-	156
The Ridge	508				20	488		508	-
Hailsham	184	19			1	164		165	-
Rye	532	3	2		15	512		529	-
Battle	163	1	4			52	106	162	-
Herstmonceux	50						50	50	-
Bexhill	200						200	200	-
Heathfield	280	9	9		19	243		271	-
Uckfield	494	8				99	387	486	-
Lewes	577	6	1			240	330	571	-
Seaford HVP Alterations	85	7	78					78	-
Total General Schemes	4,302	890	102	100	339	1,798	1,073	3,412	-
Bay Doors, Floors, IT	1,535		355	398	369	205	208	1,535	-
Training Towers	279		279					279	-
Temperature Control in Sleeping Pods	201		87	114				201	-
Total Property	19,238	2,301	4,432	4,203	3,238	2,983	2,081	16,937	-
Vehicle Cameras	118		118					118	-
Grant Funds	(118)		(118)					(118)	-
Telemetry	70		70					70	-
Aerials	2,026	690	743	593				1,336	-
Aerial Rescue Pump	22	22						-	-
Fire Appliances	7,335	2,564	1,307	850	835	819	862	4,673	(98)
Ancillary Vehicles	2,885	473	1,497	391	368	112		2,368	(44)
Cars	1,955	501	413	40	272	506	206	1,437	(17)
Vans	1,800	920	96	179	288	162	148	873	(7)
Equipment	70		35	35				70	-
Total Fleet and Equipment	16,228	5,170	4,161	2,088	1,763	1,599	1,216	10,827	(166)
Total Expenditure	35,466	7,471	8,593	6,291	5,001	4,582	3,297	27,764	(166)

Estates Capital Budget 2022/23

Estates Capital Programme 2022/23

Project	Forecast	Budget	Variance	Under/ Over-spend	Slippage	P4 Variance	Movement
	2022/23	2022/23	2022/23	2022/23	2023/24	2022/23	2022/23
	£'000	£'000	£'000			£'000	£'000
Shared Investment Scheme							
Integrated Transport Project	200	200	-	-	-	-	-
Preston Circus	278	1,340	(1,062)	-	(1,062)	(862)	(200)
Total Shared Investment Schemes	478	1,540	(1,062)	-	(1,062)	(862)	(200)
Strategic Schemes							
Replacement Fuel Tanks (Incl. Partner contribution)	7	42	(35)	-	(35)	(35)	-
Design Guides:							
Hove	434	427	7	-	7	-	-
Roedean	21	448	(427)	-	(427)	(430)	3
Eastbourne	39	276	(237)	-	(237)	(237)	-
Bohemia Road	250	93	157	-	157	(60)	217
Security	219	219	-	-	-	(99)	99
Sustainability	40	40	-	-	-	(40)	40
MPTH:							
Eastbourne MPTH	252	252	-	-	-	-	-
Training Center MPTH	32	1	31	-	31	1	30
Hove MPTH	271	271	-	-	-	-	-
Bohemia Road MPTH	39	-	39	-	39	38	1
Live Fire Training	15	-	15	-	15	15	-
Total Strategic Schemes	1,619	2,069	(450)	-	(450)	(847)	390
General Schemes							
Seaford CIL (Incl. Partner Contribution)	7	7	-	-	-	-	-
Barcombe CIL (Incl. Partner Contribution)	9	1	8	-	8	8	-
Hailsham	8	-	8	-	8	8	-
Rye	-	2	(2)	-	(2)	(2)	-
Battle	-	4	(4)	-	(4)	(4)	-
Seaford HVP Alterations	80	78	2	-	2	-	2
Heathfield	9	9	-	-	-	(9)	9
Lewes	1	1	(0)	-	-	-	-
Total General Schemes	113	102	11	-	11	1	11
Total Bay Door, Floor, IT builders works	10	355	(345)	-	(345)	(260)	(85)
Total Training Towers	148	279	(131)	-	(131)	(146)	15
Total Temperature Control for Sleeping Pods	79	87	(8)	-	(8)	(63)	55
Total Property	2,447	4,395	(1,948)	-	(1,984)	(2,177)	193

Engineering Capital Budget

Engineering Capital Programme Expenditure 2022/23								
Project	Year Forecast	Total Budget	Variance	Underspend	Slippage		P4 Variance	Movement
	2022/23	2022/23	2022/23	2022/23	2023/24		2022/23	2022/23
	£'000	£'000	£'000				£'000	£'000
Aerials								
GX04 BMY	560	743	(183)		(183)		(183)	-
Total Aerials	560	743	(183)		(183)		(183)	-
Fire Appliances								
GX57 EUY	280	297	(17)	(17)			(17)	-
GX57 EUZ	280	297	(17)	(17)			(17)	-
GX57 EUU	280	297	(17)	(17)			(17)	-
GX57 EUN	156	171	(16)	(16)			(14)	(2)
GX57 EUP	156	171	(16)	(16)			(14)	(2)
GX57 EUT	156	171	(16)	(16)			(14)	(2)
Total Fire Appliances	1,307	1,405	(98)	(98)			(93)	(5)
Ancillary Vehicles								
GX51 UBM	116	145	(29)	(29)			(29)	-
GX57 EUV	-	353	(353)		(353)		(353)	-
GU16 LVJ	-	12	(12)		(12)		(12)	-
GX56 NWR	253	253	-				-	-
GX56 NWS	253	253	-				-	-
GX03 AXM	-	103	(103)		(103)		(103)	-
GX53 AZU	2	103	(101)		(101)		(61)	(40)
GX53 AZV	-	103	(103)		(103)		(63)	(40)
QU04 VNW	-	65	(65)		(65)		(200)	135
TR15	-	15	(15)		(15)		(15)	-
Fire Investigation vehicle	-	70	(70)		(70)		(70)	(70)
Hazmat vehicle	-	65	(65)		(65)		(65)	(65)
Total Ancillary Vehicles	624	1,541	(917)	(29)	(887)		(836)	(81)
Cars								
GU16 LUJ	12	12	-				-	-
GU16 LUL	12	12	-				-	-
GU16 LUO	28	30	(2)	(2)			(3)	1
GU16 LUP	28	30	(2)	(2)			(3)	1
GU16 LUT	28	30	(2)	(2)			(3)	1
GU16 LVC	28	30	(2)	(2)			(3)	1
GU16 LVD	28	30	(2)	(2)			(3)	1
GU16 LVE	28	30	(2)	(2)			(3)	1
GV18 ABF	35	41	(6)	(6)			(41)	35
GX64 DXE	12	12	-				-	-
GX64 DXF	12	12	-				-	-
GX64 DXG	12	12	-				-	-
GX64 DXH	12	12	-				-	-
GX65 JTZ	12	12	-				-	-
GX65 JUA	12	12	-				-	-
GX65 JUC	12	12	-				-	-
GX65 JUE	12	12	-				-	-
Rounding			(2)	(2)			(1)	(1)
Pool Cars								
Pool Car 1	18	18	-				-	-
Pool Car 2	18	18	-				-	-
Pool Car 3	18	18	-				-	-
Pool Car 4	18	18	-				-	-
Total Cars	392	412	(20)	(20)			(56)	37
Vans								
GU16 LVH	38	42	(4)	(4)			(4)	-
Replace Stolen Van	18	17	1	1			1	-
GX64 DXZ	14	15	(1)	(1)			(1)	-
GX64 DYA	14	15	(1)	(1)			(1)	-
GX64 DYB	14	15	(1)	(1)			(1)	-
	98	104	(6)	(6)			(6)	-
Special Projects								
Telemetry	-	70	(70)		(70)		(70)	-
Equipment (Operational IRMP)	-	35	(35)		(35)		(35)	-
Total Special Projects	-	105	(105)	-	(105)		(105)	-
Total	2,981	4,310	(1,328)	(153)	(1,175)		(1,279)	(49)

Reserves 2022/23

Description	Opening Balance	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	Projected Closing Balance	Lead AD
	01/04/2022	Original Planned Transfers In	Original Planned Transfers Out	Original Planned Transfers Net	Forecast Transfers In	Forecast Transfers Out	Forecast Transfers Net	Net Change	at Month 6	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves										
Business Rate Pool Reserve*	829	0	(200)	(200)	0	(116)	(116)	84	713	Duncan Savage
Business Rates Retention Pilot - financial stability	112	0	(27)	(27)	0	(32)	(32)	(5)	80	Duncan Savage
Capital Programme Reserve	3,080	500	(3,209)	(2,709)	826	(752)	74	2,783	3,154	Duncan Savage
Covid-19	96	0	(64)	(64)	0	0	0	64	96	Duncan Savage
ESMCP ESFRS readiness	1,425	0	(30)	(30)	0	(30)	(30)	0	1,395	Hannah Scott-Youldon
ESMCP Regional Programme	163	0	(83)	(83)	0	(163)	(163)	(80)	0	Hannah Scott-Youldon
Improvement & Efficiency	809	0	(279)	(279)	0	(563)	(563)	(284)	246	Duncan Savage
Insurance	249	0	0	0	0	0	0	0	249	Duncan Savage
ITG Strategy	3,774	592	(3,188)	(2,596)	592	(2,757)	(2,165)	431	1,609	Duncan Savage
Mobilising Strategy	37	0	(425)	(425)	0	(37)	(37)	388	0	Duncan Savage
People Strategy	70	0	(15)	(15)	85	(20)	65	80	135	Julie King
Sprinklers	640	0	(200)	(200)	0	(200)	(200)	0	440	Hannah Scott-Youldon
BRR - Protection Uplift - Accreditation & RPL	23	0	0	0	0	0	0	0	23	Matt Lloyd
BRR - Protection Uplift - Grenfell / Infrastructure	5	0	0	0	0	(5)	(5)	(5)	0	Hannah Scott-Youldon
BRR - Protection Uplift - Protection	228	0	(46)	(46)	0	(228)	(228)	(182)	0	Matt Lloyd
Business Rate Tax Income Guarantee Scheme (75%)	31	0	0	0	0	(15)	(15)	(15)	16	Duncan Savage
Council Tax Income Guarantee Scheme (75%)	83	0	(29)	(29)	0	(41)	(41)	(12)	42	Duncan Savage
New Dimensions Grant	32	0	0	0	0	(32)	(32)	(32)	0	Hannah Scott-Youldon
Pensions Administration	190	0	(147)	(147)	32	-	32	179	222	Julie King
Responding to New Risks	33	0	0	0	0	(33)	(33)	(33)	0	Hannah Scott-Youldon
S31 Business Rate Retention Reliefs	906	0	(836)	(836)	0	(906)	(906)	(70)	0	Duncan Savage
Carry Forwards	173	0	(77)	(77)	0	0	0	77	173	Duncan Savage
Cadets	5	0	0	0	0	(5)	(5)	(5)	0	Matt Lloyd
Total Earmarked Reserves	12,993	1,092	(8,855)	(7,763)	1,535	(5,935)	(4,400)	3,363	8,593	
General Fund	1,913	0	0	0	0	0	0	0	1,913	Duncan Savage
Total Revenue Reserves	14,906	1,092	(8,855)	(7,763)	1,535	(5,935)	(4,400)	3,363	10,506	
Capital Receipts Reserve	4,255	0	(4,017)	(4,017)	417	(4,672)	(4,255)	(238)	0	Duncan Savage
Total Capital Reserves	4,255	0	(4,017)	(4,017)	417	(4,672)	(4,255)	(238)	0	
Total Usable Reserves	19,161	1,092	(12,872)	(11,780)	1,952	(10,607)	(8,655)	3,125	10,506	

*The balance of the Business Rates Pool is largely made up of accruals. Cash will only be released once all councils accounts have been audited and some of these remain outstanding for the last two years

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Policy & Resources Panel
Date	10 November 2022
Title of Report	Treasury Management – Half Year Review For 2022/23
By	Duncan Savage, Assistant Director Resources/Treasurer
Lead Officer	Richard Carcas, Principal Finance Officer, Treasury & Taxation Centre of Expertise, Orbis

Background Papers	Fire Authority: 9 June 2022 – Agenda Item 106 Treasury Management – Stewardship report for 2021/22 10 February 2022 – Agenda Item 90: Treasury Management Strategy for 2022/23 CIPFA Treasury Management in the Public Services code of practice and cross sector guidance notes Local Government Act 2003 CIPFA Prudential Code
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Appendices	None
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Implications (please tick ✓ and attach to report)

Any implications affecting this report should be noted within the final paragraphs of the report

CORPORATE RISK		LEGAL
ENVIRONMENTAL		POLICY
FINANCIAL	✓	POLITICAL
HEALTH & SAFETY		OTHER (please specify)
HUMAN RESOURCES		CORE BRIEF
EQUALITY IMPACT ASSESSMENT		

PURPOSE OF REPORT	The Treasury Management Half Yearly report is a requirement of the Fire Authority's reporting procedures and covers the treasury activity for the first six months of 2022/23. The report includes an update on the first half year of Prudential Indicators which relate to treasury activity.
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EXECUTIVE SUMMARY

The Fire Authority has complied with its approved Treasury Management Strategy and Prudential Indicators during the first 6 months of the year.

The first six months of the year have been challenging economic times as a result of global events and inflationary factors on the UK economy. The average rate of interest received through Treasury Management activity was 1.30%. This reflected the Fire Authority's continuing prioritisation of security and liquidity over yield. The Bank of England (BOE) base rate during the period was increased on four separate occasions in May, June, August and September and at 30 September it was 2.25%. The average Bank of England Base Rate during the six months to 30 September was 1.07%.

The Fire Authority has always adopted a prudent approach on its investment strategy, and, in the last few years there have been regular changes to the list of the approved organisations used for investment of short term surpluses. During 2019/20, an option appraisal for the use of alternative investment options was completed. The option appraisal concluded that, given the Authority's planned steep reduction in reserves (resulting from its planned investment in its Capital Asset Strategy, IT and Project 21), then investment options with a time horizon of up to 3 years would suit the Authority's cash profile and maximise returns at an appropriate level of risk.

Since March 2020 global economic events triggered by the COVID 19 pandemic have caused the Authority to pause consideration of entering into longer duration funds. The 2022/23 Strategy counterparty list for specified and non-specified investment was unchanged.

The Authority has agreed to add Environment, Social and Governance (ESG) as a 4th parameter to consider when making investment decisions behind Security, Liquidity and Yield. The preservation of capital remains the Authority's principal and overriding priority.

No new borrowing has been undertaken in 2022/23 to date. On the 30 September 2022 total Public Works Loan Board (PWLB) loan debt outstanding was £10.298m, at an average interest rate of 4.59%. The next loan repayments are due on the 31 March 2023 (£481k) with the PWLB. There have been no beneficial opportunities to reschedule debt so far during the year to date. However, opportunities will be considered if they are both prudent and affordable.

The projected outturn of the Fire Authority's Capital Financing

Requirement (CFR), a measure of the underlying need to borrow is £9.817m.

RECOMMENDATION

The Panel is recommended to:

- i. note the treasury management performance for the first half year of 2022/23; and
 - ii. identify any further reassurance the Panel requires in relation to the delivery of the Treasury Management Strategy.
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1 INTRODUCTION

1.1 The Fire Authority's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- a) The Local Government Act 2003 (the Act) and supporting regulations require the Authority to "have regard to" the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice when setting Prudential and Treasury Indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.
- b) The Act therefore requires the Authority to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act) which sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- c) Under the Act the Department for Levelling Up, Housing & Communities (DLUHC) has issued Investment Guidance to structure and regulate the Authority's investment activities.

1.2 The Fire Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken on a prudent, affordable and sustainable basis and its treasury management practices demonstrate a low risk approach.

1.3 The Code requires the regular reporting of treasury management activities to:

- a) Forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report);
- b) Review actual activity for the preceding year;
- c) Review mid-year activity (this report); and
- d) Report changes to our Strategy (when required)

- 1.4 This report sets out information on:
- a) A summary of the strategy agreed for 2022/23 and the economic factors affecting the strategy in the first six months of this year;
 - b) The Fire Authority's treasury activity during the first six months on borrowing and short term investments.

2 2022/23

2.1 Original Strategy for 2022/23

2.1.1 At its meeting on 10 February 2022, the Fire Authority agreed its treasury management strategy for 2022/23, taking into account the economic scene including forecast levels of interest rates. At the same time, the Treasury Management Policy Statement was agreed for 2022/23 as set out below.

2.1.2 East Sussex Fire Authority defines its treasury management activities as:

“The management of the organisation's cash flows, its banking, money market and capital market transactions, the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The Fire Authority regards the successful identification, monitoring and management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

This Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Borrowing

2.1.3 Based on current estimates, the Fire Authority will need to consider recommencing borrowing in the short to medium term in order to fund its Capital Strategy. However any future new borrowing taken out will be completed with regard to the limits, indicators, the economic environment, the cost of carrying this debt ahead of need, and interest rate forecasts set out above. The Assistant Director Resources/Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

2.1.4 The Authority will not borrow purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

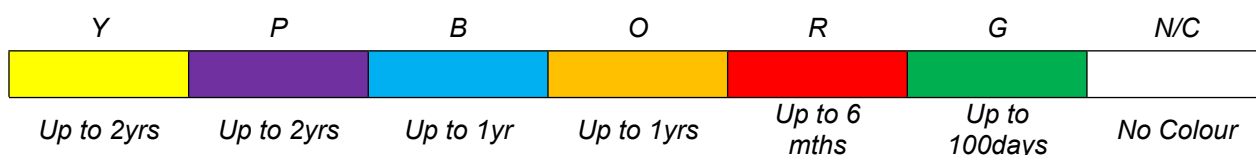
Investment

- 2.1.5 The Authority's investment policy has regard to the DLUHC's Guidance on Local Government Investments (the Guidance), the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Link Asset Services Guidance Notes (including CIPFA TM Code). The Authority's investment priorities will be security first, liquidity second, and then return.
- 2.1.6 It was agreed that the Fire Authority will explore Investment options that meet Environment, Social and Governance (ESG) aims. The parameter will act as an added 4th consideration to investment decisions behind Security, Liquidity and Yield. The preservation of capital remains the Authority's principal and overriding priority. This will be monitored by the Assistant Director Resources / Treasurer and reported back to Authority where necessary or appropriate.

Investment and Borrowing Strategy agreed for 2022/23

- 2.1.8 The Authority will make use of the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:
- credit watches and credit outlooks from credit rating agencies;
 - credit default swap (CDS) spreads to give early warning of likely changes in credit ratings; and
 - sovereign ratings to select counterparties from only the most creditworthy countries.
- 2.1.9 The modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative credit worthiness of counterparties. These colour codes are used by the Authority to determine the duration for investments. The strategy provides scope to invest in AAA rated foreign banks. However the Authority proposes to only use counterparties within the following durational bands that are domiciled in the UK.

- Yellow 2 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour, not to be used



2.1.10 Officers regularly review the investment portfolio, counterparty risk and construction, market data, information on government support for banks and the credit ratings of that government support. Latest market information is arrived at by reading the financial press and through city contacts as well as access to the key brokers involved in the London money markets

2.1.11 The use of Specified Investments - Investment instruments identified for use in the financial year are as follows:

The Table below set out the types of investments that fall into each category, counterparties available to the Authority, and the limits placed on each of these.

Counterparty	Country/ Domicile	Instrument	Min. Credit Criteria LAS/Colour band	Max. Amount*	Max. maturity period
Debt Management and Deposit Facilities (DMADF)	UK	Term Deposits	UK Sovereign Rating	unlimited	12 months
Government Treasury bills	UK	Term Deposits	UK Sovereign Rating	unlimited	12 months
UK Local Authorities	UK	Term Deposits	UK Sovereign Rating	unlimited	12 months
Banks – part nationalised	UK	<ul style="list-style-type: none"> • TDs • Deposits on Notice • Certificates of Deposit (CDs) 	Blue	£6m	12 Months
			Orange	£6m	12 Months
			Red	£6m	6 Months
			Green	£6m	100 Days
Banks	UK	<ul style="list-style-type: none"> • TDs • Deposits on Notice • CDs 	Blue	£6m	12 Months
			Orange	£6m	12 Months
			Red	£6m	6 Months
			Green	£6m	100 Days
Individual Money Market Funds (MMF) CNAV and LVNAV	UK/Ireland/ EU domiciled	AAA Rated Money Market Fund Rating	N/A	£6m	Liquidity/ instant access

*No more than 25% of the investment portfolio held with one single counterparty where practically possible.

2.1.12 Non Specified Investments are any other types of investment that are not defined as specified. The identification and rationale supporting the selection of these other investments are set out in the table below:

Non Specified Investments	Minimum credit criteria	Period
Local Authorities	Government Backed	2 years
Mixed Asset Fund(s)	N/A	2 - 5 years
Short Dated Bond Fund(s)	N/A	2 - 5 years
Pooled Property Fund(s)	N/A	5+ years

- 2.1.13 The maximum amount that can be invested will be monitored in relation to the Authority's surplus monies and the level of reserves, the limit will be £2.5m across all non specified investments for 2022/23. The approved counterparty list will be maintained by referring to an up-to-date credit rating agency reports, and the Authority will liaise regularly with brokers for updates. Counterparties may be added to or removed from the list only with the approval of the Assistant Director Resources/Treasurer. A detailed list of specified and non-specified investments that form the counterparty list is shown in section 10.
- 2.1.14 The net borrowing requirement within Table 3.2.1 below shows that, based on current estimates, the Authority does not need to borrow in the immediate term, to support the capital programme. However in the short to medium term any future new borrowing taken out will be completed with regard to the limits, indicators, the economic environment, the cost of carrying this debt ahead of need, and interest rate forecasts set out above. The Assistant Director Resources/Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.
- 2.1.15 Treasury staff regularly review opportunity for debt rescheduling. Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.
- 2.1.16 The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
 - helping to fulfil the treasury strategy;
 - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 2.1.17 Consideration will also be given to identifying if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 2.1.18 All debt rescheduling will be agreed by the Assistant Director Resources /Treasurer.
- 2.2 **Economic performance to date and outlook (commentary supplied by our advisors Link Asset Services). September 2022.**
- 2.2.1 The second quarter of 2022/23 saw:

- GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
- Signs of economic activity losing momentum as production fell due to rising energy prices;
- CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
- The unemployment rate fell to a 48-year low of 3.6% due to a large shortfall in labour supply;
- Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
- Gilt yields surge and sterling fall following the “fiscal event” of the new Prime Minister and Chancellor on 23 September.

The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.

2.2.2 There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g. chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.

2.2.3 The BoE’s Monetary Policy Committee (MPC) has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the US Federal Bank and European Central Bank raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England’s latest 50 ps hike looks relatively dovish. However, the UK’s status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.

2.2.4 Since the fiscal event on 23 September, we now expect the MPC to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government’s fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.

2.2.5 Link Asset Services, has provided the following forecast as at 30 September 2022.

Link Group Interest Rate View 27.09.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

2.2.6 Our central forecast for interest rates was previously updated on 9 August and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the “Fiscal Event” has complicated the picture for the MPC, who will now need to double-down on counteracting inflationary pressures stemming from the Government’s widespread fiscal loosening.

2.3 Interest on short term balances

2.3.1 The average Bank of England Base Rate during the six months to 30 September was 1.07%.

2.3.2 There have been uncertainties in the markets during the year to date as set out in section 2.2 above.

2.3.3 The strategy for 2022/23, agreed in February 2022, continued the prudent approach and ensured that all investments were only to the highest quality rated banks and only up to a period of one year.

2.3.4 The total amount received in short term interest for the six months to 30 September 2022 was £132,617 at an average rate of 1.30%. This was above the average base rate in the same period (1.07%) and succeeded in the aim to secure investment income of at least base rate on the Fire Authority’s general cash balances.

2.3.5 Investments held in liquidity accounts, e.g. Money Market Funds (MMF) have seen an uplift in return in conjunction with a rising Base Rate. This has helped overall performance in the first 6 months of the year. Funds are held in MMF’s to meet the need of future cashflow requirements, on 30 September the average rate earned on those balances was 2%.

2.3.6 During the period the Authority placed a number of fixed term deposits with UK Banks, on a laddered maturity approach, to roll up the yield curve in a rising interest rate environment. Fixed term deposits have been placed with Goldman Sachs, NatWest and Standard Chartered Bank (ESG). For durations between 3 – 12 months, at rates between 1.11% - 2.61%.

2.3.7 Non specified longer duration investment options such as pooled property funds, short dated bond funds and mixed asset funds were not utilised in the period. At this time of market volatility, potential principal loss and the need to keep liquidity available means these options not yet suitable. Alternative shorter investment options such as VNAV MMF's would only offer a marginal gain in return over the current counterparty list. The Fire Authority's strategy is monitored closely and has the flexibility to move into alternatives in the correct financial climate.

2.3.8 The investments held comply with our Treasury Management Strategy and the Fire Authority has continued to follow a prudent approach with security and liquidity as the main criteria before yield.

2.4 Long term borrowing

2.4.1 The cost of new borrowing is in excess of the rate achievable on our investments. No new PWLB borrowing has taken place since January 2008 and is unlikely in the immediate future, however in the short to medium term external borrowing will be required to fund the current capital programme.

2.4.2 The average interest rate of all debt at 30 September 2022 (£10.3m) was 4.59%, no debt matured in the period. The next PWLB loans to mature total £481k on 31 March 2023 at an average rate of 5.63%.

2.4.3 Opportunities for cost effective repayment of existing debt and restructuring opportunities were constantly monitored but none emerged in the first six months of the year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

3 Prudential Indicators and limits relating to Treasury Management activities

3.1 The limits set for 2022/23

The Strategy Report for 2022/23 set self-imposed prudential indicators and limits. There are on an annual basis and monitored. They comprise:

None of the limits has been exceeded in 2022/23 to date.

Prudential Indicator	Compliant
Capital Expenditure	Yes
Ratio of Financing Costs to Net Revenue Stream	Yes
Capital Financing Requirement (CFR)	Yes
Net external Borrowing compared to the medium term CFR	Yes
Upper limits for fixed interest rate exposure and variable interest rate exposure	Yes
Upper limit for total principal sums invested over 365 days	Yes
Actual External Debt	Yes
Authorised Limit for External Debt	Yes
Operational Boundary for External Debt (see 3.2)	Yes
Maturity Structure of Fixed Rate Borrowing (see 3.4)	Yes

Maturity Structure of Investments (see 3.6)	Yes
Incremental Impact of Capital Investment Decisions	Yes
Adoption of the CIPFA Treasury Management Code (see 3.5)	Yes
Interest rate exposures (see 3.3)	Yes
Interest rate on long term borrowing	Yes
Interest on investments	Yes
Minimum Revenue Provision (see 3.7)	Yes

3.2 Authorised limit for borrowing

3.2.1 The table below sets out the actual 2021/22, original estimate and projected outturn in 2022/23 for borrowing.

	2021/22 Actual £000	2022/23 Original Estimate £000	2022/23 Projected Outturn £000
Opening CFR	10,698	10,298	10,298
Capital Investment	1,894	7,250	5,426
Sources of Finance	(1,866)	(7,226)	(5,495)
MRP	(428)	(412)	(412)
Movement in year	(400)	(388)	(481)
Closing CFR	10,298	9,910	9,817
less Finance Lease Liability	-	-	-
Underlying Borrowing Requirement	10,298	9,817	9,817
Actual Long Term Borrowing	10,298	9,817	9,817
Over / (Under) Borrowing	-	(93)	-
Operational Boundary*	10,776	10,378	10,378
Authorised Limit*	13,155	12,767	12,767

*Excluded amounts related to lease liabilities. Due to deferral of the implementation.

3.2.2 The Operational boundary for borrowing was based on the same estimates as the Authorised limit. It reflected directly the authorised borrowing limit estimate without the additional amount for short term borrowing included to allow, for example, for unusual cash movements. The Operational boundary represents a key management tool for in year monitoring and long term borrowing control.

3.2.3 The Authorised limit was consistent with the Fire Authority’s current commitments, existing plans and the proposals for capital expenditure and financing, and with its approved treasury management policy statement and practices. It was based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom (short term borrowing) over and above this to allow for day to day operational management, for example unusual cash movements or late receipt of income. Risk analysis and risk management strategies were taken into account, as were plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

3.2.4 The Authorised limit is the “Affordable Borrowing Limit” required by S3 of the Local Government Act 2003 and must not be breached. The estimated long term borrowing at 31 March 2023 of £9,817,000 is under the Authorised limit set for 2022/23 of £12,767,000.

3.3 Interest rate exposure

The Fire Authority’s Prudential Indicator continued the practice of seeking competitive fixed interest rate exposure for borrowing, lending and a combined figure of borrowing and lending.

Interest Rate Exposure	<u>2022/23</u> <u>Upper</u>	<u>2023/24</u> <u>Upper</u>	<u>2024/25</u> <u>Upper</u>
Limits on fixed interest rates based on net debt*	100%	100%	100%
Limits on variable interest rates based on net debt*	0%	0%	0%

*Net debt is borrowings less investments

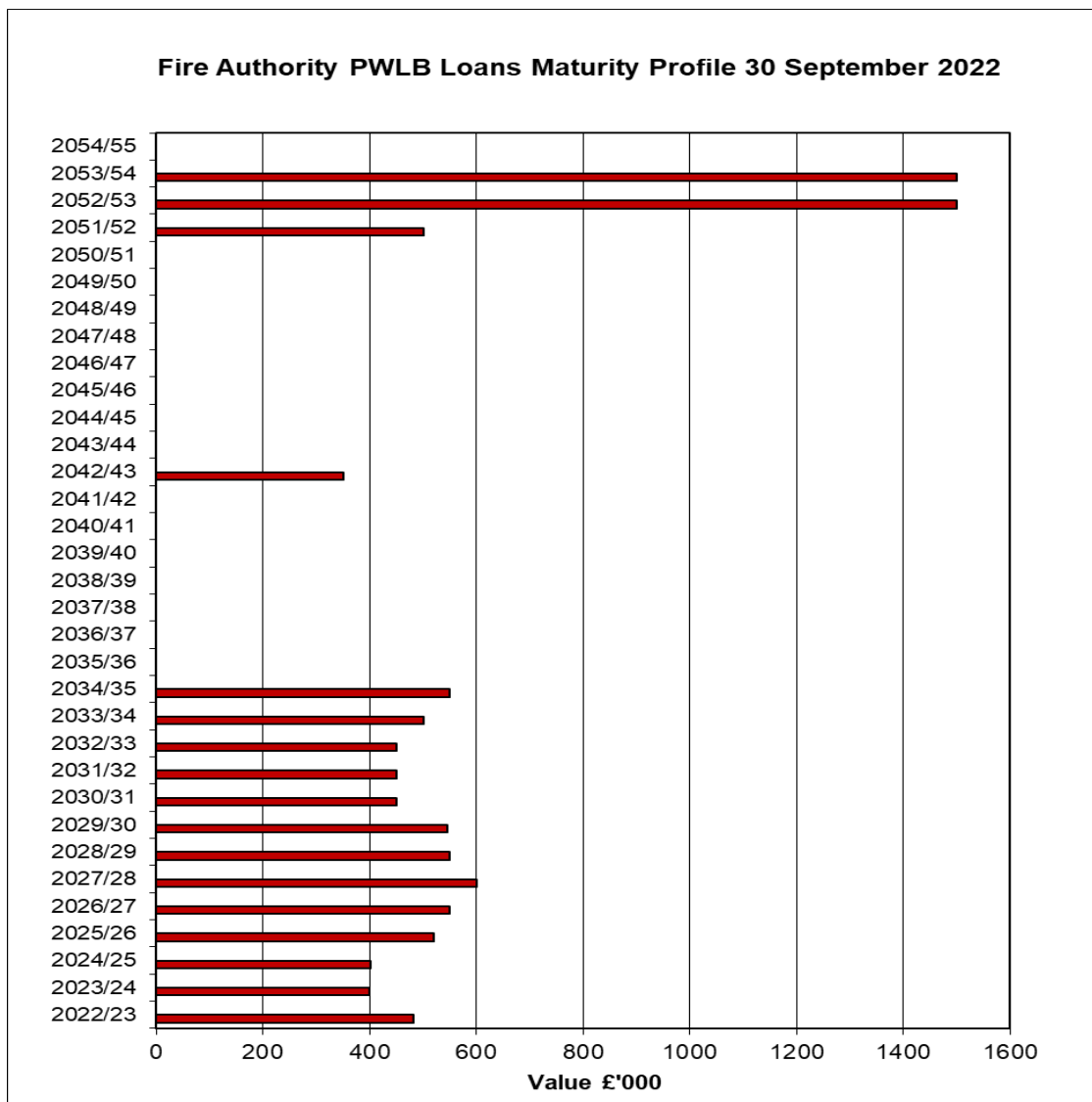
No new borrowing undertaken and all lending at fixed rates

3.4 Maturity structure of debt

The Fire Authority set upper and lower limits for the maturity structure of its borrowings as follows:

	<u>Estimated</u> <u>Lower Limit</u>	<u>Estimated</u> <u>Upper Limit</u>	<u>Current</u> <u>30/09/22</u>
Under 12 months	0%	25%	5%
12 months and within 24 months	0%	40%	4%
24 months and within 5 years	0%	60%	14%
5 years and within 10 years	0%	80%	25%
10 years and within 20 years	0%	80%	15%
20 years and within 30 years	0%	80%	8%
30 years and within 40 years	0%	80%	29%
Over 40 years	0%	80%	0%

Any new borrowing undertaken would give due consideration to the debt maturity profile, ensuring that an acceptable amount of debt is due to mature in any one financial year. This helps to minimise the authority’s exposure to the risk of having to replace a large amount of debt in any future years when interest rates may be unfavourable. No new borrowing has been undertaken in 2022/23 to date. The following graph shows when the debt will mature.



3.5 Compliance with the treasury management code of practice

East Sussex Fire Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. CIPFA is currently conducting a review of the Treasury Management Code of Practice and the Prudential Code. This review will particularly focus on non-treasury investments and especially on the purchase of property with a view to generating income. The Authority has been part of the consultation process and will await CIPFA’s guidance, amending where necessary for future strategies.

3.6 Maturity structure of investments

The Authority held investments from overnight to a 12 month fixed maturity profile. As of the 30 September the longest dated deposit held was with NatWest, this will mature in August 2023.

3.7 **Minimum Revenue Provision Statement**

The Fire Authority's Borrowing Need (the Capital Financing Requirement)

3.7.1 The prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the underlying borrowing need.

3.7.2 The Fire Authority approved the Capital Finance Requirement projections for 2022/23 in its Strategy approved in February. These are in the original estimate below:

	2021/22 Actual	2022/23 Original Estimate	2022/23 Projected Outturn
	£000	£000	£000
Opening CFR	10,698	10,298	10,298
Closing CFR	10,298	9,910	9,817
Movement in CFR	(400)	(388)	(481)
Movement in CFR represented by:			
Net financing	28	24	(69)
MRP	(428)	(412)	(412)
Movement in year	(400)	(388)	(481)

3.7.3 The Fire Authority is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge called the Minimum Revenue Provision (MRP), although it is also allowed to undertake additional voluntary payments.

3.7.4 The Authority sets aside a Minimum Revenue Provision based on basic MRP of 4% each year to pay for past capital expenditure and to reduce its CFR. For any new borrowing the Asset Life Method will be used to calculate MRP.

3.7.5 Over the past years the regulatory and economic environment has changed significantly and led some Authorities to consider more innovative types of investment activity. The government has also monitored changes in the practices used for calculating MRP. DLUHC issued guidance in February 2018 and the Authority will amend where necessary for future strategies.

4 Treasury Management Advisors

4.1 The Strategy for 2022/23 explained that the Fire Authority uses Link Asset Services as its treasury management consultant through the contract that exists with East Sussex County Council. The company has provided a range of services which have included:

- a) Technical support on treasury matters, capital finance issues and advice on reporting;
- b) Economic and interest rate analysis;
- c) Debt services which includes advice on the timing of borrowing;
- d) Debt rescheduling advice surrounding the existing portfolio;
- e) Generic investment advice on interest rates, timing and investment instruments;
- f) Credit ratings from the three main credit rating agencies and other market information;
- g) Assistance with training on treasury matters.

4.2 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Authority. This service remains subject to regular review.

4.3 Link is the largest provider of Treasury Management advice services to local authorities in the UK and they claim to be the market-leading treasury management service to their clients. The advice will continue to be monitored regularly to ensure an excellent level of service provided to the Authority.

5 Conclusion

5.1 The prime objective of Treasury Management is the effective management of risk and that its activities are undertaken in a prudent affordable and sustainable basis.

5.2 This report confirms the Authority has continued to follow a prudent approach with the main criteria of security and liquidity before yield. The current emphasis must continue to be able to react quickly if market conditions change.

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