DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

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
DEVON
EX3 0NW

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

Date: 25 August 2022
Please ask for: Sam Sharman
Email: ssharman@dsfire.gov.uk

Telephone: 01392 872200
Fax: 01392 872300
Direct Telephone: 01392 872393

RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

Monday, 5th September, 2022

A meeting of the Resources Committee will be held on the above date, **commencing at 10.00 am in Committee Room A, 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 18 May 2022 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 2022-23: Quarter 1 (Pages 7 - 20)

Report of the Director of Finance, People and Estates (Treasurer) (RC/22/12) attached.

5 Financial Performance Report 2022-23: Quarter 1 (Pages 21 - 34)

Report of the Director of Finance, People and Estates (Treasurer) (RC/22/13) attached.

6 Service Environmental Strategy Update (Pages 35 - 58)

Report of the Director of Service Improvement (RC/22/14) 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 Councillors Radford and Shayer and 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 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 Resources Committee held on 18 May 2022 (Pages 59 - 60)

The Restricted Minutes of Resources Committee held on 18 May 2022 (attached).

9 Red One Limited Financial Performance 2022-23: Quarter 1 (Pages 61 - 66)

Report of Officers of Red One Limited (RC/22/15) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Peart (Chair), Coles, Drean (Vice-Chair), Long, McGeough, Power and Sellis

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.	**Part 2 Reports** 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.	**Substitute Members (Committee Meetings only)** 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.	**Other Attendance at Committees)** 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)

18 May 2022

Present:

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

Apologies:

Councillors Chesterton

* **RC/21/27** **Minutes**

RESOLVED that the public Minutes of the budget meeting held on 8 February 2022 be signed as a correct record.

RC/21/28 **Provisional Financial Outturn 2021-22**

The Committee considered a report of the Director of Finance, People & Estates (RC/22/8) on the draft financial outturn position for 2021-22 against agreed financial targets, together with explanations of major variations. It was indicated that spending would be £1.379m over budget, net of transfers to earmarked reserves as noted in the report, equivalent to 1.86% of the total budget.

There had been some significant challenges during the 2021-22 financial year, most notably the nationally agreed pay awards (1.5% to firefighters and 1.75% to support staff), the cost of which to the Authority was in the region of £0.800m and which were previously not budgeted for in light of the Government's expectation that there would be a public sector pay freeze in that year.

The majority of the balance of the overspend related to an expedited implementation of the new Pay for Availability pay system introduced for on-call firefighters and aimed at securing Service improvements.

The figures as presented were subject to external audit of the financial statements for the year.

RESOLVED

(a). that the Authority be recommended to approve that the provisional overspend against the 2021-22 revenue budget of £1.379m be met by a transfer from the General Reserve;

(b). That, subject to (a) above, the following be noted:

(i). The draft position in respect of the 2021-22 Revenue and Capital Outturn position, as indicated in report RC/22/8;

(ii). That the net overspend figure of £1.379m was after the removal of the Pensionable Allowances Provision (£0.409), which was deemed no longer required, together with a transfer of £2.013m to the Grants Unapplied Reserve as required under International Financial Reporting Standards (IFRS) relating to grants received during the financial year but not utilised as per Appendix C of the report.

RC/21/29 **Revision to Capital Programme 2022-23 to 2024-25**

The Committee considered a report of the Director of Finance, People & Estates (RC/22/9) on a proposed revision to the Capital Programme and associated Prudential Indicators 2022-23 to 2024-25, as approved by the Authority at its budget meeting on 19 February 2022 (Minute DSFRA/21/39(b) refers).

The proposed revision would allow for an amount of money not spent in 2021-22 to be carried forward to 2022-23. This would not require any adjustments to the Authority's external borrowing requirement but it was noted that, while the Authority had not borrowed any external funding in the last ten years, the Capital Programme would, unless otherwise adjusted, require further borrowing from 2024-25.

RESOLVED that the Authority be recommended to approve the revised capital programme and associated prudential indicators for 2022-23 to 2024-25, as set out report RC/22/9 and summarised in the tables at Appendices A and B respectively to these Minutes.

*** RC/21/30** **Treasury Management - Quarter Four and Annual Report 2021-22**

(Adam Burleton [Link Group] in attendance for this item).

The Committee received for information a report of the Director of Finance, People & Estates (RC/22/10) on the performance of the Authority's borrowing and investment activities during the 2021-22 financial year as compared to the treasury management strategy adopted. Such reporting was required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.

The report highlighted that no prudential indicators had been breached and that a prudent approach had been taken in relation to investment decisions, with priority being given to liquidity and security over yield.

Despite uncertainties in the aftermath of the 2008 financial crises and unusual Brexit conditions, the Authority returns were above the benchmark returns for short-term investments (the London Inter-Bank Bid Rate three-month rate).

*** RC/21/31** **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/21/32** **Restricted Minutes of the meeting held on 8 February 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 representatives from Red One Ltd.) were excluded from the meeting).

RESOLVED that the Restricted Minutes of the budget meeting held on 8 February 2022 be signed as a correct record.

*** RC/21/33** **Red One Limited Financial Performance 2020-21: Quarter 4**

(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 Chief Executive and the Finance Director of Red One Ltd. on the financial performance of the company during the 2021-22 financial year.

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

The Meeting started at 10.00 am and finished at 11.23 am

APPENDIX A TO THE MINUTES OF THE RESOURCES COMMITTEE MEETING 18 MAY 2022

PROJECT	2022/23 £000 Approved Budget	2022/23 £000 Revised Budget	2023/24 £000 Budget	2024/25 £000 Budget
Estate Development				
Site re/new build	0	693	4,700	0
Improvements & structural maintenance	3,923	3,957	2,600	900
Estates Sub Total	**3,923**	**4,650**	**7,300**	**900**
Fleet & Equipment				
Appliance replacement	3,861	4,593	4,500	2,400
Specialist Operational Vehicles	820	820	6,000	2,200
ICT Department	250	317	0	0
Fleet & Equipment Sub Total	**4,931**	**5,730**	**10,500**	**4,600**
Optimism bias Sub Total	**(1,800)**	**(1,800)**	**(1,800)**	**2,500**
Overall Capital Totals	**7,054**	**8,580**	**16,000**	**8,000**
Programme funding				
Earmarked Reserves:	4,189	5,715	12,417	900
Revenue funds:	1,500	1,500	2,300	2,300
Borrowing - internal	1,365	1,365	1,283	1,370
Borrowing - external	0	0	0	3,430
Total Funding	**7,054**	**8,580**	**16,000**	**8,000**

APPENDIX B TO THE MINUTES OF THE RESOURCES COMMITTEE MEETING 18 MAY 2022

PRUDENTIAL INDICATORS

				INDICATIVE INDICATORS	
	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate	2026/27 £m Estimate
Capital Expenditure					
Non - HRA	8.580	16.000	8.000	6.600	6.400
HRA (applies only to housing authorities)					
Total	8.580	16.000	8.000	6.600	6.400
Ratio of financing costs to net revenue stream					
Non - HRA	3.80%	3.48%	3.52%	3.82%	3.52%
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	24,264	23,771	26,743	28,910	31,087
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	791	656	509	349	182
Total	25,055	24,426	27,252	29,259	31,269
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000
Non - HRA	(610)	(628)	2,825	2,008	2,010
HRA (applies only to housing authorities)	0	0	0	0	0
Total	(610)	(628)	2,825	2,008	2,010
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£000	£000	£000	£000	£000
Borrowing	26,071	25,553	28,638	30,549	33,335
Other long term liabilities	947	823	681	527	359
Total	27,018	26,376	29,319	31,076	33,693
Operational Boundary for external debt	£000	£000	£000	£000	£000
Borrowing	24,857	24,364	27,301	29,104	31,780
Other long term liabilities	907	791	656	509	349
Total	25,765	25,155	27,957	29,613	32,130
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 2022/23		
Under 12 months	30%	2%
12 months and within 24 months	30%	4%
24 months and within 5 years	50%	13%
5 years and within 10 years	75%	1%
10 years and above	100%	80%

This page is intentionally left blank

REPORT REFERENCE NO.	**RC/22/12**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**5 SEPTEMBER 2022**
SUBJECT OF REPORT	**TREASURY MANAGEMENT PERFORMANCE 2022-23 – QUARTER 1**
LEAD OFFICER	**TREASURER**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2022-23 (to June 2022) 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 June 2022.
LIST OF BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) as approved at the meeting of the Fire & Rescue Authority held on the 21 February 2022 – Minute DSFRA/11C 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 midyear 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 borrowing, investments, 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 second quarter of 2022 saw:

- Gross Domestic Product (GDP) fall by 0.1% month on month (m/m) in March 2022 and by 0.3% m/m in April 2022;
- An easing rather than a collapse in the composite Purchasing Managers Index (PMI);
- A further rise in Consumer Price Index (CPI) inflation to a new 40-year high of 9.1% in May 2022;
- The first signs that the weakening in economic activity is filtering into a slightly looser labour market;

- UK Bank Rate rise to 1.25%, taking it to its highest level since the Global Financial Crisis;
- UK Gilt yields caught up in the global surge in bond yields triggered by May's strong rise in US inflation; and
- Rising global bond yields and concerns over growth drive a global sell-off in equity markets.

2.2. Following the 0.1% m/m fall in GDP in March 2022 and the 0.3% m/m contraction in April 2022, the economy is now moving towards a recession (two quarters of falling output in a row). Indeed, GDP would need to rise by 0.4-0.5% m/m in both May and June 2022 to prevent the economy from contracting in Quarter 2 as a whole. That said, without the joint wind down of the COVID-19 Test and Trace and vaccination programme, GDP would have risen by 0.2% m/m and 0.1% m/m in March and April 2022 respectively. This is hardly strong, but it suggests the underlying momentum is not quite as weak as the headline figures imply.

2.3. There is not much evidence that higher inflation and higher interest rates have yet become a big drag on activity. Services output did fall by 0.3% m/m in April 2022 but output in consumer-facing services, conversely, rose by a solid 2.3% m/m in April. Although the Office for National Statistics (ONS) said that some of the 1.0% m/m fall in manufacturing output was linked to the drag on activity from higher prices, it also said that some of the 0.4% m/m drop in construction output in April 2022 was a drop back after the boost in the wake of February's Storm Eunice.

2.4. The fact that the composite PMI didn't fall in June 2022 also suggests that in Quarter 2 (April – June 2022), real GDP has softened rather than collapsed. The Standard & Poors (S&P) Global/Chartered Institute of Purchase and Supply all-sector PMI for June 2022 was unchanged from its level of 53.1 in May 2022, signalling tepid but positive growth. According to the Lloyd's barometer, business confidence in May 2022 also remained remarkably resilient.

2.5. Despite the fall in the Growth from Knowle composite measure of consumer confidence to a new record low of -41 in June, April's £1.4bn rise in consumer credit suggests households appear to have turned to credit to support their spending as the cost-of-living squeeze has intensified. Meanwhile, the household saving rate held steady at 6.8% in Quarter 1 in line with its long-term average and we expect households to lower their saving rate further when the bigger falls in real incomes come in Quarter 2 and Quarter 3 to cushion the blow to spending.

2.6. The Chancellor's latest fiscal support of £10.3bn (0.5% of GDP), which comprised £15.3bn of handouts to households, partly funded by a £5bn tax on the profits of oil and gas producers, will help support GDP in the second half of the year. With the Prime Minister and the Chancellor desperately needing to boost their popularity, some tax cuts may be announced in the Autumn Budget.

2.7. There have been early signs that the recent weakening in economic activity is filtering through into a slightly looser labour market. The unemployment rate edged up from 3.7% in the three months to March 2022 to 3.8%. The single-month data showed that employment fell by 254,000 in April 2022 and the unemployment rate rose from 3.5% to 4.2%. The upward march in the number of job vacancies slowed, with the three-month average only rising from 1.296m in April 2022 to 1.300m in May 2022. A seasonal adjustment of the single-month data implies that vacancies fell in May 2022 for the first time since COVID-19 was rife in December 2020.

2.8. At the same time, a 1.8% m/m fall back in average earnings in April 2022 meant that the 3myy rate of earnings eased from 7.0% in March 2022 to 6.8% in April 2022. A lot of the 0.5% m/m rise in earnings excluding bonuses was probably due to the 6.6% rise in the National Living Wage on 1 April 2022. The 3myy rate of earnings excluding bonuses stayed at 4.2%.

2.9. That said, conditions in the labour market remain exceptionally tight. The unemployment rate is still close to its recent 47-year low, and there is the same number of unemployed people as job vacancies and at 6.8% in April 2022, the 3myy rate of average earnings is at a 10-year high (although it is still falling in real terms) and is well above the 3.0-3.5% that is broadly consistent with the 2.0% inflation target (assuming that productivity growth is 1.0-1.5%).

2.10. CPI inflation rose from 9.0% in April 2022 to a new 40-year high of 9.1% in May 2022 and it is not yet close to its peak. The increase in CPI inflation in May was mainly due to a further leap in food price inflation from 6.7% to a 13-year high of 8.5%. With the influence of increases in agricultural commodity prices yet to fully feed into prices on the supermarket shelves, it is thought that food price inflation will rise above 10% in September 2022. With two-thirds of the observation period for the Ofgem price cap having now passed, something like a 40% rise in utility prices is pretty much guaranteed for October 2022. The further rise in core producer price inflation, from 13.9% to 14.8%, suggests that core goods CPI inflation will probably rise to 14% before long. It is thought that this will take CPI inflation to a peak of around 10.5% in October 2022.

2.11. The rise in services CPI inflation from 4.7% in April to 4.9% in May suggests that domestic price pressures are still strengthening.

2.12. There now seems to be an even greater likelihood that second-round effects, whereby high inflation feeds back into higher price and wage expectations, keep inflation higher for longer. For some time, the Monetary Policy Committee (MPC) has placed a lot of weight on the results of the Bank of England’s monthly Decision Maker Panel which asks businesses how they expect to change their prices and wages over the next year. May’s survey revealed that businesses still expect to raise their selling prices by 6.0% and their wages by 4.8% over the next year. Meanwhile, XpertHR said that pay settlements across the economy stayed at a 30-year high of 4.0% in May 2022.

2.13. The government appears to be contemplating raising public sector pay by up to 5%. The 7.1% pay rise granted to some railway workers sets a high bar for the negotiations that led to train strikes across large parts of the country in mid-June.

2.14. The Monetary Policy Committee (MPC) has now increased interest rates five times in as many meetings and raised rates to their highest level since the Global Financial Crisis. Even so, coming after the US Federal Bank (Fed) raised rates by 75 basis points (bps) in June 2022 and a handful of other central banks have recently raised rates by 50bps, the Bank of England's action is relatively dovish. The MPC's decision not to follow the Fed and raise rates by more makes some sense. The UK's status as a larger 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.

2.15. But the MPC's new guidance is that if there are signs of "more persistent inflationary pressures" it will, "if necessary act forcefully in response". It is expected the MPC will continue to raise rates in steps of 25bps rather than 50bps. It is thought the MPC will raise rates from 1.25% now to a peak of 2.75% in 2023. That's higher than the peak of 2.00% forecast by economists, but lower than the peak priced into the financial markets.

2.16. UK Gilt yields have been caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May 2022. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. In response to signs that central banks (particularly the US Fed) are going to raise interest rates faster to get on top of inflation, we now think that 10-year gilt yields will reach a peak of 2.70% (up from 2.39% currently) this year and into 2023.

2.17. While the S&P 500 is 8.4% below its level a month ago, the FTSE 100 is 5.7% below it. Part of the sell-off has been driven by the rapid rise in global bond yields and the resulting downward pressure on equity valuations as well as concerns over economic growth.

2.18. Finally, the pound has already weakened from $1.37 and €1.21 earlier this year to $1.21 and €1.16. A lot of these moves have been driven by concerns over the outlook for the global economy and the resulting poor performance of risky assets, which has increased the demand for the dollar relative to sterling. If interest rates rise faster and further in the US than in the UK, rate differentials and a worsening in risk appetite will push the pound even lower, from $1.21 now to $1.18 by the end of 2022. We don't expect the pound to fall by as much against the euro (from €1.16 to €1.14 next year). But once global inflation and global interest rates peak, the pound will probably benefit from the return of risk appetite. It may rise to $1.25 by the end of 2023 and to $1.30 by the end of 2024.

MPC meetings 5th May and 16th June 2022

2.19. After the Bank of England became the first major western central bank to put interest rates up in this upswing in December, it has quickly followed up its first 0.15% rise by a further four 0.25% rises to 1.25%, in what is very likely to be a series of increases repeated throughout the rest of 2022 and into 2023.

2.20. In May 2022, the MPC voted 6-3 vote in favour of a 0.25% increase, but not only was this the first time in its 25-year history that the MPC had raised rates at four meetings in a row but also three members (Haskel, Mann and Saunders) wanted a 0.5% hike (up from none in March). However, GDP growth was forecast to drop to -0.25% in 2023 (+1.25% previously) and only +0.25% in 2024 (+1.00% previously). Anyone for a recession?

2.21. Nonetheless, over Quarter 2, it is clear central banks in the developed economies have placed the dampening down of inflation pressures front and centre of their primary objectives, even if it comes at the cost of sluggish growth or, indeed, recession (mild ideally but it is very difficult to micro-manage economic performance). The Monetary Policy Committee (MPC) is in step with this approach although, arguably, the UK economy is dragging its feet to a greater extent than that seen in the US.

2.22. What are the key factors for consideration? First, the CPI measure of inflation is already at 9.1%, and the Bank of England anticipates it will peak near to 11% just before Christmas. With the cost-of- living squeeze in full swing by that juncture, and unemployment likely to be ticking upwards, it is judged that the Bank will pause following its March 2023 meeting and judge it has done enough so long as inflation starts to fall, albeit at a slow pace. To that extent, it is envisaged the MPC will wait a full year before loosening the reins and starting to cut Bank Rate in spring 2024. However, given the number of geopolitical factors that could push this forecast off track, Link Group Ltd. urges caution against taking a strong view on how interest rate movements evolve and instead focus on optimising balance sheet management and the risk management of investment and debt portfolios.

2.23. Regarding gilt yields, all developed economies have seen a considerable uplift in government bond yields across the whole curve since the start of 2022 and, in many ways, gilts have simply played catch-up of late. To that end, Link Group Ltd. has revised the PWLB forecasts upward and you will even see a 3.7% PWLB rate projected for the 25-year part of the curve in both 2022 and 2023. However, as headline inflation falls back, it is projected there will be a slow reduction in gilt yields as investors acknowledge that price pressures are gradually coming under control.

2.24. At the 16th June 2022 MPC meeting, part of the reason for the Committee only seeing a 0.25% hike as necessary is the prevailing weak economic data. The vote was again 6-3 (the same as in May) but the words were more hawkish with the Bank strengthening its forward guidance. It deleted the previous phrase that “some degree of further tightening…may still be appropriate” and replaced it with “the scale, pace and timing of any further increases in Bank Rate will reflect the Committee’s assessment of the economic outlook and inflationary pressures” and that “the Committee will be particularly alert to indications of more persistent inflationary pressures, and will, if necessary, act forcefully in response.”

2.25. Whereas in May 2022 two members of the MPC objected to the guidance that rates will rise further, it appears that all members are behind this new, stronger guidance. However, the growing evidence that firms’ price and wage expectations have become dislodged from the 2.0% target suggest that the Bank is between a rock and a hard place in navigating the appropriate monetary policy response. As always, the economic data will be key to anticipating whether our assumptions remain sound

Interest Rate Forecasts

2.26. The Authority’s treasury advisor, Link Group Ltd, has provided the following forecast (as set out below):

2.27. The latest forecast on 21st June 2022 is compared below to the previous forecast (10th May 2022). A comparison of these forecasts shows that Public Works Loan Board (PWLB) rates have increased generally and show a speed up in the rate of increase in Bank Rate as inflation is now posing a greater risk. The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally as inflation concerns abound. To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but without pushing the economy into recession.

2.28. Our current and previous PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View 10.5.22													
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
BANK RATE	1.25	1.50	1.75	2.00	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75
3 month ave earnings	1.20	1.50	1.70	2.00	2.00	2.00	2.00	2.00	1.70	1.70	1.70	1.70	1.70
6 month ave earnings	1.60	1.90	2.10	2.20	2.20	2.20	2.20	2.10	2.00	1.90	1.90	1.90	1.90
12 month ave earnings	2.00	2.20	2.30	2.40	2.40	2.30	2.30	2.20	2.20	2.10	2.10	2.10	2.10
5 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.50	2.50	2.50	2.50	2.50
10 yr PWLB	2.80	2.80	2.90	2.90	2.90	2.90	2.90	2.90	2.80	2.80	2.80	2.80	2.80
25 yr PWLB	3.00	3.10	3.10	3.20	3.20	3.20	3.10	3.10	3.00	3.00	3.00	3.00	3.00
50 yr PWLB	2.70	2.80	2.80	2.90	2.90	2.90	2.80	2.80	2.70	2.70	2.70	2.70	2.70

Link Group Interest Rate View 21.06.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
BANK RATE	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

A Summary Overview of the Future Path of Bank Rate

2.29. Link Group central forecast for interest rates was last updated on 21st June 2022 and reflected a view that the MPC will be keen to further demonstrate its anti-inflation credentials by delivering a 0.25% increase in Bank Rate in August, September, November, December, February and March i.e., the next six MPC meetings.

2.30. The CPI measure of inflation is now forecast to rise to close to 11% in Q4 2022 and the MPC will be keen to stifle the prospect of average earnings data (6.8% y/y currently including bonuses) providing further upside risk to inflationary factors that are primarily being driven by supply-side shortages.

2.31. When Bank Rate reached 1% in May 2022, the MPC indicated (no earlier than August) that it will also consider the extent to which it implements Quantitative Tightening (QT), primarily the selling of its gilt holdings. However, they are likely to take any such decision cautiously as they are already not refinancing maturing debt.

2.32. Notwithstanding the MPC's clear desire to increase Bank Rate throughout 2022, negative real earnings, the 54% hike in the Ofgem energy price cap from April (to be followed by a potential 40%+ further increase from October), at the same time as employees (and employers) have incurred a 1.25% Health & Social Care Levy, growing commodity and food inflation plus council tax rises - all these factors will hit households' finances hard. However, lower income families will be hit disproportionately hard despite some limited assistance from the Chancellor to postpone the full impact of rising energy costs.

2.33. Given the above outlook, it poses a question as to whether the MPC may shift into protecting economic growth if it flatlines or contracts through 2022. Accordingly, the Link Group Ltd. remain tentative about whether the MPC will increase Bank Rate as far as the market is currently pricing in (3.25% in April 2023).

2.34. In the upcoming months, the forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies, but the on-going conflict between Russia and Ukraine, including the manner in which the West and the North Atlantic Treaty Organisation (NATO) respond through sanctions and/or military intervention. Currently, oil, gas, wheat and other mainstream commodities have risen significantly in price and central banks will have to balance whether they prioritise economic growth or try to counter supply-side shock induced inflation.

2.35. On the positive side, consumers are estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above increases. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income before these increases hit and have few financial reserves.

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 21 February 2022. It outlines the Authority's investment priorities as follows:

- Security of Capital
- Liquidity
- Yield

3.2. The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short-term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information. (Amend if you use your own creditworthiness approach.)

3.3. As shown by the interest rate forecasts in section 2 of this report, rates have improved dramatically during Q1 and Q2 2022 and are expected to improve further as Bank Rate continues to increase over the next year or so.

Creditworthiness.

3.4. 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 have reopened, there have been some instances of previous lowering of Outlooks being reversed.

3.5. A full list of investments held as at 30 June 2022 are shown in Appendix A.

3.6. The average level of funds available for investment purposes during the quarter was £36.201m (£38.559m at the end of 2021/22). 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 SONIA	0.90%	0.73%	£0.015m.

3.7. As illustrated above, the Authority underperformed the 3-month Sterling Overnight Index Average (SONIA) benchmark by 0.17bp. SONIA replaced LIBID at the end of December and has traded at a higher average rate than the LIBID benchmarks. When this is combined with the rapid rise in UK Bank Rate from 0.10% to 1.25% (at end of Quarter 1 2022/23) our underperformance on the new benchmark is not unexpected. Based on current market deposit rates on offer, it is currently anticipated that the actual investment return for the whole of 2022-23 will over recover the Authority's budgeted investment target of £0.100m by £0.250m. However, there is much volatility with interest rates at the moment, so this forecast is likely to be revised.

Borrowing Strategy

Prudential Indicators:

3.8. 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.

3.9. A full list of the approved limits (as amended) are included in the Financial Performance Report 2022-23, considered elsewhere on the agenda, which confirms that no breaches of the Prudential Indicators were made in the period to June 2022 and that there are no concerns that they will be breached during the financial year.

Current external borrowing

3.10. 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 June 2022 was £24.757m, forecast to reduce to £24.264m 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 23.8 years.

Loan Rescheduling

3.11. No debt rescheduling was undertaken during the quarter. As per previous updates. the Authority will continue to work closely with our treasury advisors to explore any opportunities to repay existing loans, however the differential between current Public Works Loan Board early repayment rates and new loan rates, mean there is no financial benefit in undertaking premature loan repayment at this time. A number of options were run during Q1 2022 and will be kept under review, but savings would be based on low UK Bank Rate and the recent rise in this official rate of interest will make whole life savings from early repayment more difficult to achieve.

New Borrowing

3.12. Gilt yields and PWLB rates were on a rising trend between 1st April and 30th June.

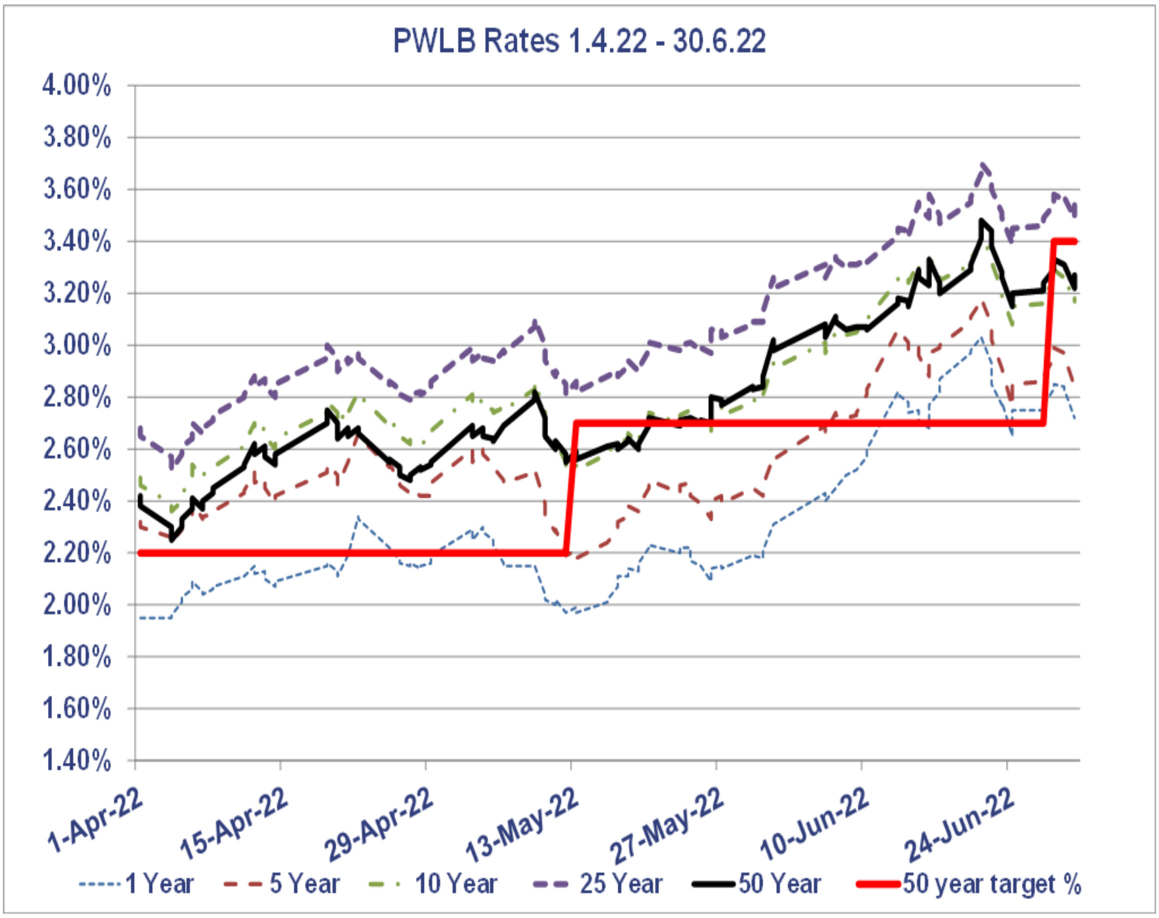
3.13. The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% before increasing to 2.70% in May before moving even higher to 3.40% in June 2022.

3.14. No new borrowing was undertaken during the quarter and none is planned during2022-23 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 June 2022

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	3.03%	3.18%	3.41%	3.70%	3.48%
Date	21/06/2022	21/06/2022	21/06/2022	21/06/2022	21/06/2022
Average	2.32%	2.58%	2.84%	3.08%	2.81%
Spread	1.08%	1.00%	1.05%	1.18%	1.23%

3.15. Borrowing rates for this quarter are shown overleaf.



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

3.16. 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 2022-23 to June 2021.

4.2. 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 June 2022						
Counterparty	Maximum to be invested	Amount Invested	Maturity Date	Call or Term	Period invested	Interest rate(s)
	£m	£m				
Staffordshire & Moorlands District Council	7.000	-1.500	18/07/2022	T	6 mths	0.50%
National Bank of Kuwait (International) PLC	7.000	-2.000	04/07/2022	T	6 mths	0.20%
Lancashire County Council	7.000	-5.000	26/07/2022	T	12 mths	0.10%
Close Brothers	7.000	-5.000	29/07/2022	T	12 mths	0.65%
Helaba	7.000	-3.500	10/08/2022	T	12 mths	0.92%
Helaba	7.000	-3.500	17/08/2022	T	6 mths	1.06%
First Ab Dhabi Bank	7.000	-4.000	23/03/2023	T	6 mths	2.01%
Standard Chartered Sustainable	7.000	-4.000	06/10/2022	T	6 mths	1.45%
Barclays Bank	8.000	-0.151		C	Instant Access	Variable
Blackrock	8.000	-4.420		C	Instant Access	Variable
Total Amount Invested		**-33.071**				

This page is intentionally left blank

REPORT REFERENCE NO.	**RC/22/13**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**5 SEPTEMBER 2022**
SUBJECT OF REPORT	**FINANCIAL PERFORMANCE REPORT 2022-23 – QUARTER 1**
LEAD OFFICER	**Director of Finance, People & Estates (Treasurer)**
RECOMMENDATION	***That the report be noted.***
EXECUTIVE SUMMARY	This report outlines first quarter performance against agreed financial targets for the current (2022-23) financial year. In particular, it provides a forecast of spending against the 2022-23 revenue budget with explanations of the major variations. At this stage in the financial year, it is forecast that spending will be £1.259m more than budget, an overspend of 1.63% of total budget. spending controls were implemented in July 2022 (outlined within this paper). In response to this forecasted overspend, rising inflation and likely above budgeted pay awards (i.e. >2%),
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 2022-23. B. Reserves Position by Reserve C. Reserves position by Expense Code
BACKGROUND PAPERS	None.

1. INTRODUCTION

1.1. This report provides the first quarterly financial monitoring report for the current financial year, based upon the position as at the end of June 2022. As well as providing projections of spending against the 2022-23 revenue and capital budget, the report also includes forecast performance against other financial performance indicators, including the prudential and treasury management indicators.

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

Table 1 –Performance against Key Financial Targets 2022-23

	Key Target	Target	Forecast Outturn Quarter 1	Forecast Outturn Previous Quarter	Forecast Variance Quarter 1 %	Forecast Variance Previous Quarter %
	Revenue Targets					
1	Spending within agreed revenue budget	£77.289m	£78.548m	n/a	1.63%	n/a
2	General Reserve Balance as % of total budget (minimum)	5.00%	5.24%	n/a	(0.24)bp*	n/a
	Capital Targets					
3	Spending within agreed capital budget	£8.580m	£8.674m	n/a	1.45%	(0.00%)
4	External Borrowing within Prudential Indicator limit	£25.765m	£24.757m	n/a	(3.91%)	(0.00%)
5	Debt Ratio (debt charges over total revenue budget)	5.00%	3.63%	n/a	(1.37)bp*	(0.00)bp*

**bp = base points*

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

- **SECTION A** – Revenue Budget 2022-23.
- **SECTION B** – Capital Budget and Prudential Indicators 2022-23.
- **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 2022-23

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.

Table 2 – Revenue Monitoring Statement 2022-23

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY
Revenue Budget Monitoring Report 2022/23

		2022/23 Budget	Year To Date Budget	Spending to Month 3	Projected Outturn	Projected Variance over/ (under)
		£'000	£'000	£'000	£'000	£'000
	Employee Costs					
1	Wholetime	33,137	8,254	8,061	33,322	185
2	On-Call	18,463	4,283	3,531	19,321	859
3	Fire Control	1,529	377	361	1,524	(4)
4	Professional & Technical	15,831	3,951	3,785	15,885	54
5	Training	1,053	263	602	961	(92)
6	Fire Service Pension costs	2,358	769	583	2,374	16
		72,369	**17,896**	**16,923**	**73,387**	**1,018**
	Premises					
7	Repair and maintenance	1,051	263	662	1,052	2
8	Energy costs	711	121	116	718	7
9	Cleaning costs	572	143	408	585	14
10	Rent and rates	1,933	568	1,778	1,972	40
		4,265	**1,094**	**2,963**	**4,328**	**62**
	Transport					
11	Repair and maintenance	889	222	103	729	(160)
12	Running costs and insurances	1,253	616	472	1,303	50
13	Travel and subsistence	1,396	263	400	1,357	(40)
		3,538	**1,101**	**974**	**3,389**	**(149)**
	Supplies & Services					
14	Equipment and furniture	3,836	959	1,065	3,866	30
15	Hydrants-installation and main	96	24	45	150	54
16	Communications Equipment	2,447	612	1,680	2,734	286
17	Protective Clothing	568	142	114	571	3
18	External Fees and Services	157	39	21	136	(21)
19	Partnerships & regional collabc	380	95	121	381	1
20	Catering	125	31	28	120	(5)
		7,608	**1,902**	**3,074**	**7,958**	**350**
	Establishment Costs					
21	Printing, stationery and office ε	268	107	53	265	(4)
22	Advertising including Communi	31	8	24	31	0
23	Insurances	447	444	263	443	(3)
		746	**559**	**340**	**738**	**(7)**
	Payments to Other Authorities					
24	Support service contracts	818	167	152	960	143
		818	**167**	**152**	**960**	**143**
	Capital Financing					
25	Loan Charges & Lease rentals	3,223	-	(69)	3,135	(88)
26	Revenue Contribution to Capita	1,200	-	-	1,200	-
		4,423	**-**	**(69)**	**4,335**	**(88)**
	Income					
28	Investment Income	(103)	(26)	(495)	(219)	(116)
29	Grants and reimbursements	(10,690)	(2,672)	(3,807)	(10,749)	(59)
30	Other income	(1,474)	(369)	(108)	(1,316)	159
		(12,267)	**(3,067)**	**(4,409)**	**(12,283)**	**(17)**
	Reserves					
32	Transfer to/(from) Earmarked I	(4,212)	(1,053)	-	(4,212)	(0)
		(4,212)	**(1,053)**	**-**	**(4,212)**	**(0)**
	Staff savings from leavers	-	-	-	(52)	(52)
	NET SPENDING	**77,289**	**18,600**	**19,948**	**78,548**	**1,259**

2.2. This table indicates that spending by the year end will be £78.548m, representing a predicted overspend of £1.259m equivalent to 1.63% of the total budget. It should be noted that ‘Spending to month 3’ represents actual year to date expenditure and those which have already been committed but not spent as yet. Additionally, the budget profile and actual costs for Service Delivery staff (i.e. Wholetime and On-call) appear low due to the time lag in claiming the hours worked – for instance, time worked in June is paid in July. This naturally catches up at year-end when there are 2 ‘payroll’ entries for March relating to claims worked in February and March.

2.3. These forecasts are based on the spending position at the end of June 2022, 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. It is inevitable, therefore, that final spending figures for the financial year will differ than those projected in this report.

3. NARRATIVE ON VARIANCES AGAINST BUDGET (>£0.050M)

Wholetime Pay – overspend of £0.185m

3.1. This overspend is mainly driven by the additional 12 new firefighter recruits which joined the Service in May 2022.

3.2. In line with previous budgets, specific funding provision was not allocated for the 12-week period of training as underspends across other budget lines have historically been sufficient to off-set this additional cost. However, the weakness of this budgeting assumption is now better understood given the underlying need to maintain availability, either through a full staffing complement or overtime. In future budgets, the Authority will be asked to approve allocated funding for this period of recruit training.

3.3. Accurately planning future workforce needs has presented additional challenges due to the impact of the pause in processing immediate detriment pension cases. As such, while 37 employees are eligible to retire under the legacy pension schemes by year-end without significant benefit reduction, the Service anticipates that many will delay their decision making until the Government have provided further clarity (including the impact of taxation) in October 2023. In light of this uncertainty, the Service will have returned some operational staff back to Service Delivery so the need to run the planned course in September 2022 has been deferred until April 2023. No assumption of staff retiring has been reflected within forecasts (beyond the two which have already given notice) and, as such, it is likely that this overspend will reduce.

3.4. A review has been undertaken of how the ‘crewing pool’ is resourced and changes proposed which will see those providing this voluntary cover offered separate employment contracts to that of their primary fire fighter role. This change affords greater flexibility to the Service in how this resource is utilised, whilst negating the need to pay pre-arranged overtime. It is expected that this change will see a reduction of £0.128m for the remainder of this year with future year savings estimated at £0.220m per year. This has not yet been reflected within current forecasts.

3.5. Uncertainty remains over this years' pay awards and negotiations with unions and employer representatives continue. Budgeting assumptions have allowed for a 2% pay increase, but in light of the wider economic challenges it remains highly likely that an award in excess of this amount will ultimately be agreed as has been seen in other areas of the public sector. A request to the Home Office to fund any such settlement has been made but, at this stage, no commitment to do so has been forthcoming.

3.6. Should additional funding not be provided, the Service will have very few options to remain within budget other than making a call on reserves.

On-Call Pay – overspend of £0.859m.

3.7. Throughout the course of Q1, it became apparent that the budgeting assumptions regarding pension costs, national insurance and holiday pay relating to payment for available (P4A) were incorrect. This under-provision has led to the forecasted overspend.

3.8. Efficiency measures as part of the wider efforts to reduce spend will likely see this forecasted position reduce e.g. a review of the Service's practice of bringing in on-call crews to maintain cover at wholetime stations in situations where the wholetime crew is likely to be at an incident for longer than 30 minutes or have mobilised a special appliance has had minimal impact on enhancing the ability to respond to incidents. As such, from 1 August 2022, this practice has been discontinued. The Service expects this change to see a reduction of £0.150m for the remainder of this year with future year savings estimated at £0.200m per year. This has not yet been reflected within current forecasts.

3.9. While further efficiency measures are being developed, the uncertainty around pay negotiations (as outlined in para 3.5 above) - coupled with the under provision of budget – means that it is likely that the pay budget will be overspent by year-end. That said, on-call remains a strategic priority for the Service and the Executive Board will seek to deprioritise spending in other areas to compensate for this overspend.

Professional & Technical Staff – overspend of £0.054m

3.10. Increases in staffing costs for HR (£0.095m) and the Network Fire Services Partnership (NFSP) of (£0.035m) have contributed towards this overspend. Most of this is, though, off-set by income. Underspends within various Departments have helped reduce the overspend to the projected level. Resourcing controls were implemented in July 2022 which now require the Executive Board to approve all recruitments deemed critical to the Service Delivery strategy. These measures will see further reductions to this forecasted overspend. Uncertainty remains, however, over the outcome of on-going pay negotiations. If the proposed offer of a flat £1,925 annual increase is accepted, the Service will incur an additional £0.450m.

Training – underspend of £0.092m

3.11. This underspend on procured external training is as a result of spending controls which were implemented in July 2022, which require budget holders to pause on all non-essential discretionary spend, defined as any spend which is not underpinned by a statutory/ contractual obligation or activity and which does not directly support the Service Delivery strategy. This initiative has resulted a saving of over £0.060m when compared against period 2.

Transport repair and Maintenance – underspend of £0.160m

3.12. There is a large underspend associated with the fact the Service cannot replace as many lease vehicles as planned this year due to the manufacturer closing the order book. This has resulted in less blue-light fit-out costs of £0.116m coupled with a saving on livery of £0.025m. Spending controls will also likely see further reductions in this area.

Hydrants-installation and maintenance – overspend of £0.054m

3.13. The budget allocation was reduced based on historical spend over the previous financial year. The forecast reflects the year-end position as the water companies are starting to catch-up on invoicing.

Communications Equipment - overspend of £0.286m

3.14. Airwave costs have increased by an average of almost 9.5% (the budget was for 1.47%) which has increased the costs by £0.118m. Previously, the expenditure for Airwave has been matched with a corresponding grant to cover the costs. However, the Service was notified in June that the Firelink grant was being phased out over 5 years starting from 2022/23. As such, not only have the costs increased but, the grant has reduced (paragraph 3.17 below refers). An overspend of £0.156m is also forecasted relating to alerter transmitters that were delayed in 2021/22 and will now hit the current year budget. While a capital to revenue reserve transfer was made when setting the overall Service budget, as a result of an oversight the budget provision was never allocated to the Digital Services team.

Support Service Contracts – an overspend of £0.143m

3.15. This overspend is primarily driven by costs associated with occupational health (OH) (£0.156m) Efforts are underway by the People Services team to constrain spend by ensuring that suppliers and staff understand that the Service limits OH services (physio/ counselling etc.) to 8 sessions per year.

Investment Income – an over-recovery of £0.116m

3.16. Greater than anticipated returns are being achieved following the increase in the bank base rates over the last few months. This has resulted in a projected increase in the amount of interest earned from those investments. With a further rise in interest rates likely to occur, this over-recovery is expected to increase.

Grants and reimbursements – over-recovery of £0.059m

3.17. An additional grant of £0.294m for Protection Uplift has been received during this year of which wasn't expected. However, as indicated in paragraph 3.14 above, the Firelink grant allocation has been unexpectedly reduced by 20% - £0.189m, which has off-set some of the gains from the Protection Uplift grant.

Other income – under-recovery of £0.159m

3.18. This under-recovery has mainly been driven by loss of income in the amount of £0.323m due to be received from delivering training for Taunton and Bridgwater College. This reduction was the result of a change in our workforce requirements which meant that a reduced number of external apprentices were admitted on the May 2022 course. Additionally, there was a further loss of incentive payment from Government of £0.131m due to the Service recruiting significantly less firefighter apprentices than originally expected. This loss of income has been partially offset by the receipt of additional income from SWAST of £0.220m related to our continued support for Operation Bradewood. Finally, we have benefited from an unexpected return from Fire and Rescue Insurance Company (FRIC) totalling £0.037m and additional training income of £0.020 generated by USAR (Station 60).

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 2022 £'000	Approved Transfers £'000	Proposed Transfers £'000	Spending so far £'000	Forecast Outturn 2022/23 £'000	Proposed Balance as at 31 March 2023 £'000	
Earmarked reserves							
Grants unapplied from previous years	(1,338)	-	-	109	2,032	695	
Invest to Improve	(2,869)	-		625	2,036	(833)	
Budget Smoothing Reserve	(1,831)	-	-	-	762	(1,069)	
Direct Funding to Capital	(19,032)	-	-	(10)	6,705	(12,327)	
Projects, risks, & budget carry forwards	-	-	-	-	-	-	
PFI Equalisation	(50)	-	-	-	-	(50)	
Emergency Services Mobile Communications Programme	(1,301)	-	-	23	93	(1,208)	
Breathing Apparatus Replacement	-	-		-	-	-	
Mobile Data Terminals Replacement	(168)	-	-	24	64	(104)	
Pension Liability reserve	(1,223)	-	-	1	1	(1,222)	
Budget Carry Forwards	(1,633)	-	-	130	1,555	(78)	
Environmental Strategy	(268)	-	-	10	78	(190)	
Uncategorised	-	-	-	-	-	-	
MTA Action Plan	(151)	-	-	4	151	0	
Total earmarked reserves	**(29,864)**	**-**	**-**	**917**	**13,479**	**(16,385)**	
General reserve							
General Fund (non Earmarked) Balance	**(4,050)**	**-**	**-**	**-**	**-**	**(4,050)**	
Percentage of general reserve compared to net budget							5.2%
TOTAL RESERVE BALANCES	**(33,914)**	**-**	**-**	**917**	**13,479**	**(20,435)**	
PROVISIONS							
Doubtful Debt	(55)		-	-	-	(55)	

5. <u>SECTION B – CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2022-23</u>

Monitoring of Capital Spending in 2022-23

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

5.2 At the end of Quarter 1, the Service is forecasting to overspend of £0.094m – which includes an optimism bias built in to allow for some timing differences. This overspend is within the authorisation limits delegated to the Treasurer. In the Estates department, £0.094m of additional funding has been identified to complete the rebuild of Plymstock Fire Station, the project commenced in October 2020.

Table 4 – Forecast Capital Expenditure 2022-23

Capital Programme 2022/23					
PROJECT	2022/23 £000 Revised Budget	2022/23 £000 Forecast Outturn	2022/23 £000 Actuals	2022/23 £000 Timing Differences	2022/23 £000 (Savings)/ Over-spend
Estate Development					
Site re/new build	693	787	145	0	94
Improvements & structural maintenance	3,957	3,957	180	0	0
Estates Sub Total	**4,650**	**4,744**	**325**	**0**	**94**
Fleet & Equipment					
Appliance replacement	4,593	4,233	0	(360)	0
Specialist Operational Vehicles	820	420	0	(400)	0
ICT Department	317	317	0	0	0
Fleet & Equipment Sub Total	**5,730**	**4,970**	**0**	**(760)**	**0**
Estates Optimism bias	(800)	(800)	0	0	0
Fleet Optimism bias	(1,000)	(240)	0	760	0
Optimism bias Sub Total	**(1,800)**	**(1,040)**	**0**	**760**	**0**
Overall Capital Totals	**8,580**	**8,674**	**325**	**0**	**94**
Programme funding					
Earmarked Reserves:	5,715	5,478	0	0	(237)
Revenue funds:	1,500	1,831	11	0	331
Borrowing - internal	1,365	1,365	0	0	0
Total Funding	**8,580**	**8,674**	**11**	**0**	**94**

Prudential Indicators (including Treasury Management)

5.3 Total external borrowing with the Public Works Loan Board (PWLB) as at 30 June 2022 stands at £24.757m and is forecast to reduce to £24.264m as at 31 March 2023. This level of borrowing is well within the Authorised Limit for external debt of £27.018m (the absolute maximum the Authority has agreed as affordable). No new external borrowing is planned in this financial year.

5.4 Investment returns in the quarter yielded an average return of 0.73% which under performs the SONIA 3 Month return (industry benchmark) by 0.16%. It is forecast that investment returns from short-term deposits will over-achieve the budgeted figure by £0.116m by 31 March 2023.

5.5 Appendix A provides a summary of performance against all of the agreed Prudential Indicators for 2022-23, which illustrates that there is no anticipated breach of any of these indicators.

6. SECTION C - OTHER FINANCIAL PERFORMANCE INDICATORS

Aged Debt Analysis

6.1. Total debtor invoices outstanding as at Quarter 1 were £0.970m. Table 5 below provides a summary of all debt outstanding as at 30 June 2022.

6.2. Of this figure, an amount of £0.467m was due from debtors relating to invoices that are more than 85 days old, equating to 48.1% of the total debt outstanding.

Table 5 – Outstanding Debt at End of Quarter

	Total Value £	**%**
Current (allowed 28 days in which to pay invoice)	316,128	33.0%
29-56 days	167,997	17.0%
57-84 days	19,351	2.0%
Over 85 days	466,706	48.0%
Total Debt Outstanding as at 30 June 2022	**970,237**	**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	32	£464,225	A repayment plan for 2022-23 has been agreed with the subsidiary company and is reviewed each quarter.
Various	3	£2,481	Invoices with small debtors are being chased using standard procedures and pursued with our debt recovery office where appropriate.

SHAYNE SCOTT
Director of Finance, People & Estates (Treasurer)

PRUDENTIAL INDICATORS 2022-23

Prudential Indicators and Treasury Management Indicators	**Forecast Outturn £m**	**Target £m**	**Variance (favourable) /adverse £m**
Capital Expenditure	**8.674**	**8.580**	**0.094**
External Borrowing vs Capital Financing Requirement (CFR) - Total - Borrowing - Other long term liabilities	**25.961** 24.264 0.791	**25.055** 24.264 0.791	**£0.000**
External borrowing vs Authorised limit for external debt - Total - Borrowing - Other long term liabilities	**25.055** 24.264 0.791	**27.018** 26.071 0.947	**(1.962)**
Debt Ratio (debt charges as a %age of total revenue budget	**3.63%**	**5.00%**	**(1.37)bp**
Cost of Borrowing – Total -Interest on existing debt as at 31-3-20 -Interest on proposed new debt in 2022-23	**1.050** 1.050 0.000	**1.050** 1.050 0.000	**(0.000)**
Investment Income – full year	**0.219**	**0.103**	**(0.116)**

	Actual (30 June 2022) %	**Target for quarter %**	Variance (favourable) /adverse
Investment Return	**0.73%**	**0.89%**	**0.16bp**

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	1.99%	30.00%	2.00%	(28.01%)
12 months to 2 years	1.85%	30.00%	2.00%	(28.15%)
2 years to 5 years	13.25%	50.00%	13.00%	(36.75%)
5 years to 10 years	1.11%	75.00%	3.00%	(73.89%)
10 years and above - 10 years to 20 years - 20 years to 30 years - 30 years to 40 years - 40 years to 50 years	**79.81%** 14.94% 27.06% 37.80% 0.00%	**100.00%**	**80.00%**	**(20.19%)**

RESERVES DETAIL 2022/23 BY RESERVE

DSFRS Reserves in detail	Budget £'000	Committed spend £'000	Forecast spend £'000	Balance remaining £'000
4 x 4 Replacement	56	-	56	-
Asset Management & Tracking	149	138	159	(10)
Attribute Based Response	33	-	9	24
Audit Assurance EMR	60	9	36	24
Budget Smoothing Reserve	0	-	762	(762)
Building Risk Rev Grant c/f	-	-	-	-
Capital Support from 2011/12	19,032	-	6,705	12,327
CLG USAR Grant	66	-	11	55
CRMP 2021	2	-	-	2
CT Irrecoverable Deficits	733	-	244	489
Digital Trans Strategy	843	438	843	0
Dignity At Work - HMICFRS	195	9	9	185
Environmental Strategy	0	10	78	(78)
ESMCP (reserve funding)	768	-	70	698
ESMCP Home Office Grant	533	23	23	510
Estate Conditional Survey	120	-	120	-
Future of Work	-	-	80	(80)
Grenfell Infrastructure grant	51	1	40	12
Haz Mat Det and ID Equip	17	-	18	(0)
Health and Safety Resource	99	46	92	7
HR Additional Resources	60	13	52	8
ICT Managed Switch Replacement	54	-	-	54
Information Governance FTC	36	8	30	6
Invest to Improve Reserve	1,334	-	801	532
Learn 2 Live	58	17	1	57
Livery and Blue Light fit out	15	-	-	15
Management of Risk Information	11	(15)	11	-
MDT Replacement	168	24	64	104
MRP Replacements	-	(1)	(1)	1
MTA Action Plan	151	4	151	(0)
NNDR Additional Reliefs	2,104	-	1,421	682
Office 365 Project	72	61	154	(82)
P4A Future Years Funding	204	-	540	(336)
Pay for avaliability	84	0	0	84
Pensions Admin Grant c/f	117	4	4	113
Pensions Reserve	1,223	1	1	1,222
People and Development	-	-	-	-
Performance Info System	230	-	-	230
Personal Misting Systems	50	0	50	(0)
PFI equalisation reserve	50	-	-	50
Prev Accred grant c/f	10	2	10	0
Prevention - Joint working Int	50	-	50	-
Protection uplift grant c/f	301	84	301	(0)
Bequest Axminster Gym Equip	-	(10)	0	(0)
SRT and WAH Equipment	20	6	20	(0)
Station Mobilising Equipment	380	-	380	-
Temp accom for capital project	130	(5)	7	123
Topsham Relocation	58	5	5	53
Vehicle Telematics	115	37	63	52
Website Comp and Comms Strat	20	7	7	13
	29,864	**917**	**13,479**	**16,386**

RESERVES DETAIL 2022/23 BY EXPENSE CODE

DSFRS Reserves in detail	Committed spend £'000	Forecast spend £'000
Fire Protection Training Exter	2	10
Academy Other Training	-	-
External Trainer Hire	11	30
Acquisition Courses	-	-
Principal Officers Salary	51	154
Principal Officer Salary NI	5	22
Principal Officer Salary Super	12	46
Retained Retainers Old	-	-
Retained Overtime Old	-	8
Retained Pre-Arranged O/T Old	-	-
Retained NI Old	-	2
Admin/Manage Salary	86	313
Admin/Manage Overtime	-	-
Agency Staff Surveyors	-	-
Agency Staff Admin	398	761
Admin/Manage Removal Expenses	-	-
Admin/Manage Stand-by Pmnts	-	-
Admin/Manage Salary NI	9	33
Admin/Manage Salary Superan	15	57
Unforseen Other Contractor	-	40
Cleaning Materials	-	-
Refuse Collection loc. sourced	-	-
Cleaning Contrct Main Contract	-	-
Rents - Non Building	9	9
Room Hire	-	-
Rents - Building/Station	(5)	7
Blue Light Fit-out and removal	-	-
Fuel (Petrol Etc)	-	-
Hired Transport	-	-
Casual Miles	-	-
Subsistence	-	-
Catering/Refreshments	(2)	3
Hotel Booking	-	1
Standard Equipment	155	1,718
Standard Equipment Other	-	-
Fitness Equipment	-	-
ICT Desktop Service	-	-
ICT Application Services (Oth)	(15)	1
ICT Infrastructure Service	46	707
ICT Mobile Data Terminal Servi	24	64
BA Equipment Purchase	-	-
BA Set Maintenance	-	-
Operational Equipment	4	151
Specialist Rescue Equipment	6	20
Water Equipment	-	-
Water Safety	-	-
Radiation/gas monitoring	-	-
First Aid	-	-
ICT Mobs Service Equipment	-	-
ICT Sat Nav Serv/Vehicle track	37	63
ICT Mobile Telephony Service	-	-
Uniforms Other	1	39
External Prof Support/Advice	42	95
Partnerships	1	51
Corporate Membership/Subscript	-	-
Printing/Stationery/Photocopy	-	-
Consultation Fees	-	-
Recruitment Advertising	-	-
Personnel Services	4	4
Capital Exp from Rev Account	-	5,461
Other Miscellaneous Income	(10)	-
Transfer to/from Reserves	-	3,575
ICT Network Service	23	23
Legal Services	1	1
Non-Uniformed Training	10	10
	920	**13,479**

This page is intentionally left blank

REPORT REFERENCE NO.	**RC/22/14**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**5 SEPTEMBER 2022**
SUBJECT OF REPORT	**SERVICE ENVIRONMENTAL STRATEGY UPDATE**
LEAD OFFICER	**Director Of Service Improvement**
RECOMMENDATIONS	***That the report be noted.***
EXECUTIVE SUMMARY	In October 2020, the Authority resolved to declare a climate emergency and to endorse an Environmental Strategy whereby the Devon & Somerset Fire & Rescue Service (the Service) would, through adaptation and mitigation, seek to address climate change issues. In July and August of this year, a protracted period of extreme weather was experienced. This has brought the risks from climate change into greater focus. It is therefore timely to present a new environmental action plan for 2022-2025 that more widely encompasses a greater range of actions for the Devon & Somerset Fire & Rescue Service (the Service) to seek to adapt and mitigate against the risks from climate change. This report details progress on the existing environmental strategy action plan and presents a new plan in recognition of the work achieved to date and Service ambitions for a more sustainable future. The action plan for 2022-2025 had been updated to align to ISO140001 (Environmental Management) and following recommendations from the Initial Environmental Review (IER) undertake in October 2021.
RESOURCE IMPLICATIONS	None
EQUALITY RISKS AND BENEFITS ANALYSIS	None
APPENDICES	A. Environmental Strategy – Initial (18 Month) Action Plan – Progress Update. B. Greenhouse Gas (GHG) Emissions Calculations and Scopes published for the 2021-22 financial year. C. Action Plan Metrics 2022-25. D. Action Plan 2022 – 25.

BACKGROUND PAPERS	Environmental Strategy

1. INTRODUCTION

1.1. At its meeting on 29 September 2021, the Authority approved the following additions to this Committee's Terms of Reference:

Advisory only
Acting as a Working Party, to consider with relevant officers the development of the Environmental Strategy and associated potential performance measures for forthcoming years for approval by the Authority;

Matters with Delegated Powers to Act
To scrutinise and monitor the effectiveness of the Service in meeting the Authority-approved Environmental Strategy objectives.

(Minute DSFRA/21/22 refers).

1.2. This paper provides the Committee with an update against the Environmental Strategy.

2. ENVIRONMENTAL STRATEGY AND INITIAL (18 MONTH) ACTION PLAN

2.1. At its meeting on 23 October 2020, the Devon & Somerset Fire & Rescue Authority (the Authority) resolved to declare a climate emergency and to endorse an Environmental Strategy whereby the Devon & Somerset Fire & Rescue Service (the Service) would, through adaptation and mitigation, seek to address climate change issues (Minute DSFRA/53 refers)

2.2. The Environmental Strategy as endorsed contained an action plan for the immediate future (18 months), medium horizon (18 months to three years) and longer term (by 2030).

2.3. Appendix A to this report sets out progress to date against those actions identified for the 18 month horizon. All of these actions are either completed or in progress and where in progress will feature either as part of the new iteration of the action plan (see Section 3 below) or will be delivered as part of other workstreams being progressed by the Service. Additionally, a number of new actions have been identified which are contained in the new iteration of the action plan.

3. ACTION PLAN 2022-25 AND ASSOCIATED METRICS

3.1. In October 2021, the Service commissioned an Initial Environmental Review (IER) aligned to ISO14001[1] to support its understanding of environmental legislation and compliance. This review included development of the environmental registers of legislation, a gap analysis of the Service position/proposals against ISO14001 and the register of environmental aspects.

---

1 ISO 14001 is an International Standard prescribing a structured approach to environmental protection, enabling organisations to develop and implement policies to deliver environmentally responsible and sustainable business practices.

3.2. The outcome of the IER contained the following recommendations:

- continued development and implementation of the Environmental Strategy and action plan;
- taking corrective action over the high priority areas in the site visit report;
- establishing an environmental management system; and
- a review each item on the environmental legislation annex to ensure the Service was fully compliant.

3.3. The Service has taken corrective action over the high priority areas identified from the IER and has refined its action plan for the period 2022-25 to align with the IER recommendations and ISO14001. A Strategic Environmental Board with dedicated working groups has been established to oversee delivery against the plan. This plan, identifying each stream and associated sub-stream together with the status of each, is set out at Appendix D to this report. Finally, a series of metrics to measure progress against this plan has been developed. These are set out at Appendix C.

3.4. The new plan carries forward and builds on the work completed to date and recognises an increasing awareness and knowledge of climate change and environmental factors impacting both on communities in general and the Service itself.

GERALD TAYLOR
Director of Service Improvement

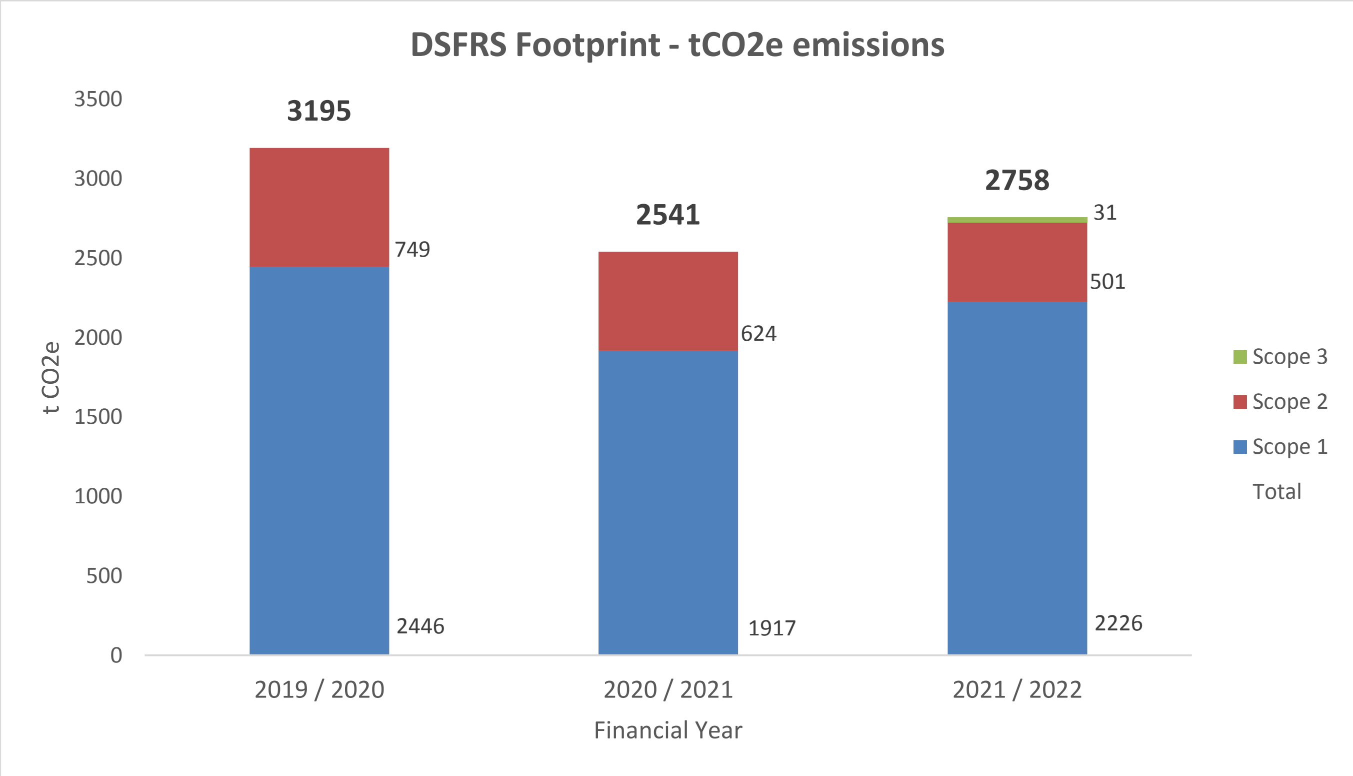
ENVIRONMENTAL STRATEGY – INITIAL (18 MONTH) ACTION PLAN – PROGRESS UPDATE

Action	How will it be done?	RAGB Update
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	1. Declare climate emergency 2. Communications plan to launch Green DSFRS	**Complete.** Declaration of Climate Emergency. Communications plan and strategy and measures published on the Service website, intranet and statement of accounts. New actions identified.
Providing funding to deliver our action plan	1. Earmark funding	**Complete.** Environmental reserve in place. New actions identified.
Making waste reduction a priority	1. Learning from best practice 2. Co-ordinating with procurement to specify low waste goods and services 3. Digitising/efficiency	**In progress.** Site surveys undertaken as part of the IER. Waste streams being identified and being measured in carbon footprint reporting. Key part of the new action plan.
Work collaboratively with DEFRA, Environment Agency, and others to identify and deliver best practice	1. Engage in working groups including NFCC 2. Update memorandum of understanding with Environment Agency	**In progress.** DSFRS committed and published the Emergency Services Sustainability Charter. Key part of the new action plan.

Action	How will it be done?	RAGB Update
Introduce environmental factors and impacts in our decision-making processes	1. Update templates 2. Introduce Environmental Impact Assessment process	**In progress** Register of environmental aspects and legislation in place. A green impact and decision-making process drafted for consultation. Carbon footprint reporting in place. Key part of the new action plan.
develop self-service processes to reduce inefficiency and remove paper-based systems	1. Deliver workbench applications 2. Embed Office 365 3. Review processes for paper and seek to eliminate/ fully digitise	**In progress** Delivery through other workstreams.
Putting greater emphasis on environmental changes with our energy companies and third-party providers	1. Review contracts when up for review 2. Consider fully carbon offsetting energy use 3. Embed in next procurement strategy	**In progress** Monitoring and measurements of utilities in place. Contract provisions for environmental factors in place. Key part of the new action plan.
Introduce electric vehicle charging points at our pilot sites	1. Agree optimum locations 2. Agree recharging regime (e.g. assess impact of free) 3. Subcontract installation	**In progress** Site surveys across the estate undertaken for electrical installations. Electric vehicles trialled and selected. Tender for charging infrastructure published. Key part of the new action plan.
Design green and carbon reduction initiatives into our new building schemes	1. Assess appetite for green initiatives as uplift against building regulations 2. Embed in Estates Strategy	**In progress** Site Survey (IER) undertaken at new development site. Tender for an energy feasibility study undertaken and consultant started first site visits 22nd August. Key part of the new action plan.

Action	How will it be done?	RAGB Update
Establish fleet telematics system and start to implement	1. Implement fleet strategy 2. Asset management project phase 2	**Complete** Telematics installed on 200+ vehicles. Data utilisation and location of fleet being considered by the working group.
Work with Water Companies to understand future impacts of firefighting use of water	1. Establish project/ consider PhD study/ NFCC collaboration 2. Publish data and findings to incorporate in to training and product procurement	**In progress** Water aspect identified in Aspects register and legislation register. DSFRS part of the NFCC hydrants working group. Part of the new action plan.
Measure and publish our current environmental impact in terms of emissions, waste, water and utilities	1. Working group to agree initial metrics 2. Data gathering and publication 3. Development of new metrics as data becomes available	**Complete** Reporting on GHG protocols for 21/22 published (see Appendix B to this report), with a summary included in the Statement of Accounts. This reporting will be expanded to increase scope 3 as data becomes available. Part of the new action plan.
Encourage behaviour change and share good ideas for improvement with our staff, partner organisations and wider community	1. Learning from best practice 2. Co-ordinating with comms team on campaign 3. Establish staff champions	**In progress** Behaviour change working group established. E-learning module being implemented and a green champions network. Part of the new action plan.

GHG Emissions Calculations



GHG scopes as published FY 21/22 (summary within statement of accounts)

Scope	Item incl.	Description	Calculation approach	Metric tonnes of CO2e
1	Natural Gas	Gas purchased and used at our premises.	kWh (gross CV)	685.3
1	Diesel	Fuel used in our owned transport	Litres	1,361.3
1	Petrol	Fuel used in our owned transport	Litres	51.3
1	Burning Oil	Kerosine purchased for use in our premises.	Litres	15.0
1	Gas Oil	Red diesel used in diesel engines and heating systems	Litres	103.0
1	F-gas	Refrigerant top-ups to our air conditioning systems	kg	10.0
			Total Scope 1 tCO2e	**2,225.9**

Scope	Item incl.	Description	Calculation approach	Metric tonnes of CO2e
2	Electricity	Electricity purchased and used at our premises.	kWh (gross CV)	501.5
			Total Scope 2 tCO2e	**501.5**

Scope	Item incl.	Description	Calculation approach	Exclusions	Metric tonnes of CO2e
3	Water	Supply of water and wastewater treatment from our premises.	Cubic metres (m3)	None	8.3
3	Refuse	General & recycling waste collected and disposed from our premises.	Tonnes	Other waste streams to be identified and included.	2.1

3	Business Travel	Flights, rail, and overnight accommodation by our staff in support of their operations. (Car hire and business travel by staff in their own vehicles) excluded. Refuelling of vehicles (incl. car hire) captured in Scope 1 fuel consumption.	Bookings made	Land travel	20.6
				Total Scope 3 tCO_2e	**31.0**

Total reported tCO_2e (Scope 1, 2 and 3)	**2,758.4**

Action Plan Metrics 2022-2025

Measure	Unit of Measure (conversion factor)	Description
Carbon neutral by 2030	tCO2e	Carbon footprint reductions in Scope 1 and 2 (excludes scope 3)
Carbon net-positive by 2050	tCO2e	Carbon footprint reductions in Scope 1 and 2 (excludes scope 3)
Environmental Complaints	Count & Severity	Count and severity impact on the number of public environmental complaints received such as noise & nuisance from our activities.
Environmental Compliance	Count	Number of site audit assessments completed per annum and count and severity of any compliance issues.
Environmental incidents caused directly or indirectly by DSFRS activities	Count & Severity	Number of incidents such as fuel leaks or contaminated firewater runoff from our activities.
Environmental Competence & Awareness	Count	Staff trained and awareness through communication programmes.
Photovoltaic (PV) systems power generation	kWh	Volume of power generated from installed PV systems and volume of power exported by PV systems
Euro 6+ vehicles	Count	The number of euro 6+ vehicles in total fleet numbers.

This page is intentionally left blank

DSFRS Environmental Action Plan 2022-2025

Introduction
The DSFRS Environmental Action plan is based on the commitment and goal to be carbon netral by 2030 and our key actions.

The environmental management systems developed should:
1. Establish measurable environmental objectives and review progress against them regularly-taking responsbility for effectiveness.
2. Provide adequate resources in terms of time, money and skills to manage and improve environmental management system
3. Integrate environmental management as far as possible into the routine business process of the organisation
4. Provide adequate support to personnel to understand and apply new environmental or sustainability requirements in their role
5. Communicate the importance of environmental requirements to staff and firefighters

The environmental action plan will include the following details using the Plan, Do, Check and Review cycle:
1. What will be done
2. Resources required
3. Who will be responsible
4. When it will be completed
5. How the results will be evaluated

	GREEN DSFRS ACTION PLAN	Status	Reference	Financial Impact	Environ. Impact	Time Impact
1	Leadership and Commitment		Strategy, Declaration, Charter, TOR	£	**	^
2	Environmental Policy		Policy	££	***	^
3	Resources and Competences		Behaviour Change plan	£	**	^
4	Environmental Aspects Register		Register	£	***	^
5	Environmental Compliance Register		Register	£££	***	^
6	Communications		Plan	£	***	^^
7	Planning and Control		Plan	££££	***	^^^
8	Emergency Planning		Plan	£££	***	^^
9	Audit and Evaluation		Monitoring information, Report	£	***	^
10	Review and Evaluation		Monitoring information, Report	£	***	^
					***	
	KEY		**SYMBOLS**		***	
	Progress		£ (10k) ££ (50K) £££ (100k) ££££ (500k)	£-££££	***	
	Risk to progress		low to high environmental impact	*-****	***	
	High priority		^ 12 months ^^ 2 years ^^^ 3 years+	^-^^^^		
	No Progress					

	LEADERSHIP and COMMITMENT	Status	Owner	Review	Financial Impact	Environ. Impact	Time Impact
1	Strategy		SRO	Review in 2025	£	*	^
2	Declaration of Emergency		Authority	Review in 2025	£	*	^
3	ESS Charter		CFO	Review in 2025	£	*	^
4	Goals, metric reporting		SRO	Bi-annual reporting	£	*	^
5	Agree TOR with SRO		Head of Fleet and Procurement	Apr-22	£	*	^
6	Agree workstreams with SRO		Head of Fleet and Procurement	Jun-22	£	*	^
7	Reporting GHG Scope 1-3		Head of Fleet and Procurement	Annual reporting	£	*	^
8	Workshop with SLT		Head of Fleet and Procurement	Apr-22	£	*	^
9	Thematic Risk Register Complete		Head of Fleet and Procurement	Apr-22	£	*	^
10	CRMP - Environmental considerations		Service Improvement	Annual reporting	£	*	^^^
11	PESTLE - Environmental analysis		SRO	Annual reporting	£	*	^^
12	Stakeholder mapping		SRO	Annual reporting	£	*	^^

	POLICY	Status	Owner	Financial Impact	Environ. Impact	Time Impact
1	Identify and introduce high environmental standards in goods and services		Head of Fleet and Procurement	£££	***	^^
2	Identify and introduce high environmental criteria in contracts and procurements		Head of Fleet and Procurement	££	***	^^
3	Draft environmental policy with service commitments		Environmental lead	£	*	^
4	Consultation on environmental policy (internally/externally)		Environmental lead	£	**	^
5	Review and develop additional environmental processes to control risk		Environmental lead	££	**	^^^
6	Develop Green Travel Policy		HR Department	£	**	^

	RESOURCES and ROLES	Status	Owner	Financial Impact	Environ. Impact	Time Impact
1	Establish Behaviour Change workstream and group		Behaviour Change	£	*	^
2	Identify key roles in organisation		Behaviour Change	£	*	^
3	Identify key skills in organisation		Behaviour Change	£	*	^
4	Include environmental requirements in workforce planning		HR department	£	*	^
5	Include environmental requirements in JD		HR department	£	*	^
6	Identify Green Champions		Behaviour Change	£	*	^
7	Development plan for Champions		Behaviour Change	£	*	^
8	Skills matrix		Behaviour Change	£	*	^
9	Develop environmental training programme-learning		Behaviour Change	£	*	^
10	Develop environmental communications plan		Comunications team	£	*	^
11	Develop People Impact assessment for Green Agenda		Behaviour Change	£	*	^
12	Develop Green by Design process		Behaviour Change	£	*	^
					*	
					*	

	ASPECTS	Status	Owners	Financial Impact	Environ. Impact	Time Impact
1	Purchased goods and services		Procurement	££	**	^^
2	Purchased Services		Procurement	££	**	^^
3	Utilities		Estates	££	**	^^
4	Air Emissions		Estates	£££	***	^^^
5	Noise and nuisance		Communications	£	***	^
6	Visual impact		Estates	£	***	^
7	Liquid discharges		Estates	£	***	^^
8	Spills and leaks		Estates	££	***	^^
9	Waste		Estates	££	***	^^^
10	Wildlife and Countryside		Estates	£	***	^^
11	Services provided		Service Delivery	£	***	^^^
12	Aspects register to be considered for significance		Environmental	£	***	^
13	Methodology to be developed for impact/change		Environmental	£	***	^
13	Aspects Register to be updated annual basis		Environmental	£	***	^

	COMPLIANCE	**Status**	**Owners**	Financial Impact	Environ. Impact	Time Impact
1	Air emissions		Dept Plans	££	**	^^
2	Noise and nuisance		Dept Plans	££	**	^^
3	Water		Dept Plans	££	**	^^
4	Contaminated Land		Dept Plans	£££	***	^^^
5	Dangerous Substances		Dept Plans	£	***	^
6	Waste		Dept Plans	£	***	^
7	Producer Responsibility		Dept Plans	£	***	^^
8	Purchasing		Dept Plans	££	***	^^
9	Wildlife and Countryside		Dept Plans	££	***	^^^
10	Planning		Dept Plans	£	***	^^
11	Energy		Dept Plans	£	***	^^^
12	General Environmental		Dept Plans	£	***	
13	Fire and Rescue Specific		CRMP	£££	***	^^^
14	Compliance Register updated		Environmental Lead	£	***	^^

	COMMUNICATIONS	Status	Owner	Financial Impact	Environ. Impact	Time Impact
1	Communication objectives		Communications	£	*	^
2	Communication plan		Communications	£	*	^
3	Establish environmental reporting process		Communications	£	*	^
4	Establish environmental website		Communications	£	*	^
5	Establish environmental intranet		Communications	£	*	^
6	Management of environmntal complaints		Communications	£	*	^

	PLANNING	Status	Owner	Financial Impact	Environ. Impact	Time Impact
1	Fleet plan		Fleet	£££	***	^^^^
2	Estates Plan		Estates	£££	***	^^^^
3	Behaviour Change Plan		OD	£	**	^^
4	Telematics		Fleet	£	*	^
5	EV charging infrastructure		Fleet	££	*	^^
6	EV implementation		Fleet	£££	*	^^^
7	Energy Feasability Study		Estates	£	*	^
8	Implement Feasability Study		Estates	£	*	^
9	Waste Management System		Estates	££	*	^^
10	Green Fire Station Site identification		All	££	*	^^
11	Smart Working Project		OD	££	*	^^
					*	
					*	
					*	

	AUDIT	Status	Owner	Financial Impact	Environ. Impact	Time Impact
1	IER		Environmental	£	*	^
2	Waste Audit		Audit	£	*	^
3	Chemical Storage Audit		Audit	£	*	^
4	RA9 Premises audit		Estates	£	*	^

	EMERGENCY PLANNING	**Status**	**Owner**	Financial Impact	Environ. Impact	Time Impact
1	Fuel		Fleet	**£**	*****	^
2	Generators		Estates	**£**	*****	^
3	Chemical Storage		Estates	**£**	*****	^
4	Site Specific		Estates	**£**	*****	^

	REVIEW and EVALUATION	Status	Owner	Financial Impact	Environ. Impact	Time Impact
1	Aspects Register		Environmental	£	*	^
2	Compliance Register		Environmental	£	*	^
3	Gap Analysis Register		Environmental	£	*	^
4	Site Surveys Register		Communications	£	*	^
5	Staff Survey		Communications	£	*	^
6	Green Fire Station - feedback		Comunications	£	*	^

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank