M. Pearson
CLERK TO THE AUTHORITY

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

(see below)

SERVICE HEADQUARTERS
THE KNOWLE
CLYST ST GEORGE
EXETER
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EX3 0NW

Your ref :
Our ref : RC/MP/SS
Website : www.dsfire.gov.uk

Date : 22 November 2021
Please ask for : Sam Sharman
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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

Tuesday, 30th November, 2021

A meeting of the Resources Committee will be held on the above date, **commencing at 2.00 pm in The Committee Rooms, Somerset House, Devon & Somerset Fire & Rescue Service Headquarters, Exeter** to consider the following matters.

M. Pearson
Clerk to the Authority

A G E N D A

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

1 **Apologies**

2 **Minutes (Pages 1 - 6)**

of the previous meeting held on 9 September 2021 attached.

3 **Items Requiring Urgent Attention**

Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.

PART 1 - OPEN COMMITTEE

4 **Treasury Management Performance 2021-22: Quarter 2 (Pages 7 - 18)**

Report of the Director of Finance & Resourcing (Treasurer) (RC/21/15) attached.

5 **Financial Performance Report 2021-22: Quarter 2 (Pages 19 - 28)**

Report of the Director of Finance & Resourcing (Treasurer) (RC/21/16) attached.

6 **Green Performance Measures (Pages 29 - 38)**

Report of the Director of Finance & Resourcing (RC/21/17) attached.

7 **Exclusion of the Press and Public**

RECOMMENDATION that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of the Officers of Red One Ltd. and Councillors Radford and Shayer {Authority appointed Non-Executive Directors of Red One Ltd.}) be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the following Paragraph(s) of Part 1 of Schedule 12A (as amended) to the Act:

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

PART 2 - ITEMS WHICH MAY BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC

8 **Restricted Minutes of the meeting held on 9 September 2021 (Pages 39 - 40)**

The restricted Minutes of the meeting held on 9 September 2021 (attached).

9 **Red One Financial Performance 2021-22: Quarter 2 (Pages 41 - 46)**

Report of the Chief Executive and Finance Director of Red One Ltd. (RC/21/18) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Chesterton, Coles, Drean (Vice-Chair), Long, McGeough, Peart (Chair) and Thomas

NOTES	
1.	**<u>Access to Information</u>** Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda.
2.	**<u>Reporting of Meetings</u>** Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chair - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority. Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.
3.	**<u>Declarations of Interests at meetings (Authority Members only)</u>** If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must: (i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a “sensitive” interest – the nature of that interest; and then (ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest. If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have an interest of a sensitive nature. You must still follow (i) and (ii) above. Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation. Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared.

	NOTES (Continued)
4.	**<u>Part 2 Reports</u>** Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.
5.	**<u>Substitute Members (Committee Meetings only)</u>** Members are reminded that, in accordance with Standing Orders, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.
6.	**<u>Other Attendance at Committees)</u>** Any Authority Member wishing to attend, in accordance with Standing Orders, a meeting of a Committee of which they are not a Member should contact the Democratic Services Officer (see “please ask for” on the front page of this agenda) in advance of the meeting.

RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

9 September 2021

Present:

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

In attendance (Part 2 only):

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

* **RC/21/1** **Minutes**

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

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

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

The Committee received for information a report of the Director of Finance & Resourcing (Treasurer) (RC/21/9) that set out the Authority's performance relating to the first quarter of 2021-22 (to June 2021) in accordance with the Treasury Management in Public Service Code of Practice (published by the Chartered Institute of Public Finance and Accountancy {CIPFA}) and the CIPFA Prudential Code. The report set out how this Authority was demonstrating best practice in accordance with these Codes.

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

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

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

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

*** RC/21/3 <u>Financial Performance Report 2021-22: Quarter 1</u>**

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

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

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

RESOLVED

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

(b). That the performance against the 2021-22 financial targets be noted.

RC/21/4 <u>Revision to Capital Programme 2021-22 to 2023-24</u>

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

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

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

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

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

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

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

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

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

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

RESOLVED

(a). That the performance measures identified at section 2.1. of report RC/21/13 be approved for monitoring progress against Strategic Priority 4 and its associated policy objectives; and

(b). that the proposal at paragraph 2.5 of report RC/21/13 for presenting this information to future meetings be approved.

*** RC/21/7** **Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of the Officers of Red One Ltd. and Councillors Radford and Shayer [Authority appointed Non-Executive Directors on the Board of Red One Ltd.]) be excluded from the meeting for the following item of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

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

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public (with the exception of the Officers of Red One Ltd.) were excluded from the meeting).

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

*** RC/21/9 Red One Performance 2021-22: Quarter 1**

(An item taken in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public (with the exception of Officers of Red One Ltd.) were excluded from the meeting).

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

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

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

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

RESOLVED

(a). That the financial performance of Red One Ltd. for the quarter ended June 2021 be noted;

(b). That the year to date performance against agreed budget for 2021-22 be noted; and

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

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

The meeting started at 10.00 am and finished at 12.27 pm

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

APPENDIX B TO THE RESOURCES COMMITTEE MINUTES 9 SEPTEMBER 2021

PRUDENTIAL INDICATORS				INDICATIVE INDICATORS	
	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate
Capital Expenditure					
Non - HRA	12.693	11.400	7.000	8.200	6.400
HRA (applies only to housing authorities)					
Total	12.693	11.400	7.000	8.200	6.400
Ratio of financing costs to net revenue stream					
Non - HRA	4.30%	3.93%	3.76%	3.64%	3.68%
HRA (applies only to housing authorities)	0.00%	0.00%	0.00%	0.00%	0.00%
Capital Financing Requirement as at 31 March	£000	£000	£000	£000	£000
Non - HRA	24,758	24,264	23,771	24,540	26,747
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	907	791	656	509	349
Total	25,665	25,055	24,426	25,049	27,096
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000
Non - HRA	(196)	(610)	(628)	622	2,048
HRA (applies only to housing authorities)	0	0	0	0	0
Total	(196)	(610)	(628)	622	2,048
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£000	£000	£000	£000	£000
Borrowing	26,189	26,071	25,553	26,325	28,278
Other long term liabilities	1,056	947	823	681	527
Total	27,244	27,018	26,376	27,006	28,805
Operational Boundary for external debt	£000	£000	£000	£000	£000
Borrowing	24,951	24,857	24,364	25,098	26,941
Other long term liabilities	1,010	907	791	656	509
Total	25,961	25,765	25,155	25,754	27,450
Maximum Principal Sums Invested over 364 Days					
Principal Sums invested > 364 Days	5,000	5,000	5,000	5,000	5,000

TREASURY MANAGEMENT INDICATOR	Upper Limit %	Lower Limit %
Limits on borrowing at fixed interest rates	100%	70%
Limits on borrowing at variable interest rates	30%	0%
Maturity structure of fixed rate borrowing during 2021/22		
Under 12 months	30%	2%
12 months and within 24 months	30%	2%
24 months and within 5 years	50%	13%
5 years and within 10 years	75%	3%
10 years and above	100%	80%

REPORT REFERENCE NO.	**RC/21/15**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**30 NOVEMBER 2021**
SUBJECT OF REPORT	**TREASURY MANAGEMENT PERFORMANCE 2021-22 – QUARTER 2**
LEAD OFFICER	**DIRECTOR OF FINANCE & RESOURCING (TREASURER)**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2021-22 (to September 2020) be noted.***
EXECUTIVE SUMMARY	The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of Practice for Treasury Management. The Code suggests that members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This report therefore ensures this Authority is embracing Best Practice in accordance with CIPFA's Code of Practice.
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Investments held as at 30 September 2021.
BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) as approved at the meeting of the Fire & Rescue Authority held on the 10 February 2021 – Minute DSFRA/69 refers.

1. INTRODUCTION

1.1 The Treasury Management Strategy for Devon and Somerset Fire & Rescue Authority has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in Public Services Code of Practice (the Code) and the CIPFA Prudential Code. The Code recommends that members be updated on treasury management activities regularly (TMSS, annual and mid-year reports). This report, therefore, ensures this Authority is implementing best practice in accordance with the Code and includes:

- The creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Authority's treasury management activities;
- The creation and maintenance of Treasury Management Practices, which set out the manner in which the Authority will seek to achieve those policies and objectives;
- The receipt by the full Authority of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year;
- The delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

1.2 Treasury management in this context is defined as:

> "The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. "

1.3 The preparation of this report demonstrates that the Authority is implementing best practice in accordance with the code.

2. ECONOMICS UPDATE

2.1. The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.

2.2. There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate.

2.3. In his press conference after the August 2021 MPC meeting, Governor Andrew Bailey said, “the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs” and that “the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures.” In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, Consumer Price Index (CPI) inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, the MPC had been prepared to look through a temporary spike in inflation.

2.4. In August 2021, the country was just put on alert. However, this time the MPC’s words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October 2021 and due again in April 2022, are, indeed, likely to lead to faster and higher inflation expectations and underlying wage growth. This would, in turn, increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement. This suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August 2021 and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was ‘sustainably over 2%’. Indeed, whereas in August 2021 the MPC’s focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.

2.5. Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC’s meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.

2.6. The MPC’s forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows:

- Placing the focus on raising Bank Rate as “the active instrument in most circumstances”;
- Raising Bank Rate to 0.50% before starting on reducing its holdings;
- Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts and

- Once Bank Rate had risen to at least 1%, it would start selling its holdings.

2.7. **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that life in the UK could largely return to normal during the summer after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

2.8. **US.** See comments below on US treasury yields.

2.9. **EU.** The slow role out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.

2.10. German general election. With the CDU/CSU and SDP both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SDP-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

2.11. **China.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

2.12. **Japan.** 2021 has been a patchy year in combating Covid. However, after a slow start, nearly 50% of the population are now vaccinated and Covid case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election – which his party is likely to win.

2.13. **World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

2.14. **Supply shortages**. The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

<u>Interest Rate Forecasts</u>

2.15. The Authority's treasury advisor, Link Group Ltd, has provided the following forecast:

Link Group Interest Rate View 29.9.21										
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

2.16. The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

Forecasts for Bank Rate

2.17. Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons:

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face;
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power;
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1st October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns; and
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

2,18. In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

2.19. It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

3. TREASURY MANAGEMENT STRATEGY STATEMENT

ANNUAL INVESTMENT STRATEGY

3.1. The Authority's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement (TMSS) was approved by the Authority on the 10 February 2021. It outlines the Authority's investment priorities as follows:

- Security of Capital
- Liquidity
- Yield

3.2. The Authority will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep a significant proportion of investments short term. This will not only cover short term cash flow needs but will also seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions using the Link suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Link.

Creditworthiness

3.3. Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

3.4. A full list of investments held as at 30 September 2021 are shown in Appendix A.

3.5. The average level of funds available for investment purposes during the quarter was £51.0221m (£40.671m at Quarter 1). These funds were available on a temporary basis and the level of funds was dependent on the level of reserves, timing of precept payments, receipt of grants and progress on the Capital Programme.

Benchmark	Benchmark Return	Authority Performance	Investment interest to Quarter 1
3 Month LIBID	(0.05%)	0.15%	£0.023m.

3.6. As illustrated above, the Authority outperformed the 3 month LIBID benchmark by 0.20bp. It is currently anticipated that the actual investment return for the whole of 2021-22 will under recover the Authority's budgeted investment target of £0.100m by £0.015m.

BORROWING STRATEGY

Prudential Indicators:

3.7. It is a statutory duty for the Authority to determine and keep under review the "Affordable Borrowing Limits". The Authority's' approved Prudential Indicators (affordability limits) are outlined in the approved TMSS.

3.8. A full list of the approved limits (as amended) are included in the Financial Performance Report 2021-22, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to September 2021 and that there are no concerns that they will be breached during the financial year.

Current external borrowing

3.9. The Authority has not taken any external loans since June 2012 and has been using cash resources to meet any capital expenditure. The amount of outstanding external borrowing as at 30 September 2021 was £24.804m, forecast to reduce to £24.757m by the end of the financial year as a result of standard loan repayments. All of this debt is at fixed rate with the remaining principal having an average rate of 4.25% and average life of 24.5 years.

Loan Rescheduling

3.10. No debt rescheduling was undertaken during the quarter. The Authority will continue to work closely with our treasury advisors to explore any opportunities to repay existing loans, however current Public Works Loan Board early repayment rates mean there is no financial benefit in undertaking premature loan repayment at this time.

New Borrowing

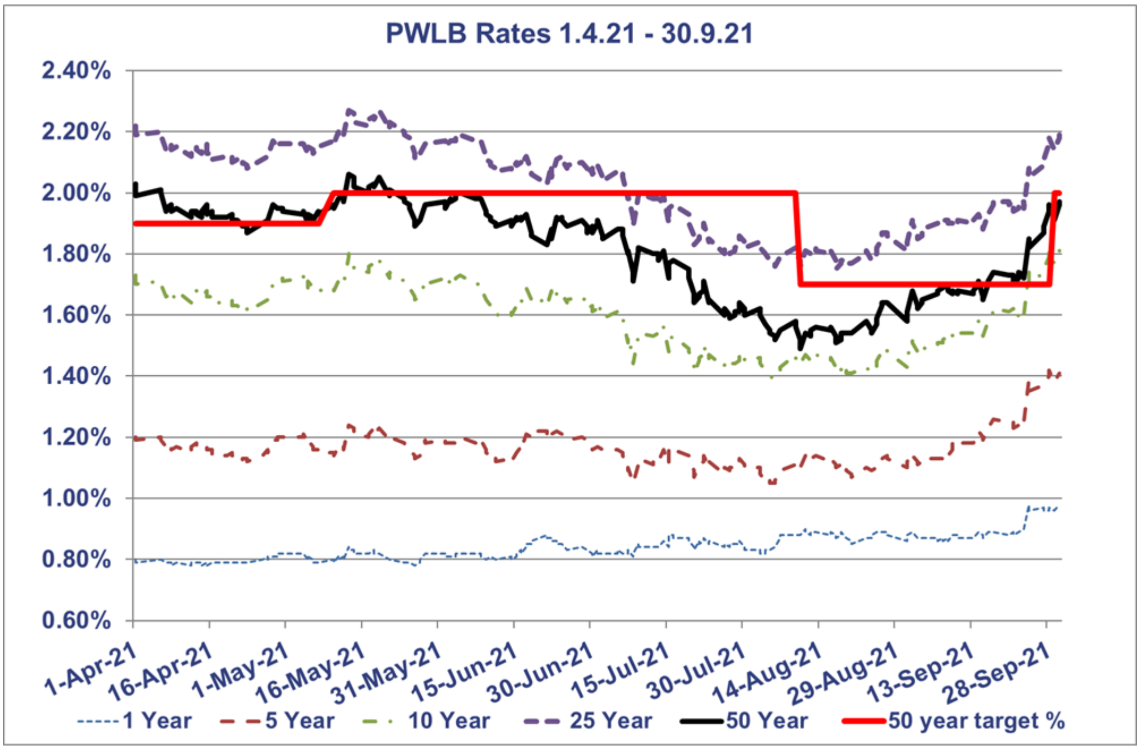
3.11. Gilt yields and PWLB rates rose sharply during the first three months of 2021 but have lacked any consistent direction since then over the last three months to 30th September.
The 50 year PWLB target certainty rate for new long-term borrowing started at 1.49% in this quarter but then rose to 2.06% in August.

3.12. No new borrowing was undertaken during the quarter and none is planned during 2021-22 as a result of the Authority's adopted financial strategy to utilise revenue funds (revenue budget and reserves) to finance capital investment needs for the medium term.

PWLB rates quarter ended 30 September 2021

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.78%	1.05%	1.39%	1.75%	1.49%
Date	08/04/2021	08/07/2021	05/08/2021	17/08/2021	10/08/2021
High	0.98%	1.42%	1.81%	2.27%	2.06%
Date	24/09/2021	28/09/2021	28/09/2021	13/05/2021	13/05/2021
Average	0.84%	1.16%	1.60%	2.02%	1.81%
Spread	0.20%	0.37%	0.42%	0.52%	0.57%

3.13. Borrowing rates for this quarter are shown below.



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

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

4. SUMMARY AND RECOMMENDATION

4.1. In compliance with the requirements of the Chartered Institute of Public Finance and Accountancy Code of Practice of Treasury Management, this report provides the Committee with the first quarter report on treasury management activities for 2021-22 to September 2021. As is indicated in this report, none of the Prudential Indicators have been breached, and a prudent approach has been taken in relation to investment decisions taken so far, with priority being given to liquidity and security over yield. Whilst investment returns are recovering as a result of the increase in interest rates, the Authority is still anticipating that investment returns will meet the budgeted target, as rates were forecast to rise when the budget was set.

SHAYNE SCOTT
Treasurer

Investments as at 30 September 2021					
Counterparty	Maximum to be invested	Amount Invested	Call or Term	Period invested	Interest rate(s)
	£m	£m			
Redcar & Cleveland Borough Council	7.000	-3.000	T	12 mths	0.30%
Staffordshire & Moorlands District Council	5.000	-1.500	T	18 mths	0.50%
Goldman Sachs	5.000	-3.000	T	6 mths	0.27%
Standard Chartered	5.000	-3.000	T	6 mths	0.12%
National Bank of Kuwait (International) PLC	5.000	-5.000	T	12 mths	0.21%
National Bank of Kuwait (International) PLC	5.000	-2.000	T	12 mths	0.20%
Lancashire County Council	5.000	-5.000	T	12 mths	0.10%
Standard Chartered	5.000	-4.000	T	6 mths	0.10%
Close Brothers	7.000	-5.000	T	6 mths	0.25%
Goldman Sachs	7.000	-2.000	T	6 mths	0.16%
Goldman Sachs	7.000	-2.000	T	6 mths	0.16%
Bayerische Landesbank	7.000	-7.000	T	6 mths	0.11%
Barclays Bank		-0.151	C	Instant Access	Variable
Aberdeen Standard	8.000	-3.090	C	Instant Access	Variable
Federated Cash Plus	8.000	-1.650	C	Instant Access	Variable
Total Amount Invested		**-47.391**			

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REPORT REFERENCE NO.	**RC/21/16**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**30 NOVEMBER 2021**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2021-22 – QUARTER 2**
LEAD OFFICER	**Director of Finance and Resourcing (Treasurer)**
RECOMMENDATIONS	***That the report be noted.***
EXECUTIVE SUMMARY	This report provides the Committee with the second quarter performance against agreed financial targets for the current financial year. In particular, it provides a forecast of spending against the 2021-22 revenue budget with explanations of the major variations. At this stage in the financial year it is forecast that spending will be £0.514m less than budget, an underspend of 0.69% of total budget.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY RISKS AND BENEFITS ANALYSIS	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Summary of Prudential Indicators 2021-22.
BACKGROUND PAPERS	None.

1. INTRODUCTION

1.1. This report provides the second quarterly financial monitoring report for the current financial year, based upon the position as at the end of September 2021. As well as providing projections of spending against the 2021-22 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators. At this stage of the financial year, no recommendations are made as to the use of any surplus.

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

TABLE 1 –PERFORMANCE AGAINST KEY FINANCIAL TARGETS 2021-22

	Key Target	Target	Forecast Outturn		Forecast Variance	
			Quarter 2	Previous Quarter	Quarter 2 %	Previous Quarter %
	Revenue Targets					
1	Spending within agreed revenue budget	£74.222m	£73.709m	£74.250m	0.69%	0.04%
2	General Reserve Balance as %age of total budget (minimum)	5.00%	6.80%	6.80%	(1.88)bp*	(1.88)bp
	Capital Targets					
3	Spending within agreed capital budget	£12.693m	£7.835m	£11.816m	(38.27%)	(4.63%)
4	External Borrowing within Prudential Indicator limit	£25.961m	£24.758m	£24.758m	(7.23%)	(7.23%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	4.30%	4.3%	(0.70)bp*	(0.70)bp*

**bp = base points*

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

- **SECTION A** – Revenue Budget 2021-22.
- **SECTION B** – Capital Budget and Prudential Indicators 2021-22.
- **SECTION C** – Other Financial Indicators.

1.4. Each of these sections provides a more detailed analysis of performance, including commentary relating to the major variances.

2. SECTION A - REVENUE BUDGET 2021-22

2.1. Table 2 below provides a summary of the forecast spending against all agreed subjective budget heads, e.g. employee costs, transport costs etc. This table indicates that spending by the year end will be £73.709m, representing a slight underspend of £0.514m equivalent to 0.69% of the total budget.

TABLE 2 – REVENUE MONITORING STATEMENT 2021-22

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Revenue Budget Monitoring Report 2021/22

Line No	SPENDING	2021/22 Budget £'000	Year To Date Budget £'000	Spending to Month 6 £'000	Projected Outturn £'000	Projected Variance over/ (under) £'000
	EMPLOYEE COSTS					
1	Service Delivery Staff	51,769	25,659	25,654	51,558	(211)
3	Professional and technical support staff	11,193	5,597	5,747	11,264	70
4	Training investment	854	427	607	691	(163)
5	Fire Service Pension costs	2,352	1,176	985	2,395	43
		66,168	**32,858**	**32,993**	**65,907**	**(260)**
	PREMISES RELATED COSTS					
6	Repair and maintenance	1,010	505	623	1,010	(0)
7	Energy costs	578	289	198	650	72
8	Cleaning costs	499	250	398	486	(13)
9	Rent and rates	1,921	961	1,816	1,929	8
		4,009	**2,004**	**3,034**	**4,076**	**67**
	TRANSPORT RELATED COSTS					
10	Repair and maintenance	708	354	234	730	21
11	Running costs and insurances	1,257	629	597	1,240	(17)
12	Travel and subsistence	1,402	701	989	1,409	7
		3,368	**1,684**	-	**3,379**	**10**
	SUPPLIES AND SERVICES					
13	Equipment and furniture	3,642	1,821	2,032	3,881	239
14	Hydrants-installation and maintenance	131	66	27	116	(15)
15	Communications Equipment	2,403	1,202	1,737	2,293	(110)
16	Protective Clothing	521	261	211	524	2
17	External Fees and Services	139	69	50	136	(3)
18	Partnerships & regional collaborative projects	320	160	116	332	12
19	Catering	66	33	20	49	(17)
		7,223	**3,612**	**4,191**	**7,330**	**107**
	ESTABLISHMENT COSTS					
20	Printing, stationery and office expenses	265	133	116	245	(20)
21	Advertising including Community Safety	34	17	26	33	(0)
22	Insurances	434	217	238	433	(1)
		732	**366**	-	**711**	**(21)**
	PAYMENTS TO OTHER AUTHORITIES					
23	Support service contracts	733	367	399	718	(15)
		733	**367**	-	**718**	**(15)**
	CAPITAL FINANCING COSTS			-		
24	Loan Charges & Lease rentals	3,474	1,737	440	3,472	(2)
25	Revenue Contribution to Capital Spending	2,037	1,019	-	2,037	-
		5,511	**2,756**	**440**	**5,509**	**(2)**
26	**TOTAL SPENDING**	**87,744**	**43,646**	**41,958**	**87,629**	**(115)**
	INCOME					
29	Treasury management income	(100)	(50)	(19)	(85)	15
30	Grants and reimbursements	(9,151)	(4,576)	(3,696)	(9,152)	(1)
31	Other income	(912)	(456)	(632)	(1,324)	(412)
33	**TOTAL INCOME**	**(10,163)**	**(5,082)**	**(4,348)**	**(10,562)**	**(399)**
34	**NET SPENDING**	**77,581**	**38,565**	**37,610**	**77,067**	**(514)**
	TRANSFERS TO EARMARKED RESERVES					
35	Transfer to/(from) Earmarked Reserves	(3,359)	(1,679)	-	(3,358)	-
		(3,359)	**(1,679)**	-	**(3,358)**	-
				-		
	NET SPENDING	**74,222**	**36,885**	-	**73,709**	**(514)**

2.2. These forecasts are based upon the spending position at the end of September 2021, historical trends, and information from budget managers on known commitments. It should be noted that whilst every effort is made for projections to be as accurate as possible, some budget lines are susceptible to volatility in spending patterns during the year e.g. retained pay costs which are linked to activity levels, and it is inevitable therefore that final spending figures for the financial year will differ than those projected in this report.

2.3. Explanations of the more significant variations from budget (over £0.050m variance) are explained below.

3. NARRATIVE ON VARIANCES AGAINST BUDGET

Service Delivery Staff

3.1. Is forecasted to underspend by £0.211m. Higher costs for on-call for Month 6 has reduced the forecasted underspend as at Month 5 which was £0.448m. An anticipated reduction in pre-arranged overtime resulting from the new recruits course has reduced the anticipated requirement for this method of station cover.

Professional and Technical Support Staff.

3.2. Is forecast to overspend by £0.070m. A slight overspend within the Academy (Driving Instructor) has contributed towards this slight overspend. This was a conscious decision to bolster the team to enable them to catch-up on needed driving courses.

Training Investment

3.3. Is forecast to underspend by £0.163m. Covid has restricted the number of courses available for the first part of the year. Therefore, the Academy is reviewing the priority of the courses (in terms of availability) which has resulted in a predicted under spend. Two examples are Wildfire at £0.045m and Fire Investigation £0.037m.

Energy Costs

3.4. Is forecast to overspend by £0.072m. The increase in wholesale costs for electricity have pushed this line to a predicted overspend position.

Equipment and Furniture

3.5. Is forecast to overspend by £0.239m. An increase in timber costs associated with the wood used at the Academy is anticipating to overspend by £0.091m. Added to this, the equipment required to kit-out the new Medium Rescue Pumps which were delayed in 2020/21 has resulted in an anticipated overspend of £0.100m. The balance made up of numerous small variances.

Communications Equipment

3.6. Is forecast to underspend by £0.110m. There was budget in this year to purchase a Dynamic Coverage Tool, this is no longer required for 2021/22 resulting in a saving of £0.050m. Mobile telephones costs are forecast to save £0.020m against budget and the radio network costs are looking to underspend by £0.043m

Other income

3.7. Is forecast to overcover by £0.412m. The continued support to South West Ambulance Service Trust (SWAST) has created additional income that was unbudgeted - the current forecast is for £0.318m for the year. Coupled with this, USAR are expected to deliver an additional £0.034m of income related to training they provide. Procurement is also forecasting to generate an additional £0.060m of income from the use of their call-off contracts.

4. RESERVES AND PROVISIONS

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

Reserves

4.2. There two types of Reserves held by the Authority:

Earmarked Reserves – these reserves are held to fund a **specific** purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required, and the amount is greater than the delegated limited allocated to the Treasurer, then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

General Reserve – usage from this Reserve is **non-specific** and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant retained pay costs.

Provisions

4.3. In addition to reserves, the Authority may also hold provisions which can be defined as:

Provisions – a Provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

4.4. A summary of predicted balances on Reserves and Provisions is shown in Table 3 below.

TABLE 3 – FORECAST RESERVES AND PROVISION BALANCES

RESERVES AND PROVISIONS							
RESERVES	**Balance as at 1 April 2021 £'000**	**Approved Transfers £'000**	**Proposed Transfers £'000**	**Spending so far £'000**	**Forecast Outturn 2021-22 £'000**	**Proposed Balance as at 31 March 2022 £'000**	
Earmarked reserves							
Grants unapplied from previous years	(4,526)	-	-	354	4,055	(471)	
Invest to Improve	(3,897)	100		1,032	1,933	(1,964)	
Budget Smoothing Reserve	(1,818)	-	-	-	-	(1,818)	
Direct Funding to Capital	(23,270)	(100)	-	-	3,774	(19,496)	
Projects, risks, & budget carry forwards	-	-	-	-	-	-	
PFI Equalisation	(150)	-	-	-	-	(150)	
Emergency Services Mobile Communications Programme	(1,347)	-	-	18	53	(1,293)	
Mobile Data Terminals Replacement	(266)	-	-	60	266	(0)	
Pension Liability reserve	(1,231)	-	-	-	200	(1,031)	
Budget Carry Forwards	(3,459)	-	-	217	1,196	(2,263)	
Environmental Strategy	(308)	-	-	29	129	(179)	
MTA Action Plan	(200)	-	-	44	200	(0)	
Total earmarked reserves	**(40,471)**	**-**	**-**	**1,754**	**11,806**	**(28,665)**	
General reserve							
General Fund (non Earmarked) Balance	**(5,282)**	**-**	**-**	**-**	**-**	**(5,282)**	
Percentage of general reserve compared to net budget							6.8%
TOTAL RESERVE BALANCES	**(45,753)**	**-**	**-**	**1,754**	**11,806**	**(33,948)**	
PROVISIONS							
Doubtful Debt	(655)		-	-	-	(655)	
Fire fighters pension schemes	(659)		-	-		(659)	

SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2021-22

Monitoring of Capital Spending in 2021-22

5.1 Table 4 below provides a summary of anticipated expenditure for this financial year and demonstrates the funding requirements.

5.2 At the end of Quarter 2, the Service is forecasting to underspend by £4.916m. In the Estates department, £3.786m identified to refurbish Camels Head Fire Station has been delayed to ensure more intrusive structural work is completed to understand the potential risks regarding the concrete frame. Approvals permitting, the Service is currently hopeful to be on-site late summer 2022. Delays have also been encountered at Bridgwater, a roof at one of the Academy sites, Bere Alston and Paignton which make up the difference.

5.3 Delays in evaluating the type of vehicle required to replace both the aerial ladder platforms and 4X4 medium rescue pumps and extended chassis build times has delayed the order of the chassis' that were planned to be delivered in this year. These will be ordered as soon as the procurement process is complete with a planned delivery in Quarter 2 of 2022/23.

TABLE 4 – FORECAST CAPITAL EXPENDITURE 2021-22

Capital Programme 2021/22					
PROJECT	**2021/22 £000 Revised Budget**	**2021/22 £000 Forecast Outturn**	**2021/22 £000 Actuals**	**2021/22 £000 Timing Differences**	**2021/22 £000 Re-scheduling/ Savings**
Estate Development					
Site re/new build	2,207	2,290	989	0	83
Improvements & structural maintenance	5,762	1,976	203	(3,786)	0
Estates Sub Total	**7,969**	**4,266**	**1,192**	**(3,786)**	**83**
Fleet & Equipment					
Appliance replacement	6,403	5,923	3,530	(480)	0
Community Fire Safety	0	0	0	0	0
Specialist Operational Vehicles	480	87	54	(400)	7
ICT Department	409	159	0	(250)	0
Water Rescue Boats	32	0	0	0	(32)
Fleet & Equipment Sub Total	**7,324**	**6,169**	**3,584**	**(1,130)**	**(25)**
Estates Optimism bias	(1,400)	0	0		0
Fleet Optimism bias	(1,200)	0	0		0
Optimism bias Sub Total	**(2,600)**	**0**	**0**	**0**	**0**
Overall Capital Totals	**12,693**	**10,435**	**4,776**	**(4,916)**	**58**
Programme funding					
Earmarked Reserves:	8,632	3,774	0	(4,916)	58
Revenue funds:	2,037	2,037	0	0	0
Borrowing - internal	2,024	2,024	0	0	0
Total Funding	**12,693**	**7,835**	**0**	**(4,916)**	**58**

Prudential Indicators (including Treasury Management)

5.4 Total external borrowing with the Public Works Loan Board (PWLB) as at 30 September 2021 stands at £24.804m and is forecast to reduce to £24.758m as at 31 March 2022. This level of borrowing is well within the Authorised Limit for external debt of £27.244m (the absolute maximum the Authority has agreed as affordable). No new external borrowing is planned in this financial year.

5.5 Investment returns in the quarter yielded an average return of 0.15% which outperforms the LIBID 3 Month return (industry benchmark) by 0.20%. It is forecast that investment returns from short-term deposits will under achieve the budgeted figure by £0.015m at 31 March 2022.

5.6 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2021-22, which illustrates that there is no anticipated breach of any of these indicators.

5. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

6.1. Total debtor invoices outstanding as at Quarter 2 were £0.963m table 5 below provides a summary of all debt outstanding as at 30 September 2021.

6.2. Of this figure an amount of £0.686m was due from debtors relating to invoices that are more than 85 days old, equating to 58.9% of the total debt outstanding.

TABLE 5 – OUTSTANDING DEBT AT END OF QUARTER

	Total Value £	**%**
Current (allowed 28 days in which to pay invoice)	272,332	27.1%
29-56 days	14,796	1.5%
57-84 days	39,028	3.9%
Over 85 days	677,393	67.5%
Total Debt Outstanding as at 30 September 2021	**921,066**	**100.00%**

6.3. Table 6 overleaf provides further analysis of those debts in excess of 85 days old.

TABLE 6 – DEBTS OUTSTANDING FOR MORE THAN 85 DAYS

	No	Total Value	Action Taken
Red One Ltd	51	£652,353	A repayment plan for 2021-22 has been agreed with the subsidiary company and is reviewed each quarter.
Various	13	£24,793.	Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery office where appropriate.

SHAYNE SCOTT
Director of Finance & Resourcing (Treasurer)

APPENDIX A TO REPORT RC/21/16

PRUDENTIAL INDICATORS 2021-22

Prudential Indicators and Treasury Management Indicators	Forecast Outturn £m	Target £m	Variance (favourable) /adverse £m
Capital Expenditure	**7.835**	**12.693**	**(4.858)**
External Borrowing vs Capital Financing Requirement (CFR) - Total - Borrowing - Other long term liabilities	**25.961** 24.758 0.907	**25.961** 24.758 0.907	**£0.000**
External borrowing vs Authorised limit for external debt - Total - Borrowing - Other long term liabilities	**25.665** 24.758 0.907	**25.665** 26.189 1.056	**(0.01)**
Debt Ratio (debt charges as a %age of total revenue budget	**4.30%**	**5.00%**	**(0.70)bp**
Cost of Borrowing – Total -Interest on existing debt as at 31-3-21 -Interest on proposed new debt in 2021-22	**1.054** 1.054 0.000	**1.054** 1.054 0.000	**(0.000)**
Investment Income – full year	**0.085**	**0.100**	**0.015**
	Actual (30 Sept 2021) %	**Target for quarter %**	Variance (favourable) /adverse
Investment Return	**0.15%**	**(0.05%)**	**(0.20)bp**

Prudential Indicators and Treasury Management Indicators	Forecast (31 March 2022) %	Target Upper limit %	Target Lower limit %	Variance (favourable) /adverse %
Limit of fixed interest rates based on net debt	100.00%	100.00%	70.00%	0.00%
Limit of variable interest rates based on net debt	0.00%	30.00%	0.00%	(30.00%)
Maturity structure of borrowing limits				
Under 12 months	0.38%	30.00%	2.00%	(29.63%)
12 months to 2 years	1.98%	30.00%	2.00%	(28.06%)
2 years to 5 years	12.65%	50.00%	13.00%	(45.89%)
5 years to 10 years	3.45%	75.00%	3.00%	(61.57%)
10 years and above - 10 years to 20 years - 20 years to 30 years - 30 years to 40 years - 40 years to 50 years	**79.55%** 14.93% 20.12% 44.50% 0.00%	**100.00%**	**80.00%**	**(22.17%)**

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REPORT REFERENCE NO.	**RC/21/17**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**30 NOVEMBER 2021**
SUBJECT OF REPORT	**GREEN PERFORMANCE MEASURES**
LEAD OFFICER	**DIRECTOR OF FINANCE & RESOURCING (TREASURER)**
RECOMMENDATIONS	***(a) That the Committee considers and, subject to any amendments requested at the meeting, endorses the environmental measures set out at Appendix A of report RC/21/17; and*** ***(b) Subject to (a) above, the report be noted.***
EXECUTIVE SUMMARY	This report sets out details of the data collation for the environmental measures (up to March 2021) and action place since March 2021 in the delivery of the Service's Green performance strategy. The Action plan had been updated with the current Red Amber Green Blue (RAGB) and narrative of change on activities.
RESOURCE IMPLICATIONS	None
EQUALITY RISKS AND BENEFITS ANALYSIS	None
APPENDICES	A. Environmental measures B. Action plan
BACKGROUND PAPERS	Green Devon & Somerset Fire & Rescue Service – Environment Strategy

1. INTRODUCTION

1.1. This report provides the input data collated to baseline the environmental metrics which were considered by a working group of the previous Audit and Performance Review Committee (APRC). The Authority at its meeting held on 29 September 2021 agreed that the Resources Committee's Terms of Reference would be amended to include consideration of the Environmental Strategy and associated performance measures in future (Minute DSFRA/21/22 refers)

1.2. The environmental strategy specified an action to *"Measure and publish our current environmental impact in terms of emissions, waste, water and utilities".*

1.3. Metrics would normally be baselined for a 12-month period. However, in light of the service being in business continuity during COVID19 the Service set baseline data for the financial year 2020-2021. It is acknowledged that the Covid19 pandemic did not reflective a 'typical' operating period. Where possible and appropriate, two financial year's data has been collated as a comparison; 2019/20 and 2020/21. A narrative has been provided for any data omissions.

1.4. The overarching objective of the measures will be to enable monitoring of the Service's emissions and leading indicators. The Service is establishing its total carbon footprint as defined in the Greenhouse Gas (GHG) Protocols. Currently the Service is able to identify the Scope 1 and Scope 2 Greenhouse Gas emissions (with the exception of Scope 1 F-Gases to follow). Scope 3 requires further time to define the context of the organisational boundary and subsequent data collation and emissions calculation.

1.5. The inputs identified in the environmental metric table at Appendix A of this report as agreed previously with the Audit & Performance Review Committee will be reported to the Committee unless any change is requested by the Resources Committee at this meeting. The Service will continue to develop and work towards calculating is total Carbon footprint and Scope 3 emissions. Appendix B of this report sets out the Action Plan activity update for information.

SHAYNE SCOTT
Director of Finance & Resourcing (Treasurer)

Environmental Measures							
Theme	**Measure**	**Method/Unit**	**Data owner**	**Suggested frequency**	**FY19/20**	**FY20/21**	**Commentary**
Increase renewable energy consumption	Number of photovoltaic systems in use	Count	Estates	6 months/ annual		13	
	Number of PV systems planned/in commissioning	Count	Estates	6 months/ annual		3	
	Power generated by renewable systems	kWh	Estates	6 months/ annual	42,568		Pending data reporting for FY20/21 from Feed In Tariff (FiT) providers.
	Power used - electricity	kWh	Estates	quarterly/ 6 months	2,928,783.220	2,675,058.900	
	Power used - gas	kWh	Estates	quarterly/ 6 months	3,887,474.196	3,852,083.331	
	Power ordered - heating oil	Litres	Estates	quarterly/ 6 months	6700	4274	
Reduce environmental impact of service vehicles	Size of service fleet	Count	Fleet	6 months/ annual		530	
	% of LGV 3.5 – 7.5 tonne meeting Euro 5 or above standards	%	Fleet	6 months/ annual		33%	168 HGV in total, 40 vehicles Euro 6 and 15 vehicles Euro 5)
	% of LGV above 7.5 tonne meeting Euro 5 or above	%	Fleet	6 months/ annual		91%	43 total, 22 vehicles Euro 6 and 17 vehicles Euro 5
	% of LGV up to 3.5 tonne meeting TBC standard	%	Fleet	6 months/ annual		TBC	This size of vehicle has CO2 calculated by a figure (g/km) rather than EU rating. Appropriate standard to be determined. The total count is 54.
	Alternative fuel vehicles in Service Fleet	Count	Fleet	6 months/ annual		1 x LPG 2 x Electric	
	Litres of fuel used/ordered	Count	Fleet	quarterly/ 6 months	Diesel – 610,238.60 Petrol – 39,353.19 LPG – 0	Diesel – 424502.16 Petrol – 20058.09 LPG – 18	
	Number of buildings in each EPC band	Count	Estates	Annual		A – 3 B – 3 C – 3 D – 1 E – 2 F – G –	12 Buildings only currently with ratings. Remaining sites to be assessed to obtain EPC via tender process.
Maintaining efficient buildings	Estate footprint	Total	Estates	Annual		41,579.0 m2	
	Mass of non-recyclable waste	tonnes	Estates	Annual	105.057	89.042	Trade & Recycling Waste contract only
Reducing waste	Mass of recyclable waste	tonnes	Estates	Annual	15.754	14.163	Trade & Recycling Waste contract only
	Units of water consumed	cubic metres	Estates	quarterly/ 6 months		38,697.63	Total consumption data. Data anomalies under review with Contractor e.g. 3 sites not polling any consumption. Major data inconsistencies in FY19/20 data hence not included.
Encourage greener travel to work	Uptake of cycle to work scheme	Count	Finance/HR	quarterly/ 6 months			Pending review
	Profile of staff journeys broken down into category	Staff survey	Staff survey	Annual			Pending metric collation
	Uptake of Ultra Low Emissions Vehicles Scheme	Count	Finance/HR	quarterly/ 6 months			Pending scheme go-live

GHG Emissions Calculations

FY2019-2020

	kg CO2e	t CO2e
Scope 1	2,446,482.34	2,446.48
Scope 2	748,596.99	748.60
Scope 3		
	3,195,079.33	**3,195.08**

FY2020-2021

	kg CO2e	t CO2e
Scope 1	1,917,189.50	1,917.19
Scope 2	623,663.23	623.66
Scope 3		
	2,540,852.74	**2,540.85**

ACTION PLAN RAGB CHANGES

Action	RAGB Change since last meeting	Narrative
4	Not Started to On Track	Actively attending the Emergency Services Environmental and Sustainability Group which meets bi-monthly and member of the NFCC Environment and Sustainability Group which provides opportunities to share information and experience with other FRS and Emergency Services colleagues who are undertaking similar activities.
5	Not Started to On Track	Liaison with the Organisational Development team to develop a 'Green Thread' and 'Green by Design' to ensure all environmental aspects and impacts are identified, considered and applied during decision making, policy, procedures, procurements.

Activity update:

- May 2021 – 2 members of staff undertook IEMA Associate Foundation Course in Environmental Management which has provided the organisation with additional skills and understanding. A key outcome is the decision to undertake an Initial Environmental Review which will identify environmental aspects and impacts of our organisation, gather the environmental issues affecting DSFRS, inform priority action areas and identify risks and opportunities. External consultancy support sought for this process.

- Action 8 – Progress has been made towards implementation of EV charging infrastructure. The working group have released a further competition via a central government framework to identify a contractor to undertake site electrical capacity surveys of all sites. The data will enable decisions on pilot site infrastructure, roll out programming and potential electrical upgrade requirements in order to support the light support fleet moving to electric vehicles. Initial survey data is expected by December 2021.

- Action 10 – The fleet telematics project is on track with implementation and due to be complete Mid 2022.

- Action 12 – the agreed baseline metrics have been collated and will be refreshed following feedback from Authority Champions. Scope 1 & 2 GHG emissions now calculated using the baseline data. Next step is to identify our Scope 3 GHG emissions and to identify and model the nature and speed of reductions required to achieve the emission reductions of the DSFRS Environmental Strategy.

- Action 13 – Progressing a DSFRS ‘People by Design’ process on the environmental strategy in order to understand the individual behavioural changes needed to deliver the environmental strategy. Attending IEMA Webinar creating a green champion network.

	On Track	At risk	Compromised	Completed	Not Started
Ref.	**Action**	**Responsible department**	**How will it be done?**	**RAGB Status**	**Immediate Future (18 months)**
1	To consider through the Fire Authority, Chief Fire Officer and Executive Leadership Team our declaration of a climate change emergency and actively promote our strategy with partner organisations and wider community	Dir. Service Resourcing	1. Declare climate emergency 2. Communications plan to launch Green DSFRS		✓
2	Providing funding to deliver our action plan	Finance	1. Earmark funding		✓
3	Making waste reduction a priority	Environmental Officer	1. Learning from best practice 2. Co-ordinating with procurement to specify low waste goods and services 3. Digitising/efficiency		✓
4	Work collaboratively with DEFRA, Environment Agency, and others to identify and deliver best practice	Environmental Officer	1. Engage in working groups including NFCC 2. Update memorandum of understanding with Environment Agency		✓
5	Introduce environmental factors and impacts in our decision making processes	Governance/ Organisational Development	1. Update templates 2. Introduce Environmental Impact Assessment process		✓
6	develop self-service processes to reduce inefficiency and remove paper-based systems	Programme/ICT/ Efficiency review	1. Deliver workbench applications 2. Embed Office 365 3. Review processes for paper and seek to eliminate/ fully digitise		✓
7	Putting greater emphasis on environmental changes with our energy companies and third party providers	Estates/Procurement	1. Review contracts when up for review 2. Consider fully carbon offsetting energy use 3. Embed in next procurement strategy		✓
8	Introduce electric vehicle charging points at our pilot sites	Estates/ Fleet & Procurement	1. Agree optimum locations 2. Agree recharging regime (e.g. assess impact of free) 3. Subcontract installation		✓
9	Design green and carbon reduction initiatives in to our new building schemes	Estates	1. Assess appetite for green initiatives as uplift against building regulations 2. Embed in Estates Strategy		✓
10	Establish fleet telematics system and start to implement	Fleet & Procurement	1. Implement fleet strategy 2. Asset management project phase 2		✓
11	Work with Water Companies to understand impacts of firefighting use of water	Environmental Officer	1. Establish project/ consider PhD study/ NFCC collaboration 2. Publish data and findings to incorporate in to training and product procurement		✓
12	Measure and publish our current environmental impact in terms of emissions, waste, water and utilities	Service Resourcing/ Strategic Analysis	1. Working group to agree initial metrics 2. Data gathering and publication 3. Development of new metrics as data becomes available		✓
13	Encourage behaviour change and share good ideas for improvement with our staff, partner organisations and wider community	Environmental Officer	1. Learning from best practice 2. Co-ordinating with comms team on campaign 3. Establish staff champions		✓

Action	Medium Term (18 months - 3 years)	By 2030
Review and benchmark our sustainable performance measurements	✓	
Develop our systems and processes to capture the relevant information to analyse and improve our sustainable performance	✓	
Introduce high environmental standards in our requirements for goods, services and works	✓	
Improve fleet utilisation and reduce numbers of vehicles and journeys	✓	
Extend our electric vehicle charging point scheme	✓	
Explore retrofitting of renewable energy generation on our larger sites	✓	
Work with the Environment Agency to ensure that our training and operations are carried out within agreed standards	✓	
Influence across our local authority area for safe and sustainable building designs and urban developments	✓	
Recognise the financial and wellbeing benefits from our environmental investments and plan for 2050		✓
Be proactive in our approach to climate related consultations and seek input from our local communities and support from wider government and agencies for our climate change initiatives		✓
Seek to influence council partners for reductions in business rates as a result of renewable energy schemes		✓

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