

## **RESOURCES COMMITTEE**

(Devon & Somerset Fire & Rescue Authority)

5 September 2022

### Present:

Councillors Peart (Chair), Coles, Drean (Vice-Chair), Long, Randall-Johnson (vice McGeough) and Sellis.

### Apologies:

Councillors McGeough and Power.

\* **RC/22/1**

### Minutes

**RESOLVED** that the Minutes of the meeting held on 18 May 2022 be signed as a correct record.

\* **RC/22/2**

### Treasury Management Performance 2022-23: Quarter

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

The Committee received for information a report of the Director of Finance, People & Estates (Treasurer) (RC/22/12) that set out the Authority's performance relating to the first quarter of 2022-23 (to June 2022) in accordance with the Treasury Management in Public Service Code of Practice (published by the Chartered Institute of Public Finance and Accountancy {CIPFA}) and the CIPFA Prudential Code. The report set out how this Authority was demonstrating best practice in accordance with these Codes.

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

- There was economic volatility currently, the main driver of which was inflation driven largely by the position in Ukraine;
- The Bank of England was employing monetary policy in a bid to control inflation which was 10.1% currently and forecast to peak at around 14-18% later in 2023 before this dropped down again;
- UK bank base rate had been increased from 1.25% to 1.75% in August 2022 with quantitative easing being phased out gradually. Further interest rate rises were forecast and expected to peak now at around 2.75% in March 2024;
- The squeeze on income as a result of inflation was likely to slow the economy further into recession in 2023 for four quarters with an associated rise in unemployment (possibly to 6%);
- Interest rates were not forecast to rise in the next two years with no change in monetary policy;

- the annual treasury management strategy had continued on a prudent approach, underpinned by investment priorities based on security of capital, liquidity and yield. Investment income of £0.015m (0.73%) had been generated in quarter 1 of 2022-23, an underperformance against the new 3 month SONIA (Sterling Overnight Index) benchmark of 0.90% by 0.17bph. SONIA had replaced LIBID at the end of December 2022 and tended to trade at a higher average so it was anticipated that investment returns should improve and outperform the investment target at the year end;
- None of the Prudential Indicators (affordability limits) had been breached in quarter 1 with external borrowing at 30 June 2022 being £24.757m, forecast to reduce to £24.264m by the end of the financial year with no new borrowing undertaken.

It was noted that there would be opportunities forthcoming to review the Authority's early repayment of external borrowing as the rates for the Public Works Loans Board (PWLB) were improving.

Reference was made to the potential for much higher (than budgeted) public sector pay increases as a result of the peak in inflation. The Treasurer reported that the Government had been requested to provide additional funding to cover the anticipated increased pay awards but no response had been forthcoming as yet.

The Committee enquired about the potential for increased interest rates for the Authority's investments as set out within Appendix A of report AGC/22/12). The Treasurer advised that the Authority had seen an improvement in the interest rates offered already in quarter 2 of 2022-23 which would be reflected within the next report to this Committee.

The Committee welcomed the actions being taken to mitigate against downturn in economic performance being experienced currently.

\* **RC/22/3**      **Financial Performance Report 2022-23: Quarter 1**

The Committee received for information a report of the Director of Finance, People & Estates (Treasurer) (RC/22/13) that provided the Committee with details of the first quarter performance (to June 2022) against the agreed financial targets for 2022-23.

The Director of Finance & Resourcing (Treasurer) advised that, at this stage in the financial year, it was projected that spending would be £1.259m more than the budget of £77.289m at £78.548m representing an overspend of 1.63% of total budget. He added that it was relatively early in the financial year, however, and the Executive Board had implemented measures already to bridge this gap which included tightening spending against the agreed budget and seeking savings in the areas below including a review of how the crewing pool was resourced.

The drivers for this forecast overspend were largely due (amongst others) to:

- Wholetime pay - as a result of the additional 12 firefighter recruits who joined the Service in May 2022 where the training costs were not included - £0.185m;
- On Call Pay – budget assumptions regarding pension costs, national insurance and holiday pay were incorrect - £0.859m;
- Professional & technical support as a result of staffing costs for human resources associated with the Network Fire Services Partnership (NFSP) - £0.054m; and
- Communications equipment - £0.286m - of which £0.118m was because of unfunded increases in Airwave (the national blue light radio scheme) and £0.156m relating to alerter transmitters slippage from 2021/22.

This was offset by underspends in the following areas (amongst others):

- Training - £0.092m;
- Transport, repair and maintenance costs - £0.160m;
- Hydrants installation and maintenance - £0.054m.

The Committee noted that the Authority was within its prudential limits for external borrowing with the outstanding debt at £24.757 m forecast to reduce to £24.264m as at 31 March 2023. The capital programme was progressing well although there was a forecast overspend of £0.094m largely due to timing differences. The total debtor invoices outstanding at quarter 1 totalled £0.970m of which £0.4666m related to Red One Ltd.

The Committee asked about to the impact of the pension age discrimination remedy, noting that the full remedy would not be available until the requisite legislation was in place in October 2023. The Treasurer advised that there were 37 staff eligible to retire, all of whom had individual circumstances influencing their decisions. The Service was providing as much information as possible to each of these individuals to enable them to make an informed decision in terms of their retirement plans. The Chief Fire Officer added that the Service was confident that it would start to see some movement on impending retirements as a result of the clarification provided to the individuals concerned.

The Treasurer drew attention to the £1.350m of additional costs that may arise as a result of future pay awards for both operational and non-operational staff. It was noted that the National Fire Chiefs' Council (NFCC) had written to Government seeking funding to cover the additional costs associated with an increased pay award. In the event that additional funding was not forthcoming, the Authority would need to meet the budget deficit from Reserves. The Chief Fire Officer added that there were other areas that could be explored to bridge the budget deficit such as reducing the revenue contribution to capital of £1.2m, examining all of the reserves to check they were still required or could be repurposed and all Estate options.

The Committee welcomed the action being taken by the Service to manage the budget deficit on the 2022-23 revenue budget.

\* **RC/22/4**     **Service Environmental Strategy Update**

The Committee received for information a report of the Director of Finance, People & Estates (RC/22/14) that detailed progress on the Environmental Strategy and Action Plan.

It was noted that the Action Plan had been updated for 2022-25 to align to ISO140001 (Environmental Management) and following recommendations received from the initial Environmental review (IER) undertaken in October 2021. The IER contained the following recommendations:

- Continued development and implementation of the Environmental Strategy and Action Plan;
- Corrective action being taken over the high priority areas identified in the site visit report;
- Establishment of an environmental management system; and
- A review of each item on the environmental legislation annex to ensure the Service was fully compliant.

The Committee was advised that good progress had been made against the Action Plan which was set out at Appendix D of report RC/22/14. The Action Plan was accompanied by associated metrics (Appendix C of report RC/22/14).

Questions were raised on:

- whether there had been any investigation into the use of hydrogen in the future;
- an associated increase in insurance premiums as a result of the use of electric vehicles; and
- the affordability of diesel in the future bearing in mind the impact of the Ukraine situation.

The Head of Fleet and Procurement indicated that the Service was working closely with key partners to identify key risks going forward and undertook to take these points into consideration.

\* **RC/22/5**     **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 representatives of Red One Ltd.) be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined 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/22/6** **Restricted Minutes of Resources Committee held on 18 May 2022**

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.

**RESOLVED** that the Restricted Minutes of the meeting held on 18 May 2022 be signed as a correct record.

\* **RC/22/7** **Red One Limited Financial Performance 2022-23: 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 representatives from Red One Ltd.) were excluded from the meeting).

The Committee received for information a report of the Co-Chief Executives and the Finance Director of Red One Ltd. on the financial performance of the company during quarter one of the 2022-23 financial year.

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

The Meeting started at 10.00 am and finished at 12.19 pm