DEVON & SOMERSET
FIRE & RESCUE AUTHORITY

E Jackman
CLERK TO THE AUTHORITY

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

(see below)

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Date : 2 May 2023
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RESOURCES COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

Thursday, 11th May, 2023

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.

Emma Jackman
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 - 8)**

of the previous meeting held on 6 February 2023 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 4 and Annual Report 2022-23 (Pages 9 - 20)**

Report of the Director of Finance, People & Estates (Treasurer) (RC/23/7) attached.

5 **Provisional Financial Outturn 2022-23 (Pages 21 - 36)**

Report of the Director of Finance, People & Estates (Treasurer) (RC/23/8) attached.

6 **Revisions to Capital Programme 2023-24 to 2025-26 (Pages 37 - 42)**

Report of the Director of Finance, People & Estates (Treasurer) (RC/23/9) attached.

7 **His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) Areas for Improvement Action Plan Update (Pages 43 - 46)**

Report of the Deputy Chief Fire Officer (RC/23/10) attached.

8 **Exclusion of the Press and Public**

RECOMMENDATION that, in accordance with Section 100A(4) of the Local Government Act a972, the press and public (with the exception of Officers of Red One Ltd. and Councillors Radford and Shayer {Authority appointed Non-Executive Directors of Red One Ltd.}) be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the following Paragraph(s) of Part 1 of Schedule 12A (as amended) to the Act:

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

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

9 **Red One Limited Financial Performance 2022-23: Quarter 4 (Pages 47 - 56)**

Report of the Co-Chief Executives and Finance Director of Red One Ltd. (RC/23/11) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

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

NOTES	
1.	**Access to Information** 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.	**Reporting of Meetings** 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.	**Declarations of Interests at meetings (Authority Members only)** 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 (Budget Meeting)
(Devon & Somerset Fire & Rescue Authority)

6 February 2023

Present:

Councillors Peart (Chair), Aspinall, Coles, Drean (Vice-Chair), Long and Power.

Also in attendance:

Councillors Sellis (Committee Member – attending virtually but not voting)

Councillors Cook-Woodman, Kendall, Radford and Randall Johnson (attending in accordance with Standing Order 39).

*** RC/22/13 Minutes**

RESOLVED that the Minutes of the meeting held on 23 November 2022 be signed as a correct record.

RC/22/14 2023-24 Revenue Budget and Council Tax Level

The Committee considered a joint report of the Director of Finance, People & Estates (Treasurer) and the Chief Fire Officer (RC/23/1) on the draft 2023-24 revenue budget and associated Council Tax levels.

Two options were presented in the report circulated, namely:

- Option A: that the level of council tax in 2023-24 for a Band D property be set at £91.79, as outlined in Option A, representing no increase over 2022-23 and representing a Net Revenue Budget Requirement for 2023-24 of £82,538,300 (£82.538m); or
- Option B: that the level of council tax in 2023-24 for a Band D property be set at £96.79, as outlined in Option B, representing a £5 increase over 2022-23 and representing a Net Revenue Budget Requirement for 2023-24 of £85,678,970 (£85.679m).

A one-year Local Government Finance Settlement had been announced on 19 December 2022. This indicated a Settlement Funding Assessment for the Authority of £23.819m for 2023-24, a 1.268% increase on the settlement for 2022-23 but representing a 19.67% decrease on the settlement for 2015-16.

On 19 December 2022, the Department for Levelling Up, Housing and Communities (DLUCH) announced as part of the provisional Local Government Settlement the Council Tax limit to be applied in 2023-24. For the first time, the fire sector has been given the option to increase Council Tax, for 2023-24 only, by up to £5 to assist with the pressures seen from inflation and pay awards. The Authority had also received a £0.445m share of the Rural Services Delivery Grant for 2023-24 together with £0.7m Section 31 grant funding to reduce the impact of the increase in social costs. These sums were included as income in the proposed revenue budget.

The Treasurer gave an update at the meeting on the Net Budget Requirement given that the Authority had now received the final returns on the National Non-Domestic Rates (NNDR) and details of the share of the Council Tax Collection Funds from billing authorities. This had resulted in a change to the Net Budget Requirement set out above of £82.272m for Option A; and £85.413m for Option B.

The Committee was advised that, should budget option A be selected, then the net spending requirement exceeded available funding by £3.141m. This shortfall could be met by a transfer from reserves in the short-term while a plan to implement spending reductions across all Service areas was developed. Option B, however, would not require any contribution from reserves.

The Medium-Term Financial Plan identified a requirement for further savings beyond 2023-24 to ensure that balanced budgets could be set in each year of the Spending Review period.

The strategic approach to deliver the required savings in future years was being developed following an efficiency review which had been initiated and would focus on the following priority areas:

- How resources were being utilised; productivity of our staff and assets;
- Digitising and streamlining services to make them more efficient; and
- Evidencing value for money of our services.

As required by Section 65 of the Local Government Finance Act 1992, non-domestic ratepayers had been consulted on proposals for expenditure. Members of the public had also been consulted. The consultation results indicated that:

- 67% of businesses agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2023-24, while 15% disagreed that it is reasonable for them to do so, resulting in a net agreement of +52%.
- 78% of residents agreed that it was reasonable for the Authority to consider increasing its Council Tax charge for 2023-24, while 11% disagreed, giving a net agreement of +67%.

Of those respondents who agreed that a Council Tax increase would be reasonable. 38% of businesses and 47% residents indicated they would support an increase of £5.

Additionally, the consultation results indicated that:

- 64% of businesses and 66% of residents considered the Service provided good value for money; and
- 80% of businesses and 81% of residents were either very or fairly satisfied with the service provided.

Appended to the report was a statement on the robustness of the budget estimates and the adequacy of the levels of reserves and balances, as required by Section 25 of the Local Government Act 2003.

The Treasurer added that, the budget proposals circulated were predicated upon a Grey Book pay award of 5% being agreed under the national arrangements. Should this figure be increased above 5%, then this would impact on the budget presented. It was noted that the Authority, at its meeting on 15 February 2023, would be requested to grant the Treasurer delegated authority to make up any shortfall in budget from reserves arising as a result of any pay award which exceeded the 5% assumed in the figures outlined above.

RESOLVED that the Authority be recommended:

(a). to set the level of Council Tax in 2023-24 for a Band D property at £96.79, as outlined above, representing a £5 increase over 2022-23 and that accordingly, a Net Revenue Budget Requirement for 2022-23 of £85,412,600 be approved;

(b). that, as a consequence of this:

(i). the tax base for payment purposes and the precept required from each billing authority for payment of a total precept of £60,798,019, as set out in the revised figures above (Option B) be approved;

(ii). the council tax for each of the property bands A to H associated with the total precept as detailed in the budget booklet be approved; and

(c). that the Treasurer's Statement on the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances, as set out in Appendix B to the report, be endorsed.

RC/22/15 **Capital Strategy**

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/23/2) setting out a proposed capital strategy for the Authority, as required by the Chartered Institute of Public Finance and Accountancy Prudential Code.

The Strategy provided a high-level overview of how capital expenditure and the way it was financed contribute to the provision of services together with an overview of how associated risk would be managed and the implications for future financial sustainability. The Strategy also set out the governance processes for approval and monitoring of capital expenditure.

The Strategy was a key document for the Authority and formed part of the financial planning arrangements, reflecting the priorities of the Medium Term Financial Plan.

RESOLVED that the Authority be recommended to endorse the Capital Strategy as set out in the report.

(See also Minutes RC/22/14 above and RC22/16 below)

RC/22/16 **Capital Programme 2023-24 to 2025-26**

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/23/3) on the proposed Authority Capital Programme 2023-24 to 2025-26 and associated Prudential Indicators.

While the proposed programme and funding would increase the external borrowing requirement from the current level of £24.3million to £25.8million by 2025-26, the debt ratio of financing costs to the net revenue scheme, a key Prudential Indicator, would remain below the 5% maximum limit previously approved by the Authority throughout the period of the programme.

The report identified proposed expenditure on both estate and fleet capital projects over the period of the programme, with indicative expenditure (and associated Prudential Indicators) for a further two years (2025-26 and 2026-27).

There remained considerable difficulties in meeting the full capital expenditure needs for the Service and in maintaining the 5% debt ratio limit. The proposed capital programme had been constructed on the basis that revenue budget contribution to capital would be maintained in future years but this may not be possible. Unless capital assets were further rationalised, however, there would be a need for external borrowing in 2024-25. Decisions on further spending would be subject to annual review based on the financial position of the Authority.

RESOLVED

(a). that the Authority be recommended to approve the draft Capital Programme 2022-23 to 2025-26 and associated Prudential Indicators as detailed in report RC/22/3; and

(b). that, subject to (a) above, the forecast impact on the 5% debt ratio Prudential Indicator of the proposed Capital Programme from 2026-27 onwards, as indicated in the report, be noted.

(See also Minutes RC/22/15 above and RC/22/17 below)

RC/22/17 **Treasury Management Strategy (Including Prudential and Treasury Indicators 2023-24 to 2025-26)**

The Committee considered a report of the Director of Finance, People & Estates (Treasurer) (RC/23/4) detailing:

- the proposed Treasury Management Strategy (including Prudential Indicators) and investment strategy for 2023-24;
- Prudential Indicators associated with the proposed Capital Programme 2023-24 to 2025-26;
- a Minimum Revenue Provision Statement 2023-24; and
- certification that none of the Authority’s spending plans would include the acquisition of assets primarily for yield.

The proposed Strategy had been prepared in accordance with the requirements of the Local Government Act 2003 and the Treasury Management Code of Practice produced by the Chartered Institute of Public Finance and Accountancy.

RESOLVED that the Authority be recommended to approve:

(a). the Treasury Management Strategy and Annual Investment Strategy 2023-24 as set out in report RC/23/4; and

(b). the Minimum Revenue Provision Statement 2023-24as appended to the report.

(See also Minute RC/22/16 above)

*** RC/22/18** **Treasury Management Performance 2022-23: Quarter 3**

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

The Committee received for information a report of the Director of Finance, People & Estates (Treasurer) (RC/23/4) that set out the Authority's performance relating to the third quarter of 2022-23 (to December 2022) in accordance with the Treasury Management in Public Service Code of Practice (published by the Chartered Institute of Public Finance and Accountancy {CIPFA}) and the CIPFA Prudential Code. The report set out how this Authority was demonstrating best practice in accordance with these Codes.

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

- There had been a further rise in inflation since quarter 2 of 2022-23 which was squeezing economic growth. Inflation was at 11.1% in quarter 2 of 2022-23 but fell to 10.7% in quarter 3;
- The UK bank base rate rose in quarter 3 to 3.50%, rising again in early February 2023 to 4%. Interest was expected to peak now at around 4.5% in June 2023 due to the monetary policy instigated. All of the world economies were tightening interest rates in a bid to control spending;
- The squeeze on income as a result of the high level of inflation was slowing the economy into recession in 2023 which was likely to last for four quarters;
- Unemployment had been pushed up to 3.7% in October 2022 due to a small loosening in the labour market.
- the annual treasury management strategy had continued on a prudent approach, underpinned by investment priorities based on security of capital, liquidity and yield.

- Investment income had improved due to the interest rate rises with an increase to £0.232m (4.05%) generated in quarter 3 of 2022-23, outperforming the new 3 month SONIA (Sterling Overnight Index) benchmark of 2.74% by 1.31bp. SONIA had replaced LIBID at the end of December 2022 and tended to trade at a higher average so it was anticipated that investment returns would outperform the investment target at the year-end;
- None of the Prudential Indicators (affordability limits) had been breached in quarter 1 with external borrowing at 31 December 2022 being £24.711m, forecast to reduce to £24.264m by the end of the financial year with no new borrowing undertaken.

It was noted that the Treasurer had looked at opportunities to review the Authority's early repayment of external borrowing with the Public Works Loans Board (PWLB), however, the early repayment rates and new rates meant there was no financial benefit to be achieved currently. The Treasurer, in response to a question, confirmed that the Service would be bringing forward an investment strategy to the Committee which may have a more ethical outlook for consideration in due course.

*** RC/22/19** **<u>Financial Performance Report 2023-24: Quarter 3</u>**

The Committee received for information a report of the Director of Finance, People & Estates (Treasurer) (RC/23/5) that provided the Committee with details of the third quarter performance (to December 2022) against the agreed financial targets for 2022-23.

The Director of Finance, People & Estates (Treasurer) advised that, at this stage in the financial year, it was projected that spending would be £1.568m more than the budget of £77.289m at £78.857m, representing an overspend of 2.03% of total budget. He added that this overspend was lower than anticipated due to the measures implemented by the Executive Board already which included tightening spending against the agreed budget and seeking savings wherever possible.

The Treasurer drew attention to a slight change in the reporting of variances to add a percentage change column based on a practice within central government to report on salaries +-2% and on other non salary lines of +-5%. Commenting that this highlighted those areas where the position was materially different from previous reported.

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

- Wholetime pay - as a result of the anticipated pay award for Grey Book staff from 1 July 2022 with 2% budgeted and 5% expected - £0.707m;
- On Call Pay – budget assumptions regarding pension costs, national insurance and holiday pay were understated combined with the impact of a pay award at 5% - £2.113m;
- Fire Service Pension Costs – unexpected ill health retirements moved this budget line into a forecasted overspend position - £0.217m.
- Energy costs – overspend of £0.306m; and

- Investment income – an over recovery of £0.715m.

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

- Training - £0.252m;
- Transport, repair and maintenance costs - £0.302m;
- Running costs and insurance - £0.255m;
- Equipment and furniture - £0.524m.

The Committee noted that it would be asked to consider how it was going to bridge the gap to ensure a balanced budget at the end of the 2022-23 financial year. This was likely to include a recommendation to use the budget smoothing reserve (£0.674m) and pausing the in-year contribution to capital (£1.040m), together with the repurposing of other ring-fenced reserves (£0.525m) if the gap was not closed further in the meantime.

The Treasurer advised that the Authority was within its prudential limits for external borrowing with the outstanding debt at £24.711m forecast to reduce to £24.264m as at 31 March 2023. The capital programme was progressing well although there was a forecast underspend of £0.107m largely due to the rebuild of Plymstock station. The total debtor invoices outstanding at quarter 3 totalled £0.699m of which £0.342m related to Red One Ltd.

*** RC/22/20** **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. and Councillor Radford) be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to the financial and business affairs of any particular person – including the authority holding that information.

*** RC/22/21** **Red One Ltd. Financial Performance 2022-23: Quarter 3**

(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. and Councillor Radford) were excluded from the meeting).

The Committee received for information a report of the Co-Chief Executives and the Finance Director of Red One Ltd. (RC/23/6) on the financial performance of the company during quarter three of the 2022-23 financial year.

The Committee also received for information a supplementary, associated report of the Chief Fire Officer and Director of Finance, People & Estates (Treasurer) (RC/23/7) which provided a response to points raised within the Financial Performance report for quarter 3 of 2022-23.

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

The Meeting started at 10.00 am and finished at 12.55 pm

REPORT REFERENCE NO.	**RC/23/7**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**11 MAY 2023**
SUBJECT OF REPORT	**TREASURY MANAGEMENT – QUARTER FOUR AND ANNUAL REPORT 2022-23**
LEAD OFFICER	**Director of Finance, People and Estates (Treasurer)**
RECOMMENDATIONS	***That the performance in relation to the treasury management activities of the Authority for 2022-23 including the fourth quarter, as set out in this report, be noted.***
EXECUTIVE SUMMARY	The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, requires that the Authority receives a report in respect of borrowing and investment activities during the year, and compares this performance against the treasury management strategy adopted. The report includes a performance report relating to the final quarter of the 2022-23 financial year and a summary of annual performance.
RESOURCE IMPLICATIONS	As indicated within the report.
EQUALITY RISK AND BENEFIT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Prudential indicators 2022-23 B. Glossary of Terms
BACKGROUND PAPERS	Treasury Management Strategy (including Prudential and Treasury Indicators) as approved at the meeting of the Fire & Rescue Authority held on the 15 February 2023 – Agenda item DSFRA/23/5 and Minute DSFRA/22/31.c refers.

1. INTRODUCTION

1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year or quarterly reports). The Authority fully complies with the primary requirements of the Code, which 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 Authority of an annual strategy report for the year ahead, a mid-year treasury update report and an annual review report of 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.
- Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body which in this Authority is the Resources Committee.
- Minimum reporting requirements, in addition, the Resources Committee has received quarterly treasury management update reports.

1.2 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

1.3 The Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Resources Committee before they were reported to the full Authority. Members have been supported in their scrutiny role through regular updates and the attendance at Committee meetings by the Authority's Treasury Management advisors, Link Market Services.

1.4 A glossary of terms and acronyms used is provided at Appendix B of this report

2. OVERALL TREASURY POSITION AS AT 31 MARCH 2023

2.1. The Authority's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

2.2. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Authority's Treasury Management Practices.

2.3. At the end of 2022-23, the Authority's treasury management position was as follows:

SUMMARY	31st March 2022 Principal	Rate/ Return	31st March 2023 Principal	Rate/ Return
Total Debt				
- PWLB (All fixed rate funding)	*£24.757m*	*4.25%*	*£24.264m*	*4.25%*
-Other Long-Term Liabilities	*£0.907m*		*£0.790m*	
Total	*£25.665m*		*£25.055m*	
CFR	*£25.665m*		*£25.055m*	
Over/(under) borrowing	*£0.000m*		*£0.000m*	
Total Investments	*£34.251m*	*0.78%*	*£29.050m*	*4.15%*
NET DEBT	***£(8.586)m***		***£(3.995)m***	

2.4. The maturity structure of the debt portfolio was as follows:

	31 March 2022 actual	2022-23 original limits	31 March 2023 actual
Under 12 months	£0.093m	30% = £7.455m	£0.493m
12 months and within 24 months	£0.493m	30% = £7.455m	£0.458m
24 months and within 5 years	£3.145m	50% = £12.426m	£3.280m
5 years and within 10 years	£0.856m	75% = £18.638m	£0.274m
Over 10 years	£19.770m	100% = £24.851m	£19.758m

3. STRATEGY FOR 2022-23

3.1 Investment returns picked up throughout the course of 2022-23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory and that tighter monetary policy was called for. Starting in April 2023 at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023-24.

3.2 The sea-change in investment rates meant local authorities were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and "laddering" deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

3.3 With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a wretched Quarter 4 in 2022, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration) became more actively used.

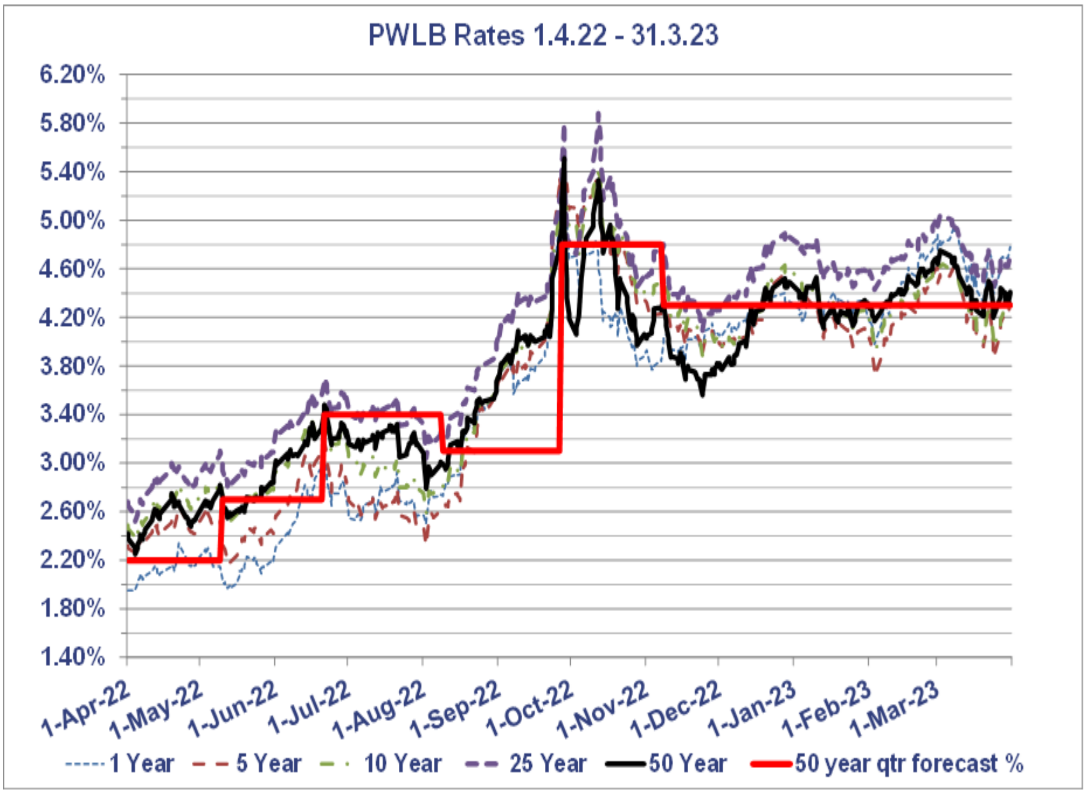
3.4 Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

3.5 Nonetheless, while the Authority has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Great Financial Crisis of 2008/09. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

4. BORROWING

Public Works Loan Board (PWLB) borrowing rates 2022-23

4.1 The graphs and tables for PWLB rates overleaf show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



	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	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

5. DSFRA BORROWING STRATEGY

Prudential Indicators

5.1 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 Treasury Management Strategy.

5.2 During the financial year the Authority operated within the treasury limits and Prudential Indicators set out in its annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Appendix A.

Authority borrowing during and at the end of 2022-23

5.3 No new borrowing was taken out in 2022-23 to support capital spending and therefore, because repayments of £0.493m loan principal have been made in year, the value of loans outstanding has decreased to £24.264m during the year. A summary of the loan (debt) position of the Authority is given in the table below. All existing borrowing has been taken out at Fixed Interest Rates.

5.4 In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2021-22) plus the estimates of any additional capital financing requirement for the current (2022-23) or the following financial year. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allowed the Authority some flexibility to borrow in advance of its immediate capital needs in 2022-23.

5.5 It is noted that the external borrowing figure of £25.055m as 31 March 2023 is the same as the Capital Financing Requirement (CFR), which means that there is no over-borrowing position at the year-end. The Authority has complied with this prudential indicator. The table below demonstrates how the CFR is calculated and shows the CFR for 2022-23.

Capital Financing Requirement (£m)	31 March 2022 Actual	31 March 2023 Budget	31 March 2023 Actual
Opening balance	25.861	25.861	25.665
Add borrowing applied in year	2.024	1.365	1.365
Less MRP/VRP*	2.117	1.859	1.859
Less PFI & finance lease repayments	0.103	0.117	0.117
Closing balance	25.665	25.055	25.055

5.6 No rescheduling was done during the year as the average differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Summary of loan movements during 2022-23	**Amount £m**
Value of loans outstanding as at 1/4/2022	**24.757**
Loans taken during 2022-23	0.00
Loans repaid upon maturity during year	(0.493)
Loans rescheduled during year	0.00
Total value of loans outstanding as at 31/3/2023	**24.264**

6. **INVESTMENTS**

Authority Investment Strategy

6.1 The Authority's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Authority's investment priorities as follows:

- Security of Capital
- Liquidity
- Yield

6.2 The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. 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 highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

Authority Investments during and at the end of 2022-23

6.3 No institutions in which investments were made during 2022-23 had any difficulty in repaying investments and interest in full during the year and the Authority had no liquidity difficulties.

6.4 A full list of investments held as at 31 March 2023 are shown in the table below:

Investments as at 31 March 2023						
Counterparty	Maximum to be invested	Amount Invested	Maturity Date	Call or Term	Period invested	Interest rate(s)
	£m	£m				
Bayerische Landesbank	7.000	-1.000	04/04/2023	T	6 mths	4.08%
Standered Chartered Sustainable	7.000	-2.000	28/04/2023	T	5 mths	3.91%
Goldman Sachs	7.000	-5.000	22/05/2023	T	6 mths	4.01%
National Bank of Canada	7.000	-1.000	22/05/2023	T	5 mths	4.07%
Standered Chartered Sustainable	7.000	-2.000	30/06/2023	T	5 mths	4.15%
Standered Chartered Sustainable	7.000	-2.000	30/06/2023	T	5 mths	4.15%
National Bank of Canada	7.000	-2.000	19/07/2023	T	6 mths	4.32%
Bayerische Landesbank	7.000	-2.000	31/07/2023	T	6 mths	4.19%
Helaba	7.000	-2.000	08/09/2023	T	12 mths	4.01%
First Abu Dhabi	7.000	-3.000	04/10/2023	T	12 mths	4.99%
Barclays Bank	8.000	-0.150		C	Instant Access	Variable
Aberdeen Standard	8.000	-0.490		C	Instant Access	Variable
Black Rock	8.000	-6.410		C	Instant Access	Variable
Total Amount Invested		**-29.050**				

6.5 Funds available for investment are on a temporary basis, the level of which are dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

6.6 The benchmark used to gauge performance of the investments is the Sterling Overnight Index Average (SONIA). SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. This rate is used for Quarter 4 overleaf.

Benchmark – 3 month SONIA	**Average level of funds available for Investment £m**	**Benchmark Return**	**Authority Performance**	Investment Interest Earned £m
Quarter 1	36.201	0.90%	0.73%	£0.015m
Quarter 2	40.441	1.56%	2.35%	£0.071m
Quarter 3	38.157	2.74%	4.05%	£0.146m
Quarter 4	34.723	3.78%	4.15%	£0.579m
2022-23	**37.380**	**2.25%**	**2.82%**	**£0.811m**

6.7 The amount of investment income earned of £0.811m has beaten the target by £0.711m as a result of a very buoyant investment market.

7. SUMMARY

7.1 In compliance with the requirements of the CIPFA Code of Practice of Treasury Management, this report provides Members with a summary report of the treasury management activities during 2022-23. 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 during the year, with priority being given to liquidity and security over yield.

7.2 Continued uncertainty in the aftermath of the 2008 financial crisis and high inflationary pressures with rising bank base rates have seen relatively high returns compared to borrowing rates. Even so, the Authority is able to report that its returns are above the SONIA 3 month rate, the benchmark return for this type of short term investments.

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

APPENDIX A TO REPORT RC/23/7

PRUDENTIAL INDICATOR	2021-22 £m actual	2022-23 £m approved	2022-23 £m Actual
Capital Expenditure			
TOTAL	8.254	8.580	3.485
Ratio of financing costs to net revenue stream			
Non – HRA	4.3%	3.8%	2.9%
Capital Financing Requirement as at 31 March (borrowing only)			
TOTAL	25.665	25.665	25.055
Annual change in Cap. Financing Requirement			
TOTAL	(0.196)	(0.610)	(0.610)
TREASURY MANAGEMENT PRUDENTIAL INDICATORS			
	£m	**£m**	**£m**
Authorised Limit for external debt -			
Borrowing	26.189	26.071	
other long term liabilities	1.056	0.947	
TOTAL	27.244	27.018	
Operational Boundary for external debt -			
Borrowing	24.951	24.857	
other long term liabilities	1.010	0.907	
TOTAL	25.961	25.765	
Actual external debt	24.757	24.264	

	Actual 31st March 2023	upper limit %	lower limit %
Limits on borrowing at fixed interest rates	100%	100%	70%
Limits on borrowing at variable interest rates	0%	30%	0%
Maturity structure of fixed rate borrowing during 2022-23			
Under 12 months	1.99%	30%	0%
12 months and within 24 months	1.99%	30%	0%
24 months and within 5 years	13.25%	50%	0%
5 years and within 10 years	1.11%	75%	0%
10 years and above	79.81%	100%	50%

APPENDIX B TO REPORT DSFRA/23/7

ABBREVIATIONS USED IN THIS REPORT

This is a list of abbreviations and definitions used within the report for reference.

ALMO: an Arm's Length Management Organisation is a not-for-profit company that provides housing services on behalf of a local authority. Usually an ALMO is set up by the authority to manage and improve all or part of its housing stock.

LAS: Link Asset Services, Treasury solutions – the council's treasury management advisers.

CE: Capital Economics - is the economics consultancy that provides Link Asset Services, Treasury solutions, with independent economic forecasts, briefings and research.

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

EZ: Eurozone -those countries in the EU which use the euro as their currency

Fed: the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

FOMC: the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

HRA: housing revenue account.

IMF: International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

MHCLG: the Ministry of Housing, Communities and Local Government -the Government department that directs local authorities in England.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PFI: Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: Quantitative Easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target.

Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

SONIA: Sterling Overnight Index Average is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

REPORT REFERENCE NO.	**RC/23/8**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**11 MAY 2023**
SUBJECT OF REPORT	**PROVISIONAL FINANCIAL OUTTURN 2022-23**
LEAD OFFICER	**Director of Finance, People and Estates (Treasurer)**
RECOMMENDATIONS	***(a) That the Authority be recommended to approve that the provisional overspend position of £0.947m be funded from a reduction in the Revenue Contribution to Capital. An element is also transferred to the General Reserve to ensure it is within 5% of the revenue budget for 2023/24.*** ***(b) That, subject to (a) above, the following be noted:*** ***(i) The draft position in respect of the 2022-23 Revenue and Capital Outturn position, as indicated in this report.*** ***(ii) That the net overspend position of £0.947m is after*** ***A. Transfer of £4.255m from reserves per Appendix C.*** ***B. In Addition, there is a requirement to transfer £0.043m to the Grants Unapplied Reserve as required under International Financial Reporting Standards (IFRS) relating to a grant received during the financial year but not utilised, as per Appendix D.*** ***(c)* That a transfer of £0.225m is approved to increase the balance of the general fund balance reserve to ensure it is 5% of the revenue budget for 2023-24 as per paragraph 6.1.**
EXECUTIVE SUMMARY	This report sets out the draft financial outturn position for 2022-23 against agreed financial targets. In particular, it provides a draft outturn spending position against the 2022-23 revenue budget with explanations of the major variations. Spending will be £0.947m over budget, (net of transfers from earmarked reserves noted in this report) equivalent to 1.21% of the total budget. There have been some significant challenges in the year, most notably the nationally agreed pay award (7.0% to firefighters and a flat £1,925 to support staff) the cost to the Authority was in the region of £3.6m which was unbudgeted. The majority of the balance is as a result of the increase in energy and fuel costs as a result of the rising inflation. The figures are also subject to external audit of the Accounts.

RESOURCE IMPLICATIONS	As indicated in the report
EQUALITY RISKS AND BENEFITS ANALYSIS	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Provisional Revenue Outturn Position 2022-23. B. Summary of Reserve and Provision Balances at 31 March 2023 C. Details of Earmarked reserves D. Grants Received in Advance.
BACKGROUND PAPERS	None

1. INTRODUCTION

1.1. This report provides the Authority with the final outturn position (subject to audit) for revenue and capital spending for the financial year 2022-23 and makes recommendations as to how the overspend against the revenue budget is to be funded. The report is in two parts. Section 1 deals with the revenue outturn position while Section 2 deals with the position in relation to capital spending.

1.2. The Authority is well aware of the difficult financial climate that local authorities are currently operating under as a result of cuts in government funding. In setting the 2022-23 revenue budget for the Authority in February 2021, consideration of the Medium-Term Financial Plan (MTFP) recognised that further recurring savings will be required over the next five years to 2027-28 over above the savings already achieved.

1.3. Mindful of this difficult outlook the strategy adopted during the last financial year of 2022-23 was to balance the budget using numerous reserves; using the budget smoothing reserve created for this very purpose several years ago, the balance held on the Pay-for-availability reserve and repurposing other ring-fenced reserves as reported to Members on the 6 February 2023.

2. SECTION 1 – REVENUE OUTTURN 2022-23

2.1. Total revenue spending in 2022-23 was £78.236m compared to an agreed budget of £77.289m, resulting in an overspend of £0.947m, equivalent to 1.21% of total budget. A summary of spending is shown in Table 1 overleaf and Appendix A provides a more detailed analysis of spending against individual budget heads.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2022-23

	£m	£m	£m
Approved Budget			**77.289**
Gross Spending (Appendix A Line 27)	95.420		
Gross Income (Appendix A Line 31)	(12.973)		
Net Spending		82.448	
PLUS Transfers to /(from) Earmarked Reserves			
- Transfers from Reserves (Appendix A Line 32)	(4.255)		
- Grants Unapplied (Appendix A Line 33)	0.043		
Total Transfer to/from Earmarked Reserves (Appendix A Line 34)		(4.212)	
TOTAL NET SPENDING			78.236
NET OVERSPEND			**0.947**

2.2. These figures are based upon the spending position at the end of March 2023 and whilst they provide a provisional financial performance for the year, are subject to final accounting adjustments and audit scrutiny for the year end.

2.3. The underspend is after several variances against budget as reported in Appendix A to this report but is mainly due to pressure on the pay budgets resulting from the pay awards which were unbudgeted.

2.4. Variances against other budget heads e.g. uniformed staffing costs, training expenses and capital financing costs are also reported. Explanations of the more significant variations from budget (over £50k variance) are explained below.

3. VARIATION AGAINST BUDGET

Wholetime employee costs

3.1. **Overspend of £1.031m**: This overspend is mainly driven by the pay award for grey book conditioned staff (firefighters and control room staff) of 7%. The annual pay award is due from 1st July so the additional cost covers the 9 months that are impacted during 2022/23 financial year. The cost to the Authority was an additional cost of over £1m over the budgeted pay award which was 2%.

3.2. Due to a busy period over the summer months where the Service experienced a greater number of wildfires, the rate of casual overtime is greater than anticipated. This is expected to increase the costs by over £0.100m when compared to 2021/22.

3.3. A review had been undertaken of how the ‘crewing pool’ was resourced did see changes made which saw 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.

On-call employee costs

3.4. Overspend of 2.296m: As reported throughout the year, it became apparent that the budgeting assumptions regarding pension costs, national insurance and holiday pay relating to payment for available (P4A) were understated which has, in part, contributed to this overspend position. This accounts for £2.248m of the overspend. Furthermore, additional costs resulting from the revised pay award of 7% has increased forecasts by £0.888m.

Control

3.5. **Overspend of £0.057m.** The majority of the overspend (£0.045m) is linked to the increase in the pay award as noted above.

Professional and Technical Staff

3.6. **Underspend of £0.256m**. As a result of recruitment controls put in place by the Service in July of 2022, the costs for this section have underspent the budget. Vacancies have been held open or removed completely to facilitate this position.

T***raining Investment***

3.7. **Underspend of £0.448m**. The 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 i.e. Any spend which is not underpinned by a statutory/ contractual obligation or activity and which does not directly support the Service Delivery strategy. The large savings originated from ICT (£0.050m), Prevention Delivery (£0.130m), Organisation Development (£0.40m), the Academy (0.087m), Urban Search and Rescue (£0.028m). The balance coming from smaller variances across the Service.

Fire Service Pension Costs

3.8. **Overspend of £0.237m.** Unexpected ill-health retirements throughout the year has moved this budget line into an overspend position. Part way through the year, ill health pensioners received backpay following a dispute which totalled almost £0.040m. Furthermore, additional exceptional costs for two members were incurred during Month 10.

Energy Costs

3.9. **Overspend of £0.262m**. Service energy (gas/ electricity) costs are forward purchased on a 12-month rolling period from 1 October to 30 September. Following a review by our supplier, the annual forecast costs have been increased by £0.327m which reflects price increases in the wider market. Efforts were introduced to reduce energy consumption across the Service which included the consolidation of the workforce on the SHQ site.

Rent and Rates

3.10. ***Overspend of £0.052m.*** The majority of the overspend is against water charges resulting from unit costs which are greater than the budgeted amount. This amounts to over £0.040m of the overspend.

Transport Repair and Maintenance

3.11. **Underspend of £0.327m**. There is a large underspend associated with the fact the Service couldn’t 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 £0.286m coupled with a saving on livery of £0.030m.

Travel & Subsistence

3.12. **Underspend of £0.141m.** Spending controls continue to drive down expenditure in this budget line which is leading to an expected underspend. The largest underspend relate to lease car rental of £0.060m which includes maintenance and £0.067m on casual mileage.

Equipment & Furniture

3.13. **Underspend of 0.936m.** A large saving of £0.386m is as a result of a delay in the procurement of the 4x4 MRP's which will no longer be delivered during this year, therefore there is no requirement to purchase the associated equipment for them. The Academy saw a saving of £0.094m on timber cost due to a reduction in unit costs alongside a saving of £0.080m on Prevention equipment (smoke detectors, vibrating pads etc.) due to suitable stock holdings being held and available through the year that matched demand. Equipment required for training, an example being the use of the River Dart, saw a saving of £0.062m. The balance being made up of savings over multiple budget areas.

Hydrants – installation and maintenance

3.14. **Overspend of £0.143m.** The budget allocation was reduced based on the anticipated expenditure for 2021/22. The year-end position is as a result of the water companies catching up on invoicing.

Communications Equipment.

3.15. **Underspend of £0.129m.** Airwave costs have increased by an average of almost 9.5% (we budgeted for 1.47%) which has increased the costs by £0.118m. An overspend of £0.095m has also incurred relating to alerter transmitters that were delayed in 2021/22 and were delivered in 2022/23. Delivery delays of replacement service-wide network LAN switches of £0.123m has seen this spend slip into the 2023/24 coupled with a reduction in forecast of £0.100k for NFSP spend on the Command and Mobilising system has acted to offset this overspend. This will be completed next year and is also included within the 2023/24 base budget. Planned expenditure on a dynamic coverage tool of £0.085m has been funded from the use of a reserve so will not be funded from revenue. Networking will no longer be delivered during 2022/23. This has seen a reduction in spend of £0.096m.

Partnerships & Regional Collaborative Projects

3.16. **An underspend of £0.073m.** Delays with the Networked Fire Control Project produced savings of just over £0.032m coupled with a reduction on partnerships within Protection Delivery of 0.048m placed this line in an underspend position.

Printing, Stationery and office expenses.

3.17. ***An underspend of £0.067m.*** Multiple underspends from the majority of budget holders have ensured this section was underspent by £0.067m at year-end.

Capital Charges.

3.18. **Underspend of £0.087m.** Due to a relaxation in the implementation of a new Accounting Standard, a requirement to charge an element of leasing against loan charges wasn't required. This has resulted in the published underspend.

Treasury Management and Investment Income

3.19. ***Over recovered by £0.707m.*** The Service benefited from higher returns on investments which, coupled with delays in the capital programme, ensured there was more short-term cash to invest which attracted greater returns.

Grants and Re-imbursements

3.20. **Grants were £0.114m lower than budget**. A reduction in the Firelink grant of 20% (£0.189m) notified in June 2022 has attributed to this section being under recovered. This amount has been off-set from additional, unbudgeted grants received in relation to Protection Uplift. Some were used in-year, an element (£0.043m) however is requested to be moved into an Earmarked Reserve as it is classed as a receipt in advance. See Section 4.1 b of this report refers with the grant being detailed within Appendix C.

Other Income

3.21. **Other income was £0.115m less than budget.** £0.518m relates to a loss in income associated with Apprentices due to the reduced recruitment for the year. This comprises of £0.386m in income received for delivering the training and £0.132m from a loss in the incentive payments. This loss of income has been partially offset by the receipt of additional income from the South West Ambulance Service Trust of £0.207m relating to Operation Bradewood. There are also additional income forecast of £0.036m to be generated by Procurement resulting from the Emergency One call-off contract.

4. CONTRIBUTION TO/FROM EARMARKED RESERVES

4.1. A summary of predicted balances on Reserves and Provisions is shown in Appendix B to this report. These figures include those proposed transfers to and from Earmarked Reserves and provisions outlined in this report and referenced in Appendix B which are recommended for approval:

a) **Budgeted Transfers from Reserves (£4.255m)** – A list of the transfers from earmarked reserves as per paragraph 5.1 which references the transfers seeking authorisation in line with financial regulations.

b) **Grants Unapplied (£0.043m) -** under International Financial Reporting Standards (IFRS) accounting arrangements, any unused grants at the year-end, which are not subject to repayment, are to be identified and carried forward to 2023-24 via an Earmarked reserve. The detail of the grant is provided within Appendix C. Members are requested to note the grant received which is within the delegated limit of £0.200m.

5. PROPOSALS FOR FUNDING THE OVERSPEND

5.1. The Authority is asked to approve the recommendation that the overspend figure of £0.947m be funded from halting the Revenue Contribution to Capital spending for the year.

5.2. A summary position of Reserves and Provisions as at 31 March 2023, including the recommendations included in this report, is included as Appendix B to this report.

Provisions

5.3. Included in Appendix B is a summary of the Provision balances as at 31 March 2023. As part of the year-end process the Authority is required to review the adequacy of Provision balances and consider whether any changes during the year require additional amounts to be set aside. The only Provision the Authority has now is one for doubtful debt. It has been reviewed and is deemed adequate for the size of the outstanding debt as at 31 March 2023.

6. RESERVES TRANSFER

6.1 To ensure the Authority comply with the guideline set by the Chartered Institute of Public Finance and Accountancy (CIPFA) that the general fund reserve is 5% of the value of the revenue budget, the following transfer is recommended for approval.

Description	Debit £m	Credit £m
To increase the General Fund Balance to ensure it is 5% of the 2023/24 Revenue Budget		
Increase General Fund balance Reserve	0.225	
Reduce Direct Funding to Capital reserve		(0.225)
	0.225	**(0.225)**

7. SECTION 2 – CAPITAL OUTTURN 2022-23

7.1. The 2022-23 capital programme was originally set at £7.054m at the budget setting meeting held on 21 February 2022. The programme figure was increased during the financial year to £8.580m, as a result of timing differences in spending from the previous year and revisions to the capital spending plan. As has been reported to the Resources Committee during the year, whilst these changes represent a change in the 2022-23 programme they do not represent any increase to the previously agreed borrowing requirement.

7.2. Table 2 overleaf provides a summary of the provisional outturn position against the agreed 2022-23 capital programme. Against a final capital programme of £8.580m, capital spending in year was £5.148m, resulting in unspent programme of £3.430m, of which £3.365m relates to timing differences to be carried forward to 2023-24, and £0.065m of savings.

7.3. The 2022-23 budget included an “optimism bias” again, based on experience of considerable timing differences in capital spending against plans. The figures in table 2 below are net of the optimism bias and the outturn suggests that it would be prudent to continue using this approach, which has been incorporated in to the programme for 2023-24.

TABLE 2 – SUMMARY OF CAPITAL SPENDING IN 2022-23

Capital Programme 2022/23				
PROJECT	2022/23 £000 Revised Budget	2022/23 £000 Actuals	2022/23 £000 Timing Differences	2022/23 £000 (Savings)/ Over-spend
Estate Development				
Site re/new build	693	602	(219)	129
Improvements & structural maintenance	3,957	985	(2,810)	(161)
Estates Optimism bias	(800)	0	800	0
Estates Sub Total	**3,850**	**1,587**	**(2,229)**	**(32)**
Fleet & Equipment				
Appliance replacement	4,593	3,527	(1,066)	0
Specialist Operational Vehicles	820	0	(820)	0
ICT Department	317	34	(250)	(33)
Fleet Optimism bias	(1,000)	0	1,000	0
Fleet & Equipment Sub Total	**4,730**	**3,561**	**(1,136)**	**(33)**
Overall Capital Totals	**8,580**	**5,148**	**(3,365)**	**(65)**
Programme funding				
Earmarked Reserves:	5,715	2,955	(3,365)	(396)
Revenue funds:	1,500	829	0	331
Borrowing - internal	1,365	1,365	0	0
Total Funding	**8,580**	**5,148**	**(3,365)**	**(65)**

Capital Spending 2022-23

7.4. This Authority has a three-year rolling capital programme, reviewed annually. This reflects changes in circumstances within individual projects and slippage that will occur from time to time. This has particularly been the case in relation to some Estates projects which have been delayed and moved into 2023-24.

7.5. Timing differences for Estates projects include; Camels Head rebuild including ship structure (£0.666m); wash-down improvements (environmental protection) on various sites (£0.139m); dignity at work (£0.502m); Barnstaple roof (£0.275m); Bere Alston (£0.347m); Paignton (£0.249m); SHQ buildings (£0.270m); Holsworthy upgrade (£0.175m); Crownhill rear entrance (£0.150m); replacement drill towers (£0.131m); other smaller schemes (£0.125m).

7.6. Timing differences for Fleet & Equipment and ICT projects relate to: MRPs (£0.285m); MRP 4 X 4 (£0.780m); Aerial Ladder Platforms (£0.420m); Water Bowsers (£0.400m); SAN server replacement (£0.250m).

8. FINANCING THE 2022-23 CAPITAL PROGRAMME

8.1. The table below provides an analysis of how the 2022-23 capital spending of £5.148m is to be financed.

TABLE 3 – SUMMARY OF CAPITAL FINANCING IN 2022-23

	Actual Financing Required £m
Application of existing borrowing	**1.365**
Other financing sources:	
Revenue contribution to capital	0.007
Red One contribution to capital	0.159
Capital reserve	2.955
Sub-total – Direct revenue funding/earmarked reserve	**4.486**
Capital receipts	0.663
Total Financing	**5.148**

Borrowing

8.2. The amount of external borrowing at the beginning of the financial year stood at £24.757m. No new borrowing was taken out during the year and an amount of £0.493m has been repaid, resulting in an overall reduction of external borrowing to £24.264m as at 31 March 2023. This level of borrowing is well below the agreed maximum borrowing figure of £27.018m allowed under the Prudential Code.

9. DRAFT PRUDENTIAL INDICATORS

9.1. The prudential indicators at this time can only be regarded as provisional subject to the completion of the Statement of Accounts and resultant audit scrutiny.

Capital Expenditure

9.2. This prudential indicator reports actual capital spending for the year against the approved programme. Spending has proved to be £3.431m less than anticipated as a consequence of delays on progressing Estates & Fleet capital projects.

	£m
Approved Budget	8.580
Actual Expenditure	5.149
Variance	(3.431)

Capital Financing Requirement– External Borrowing

9.3. The Capital Financing Requirement (CFR) reflects the underlying need to borrow for capital purposes. Given that existing borrowing has been applied to the spending in 2022-23 the need to borrow to fund capital spending has remained static.

	£m
Approved CFR	24.264
Revised CFR (Based on Actual Spending)	24.264
Variance	0.000

Capital Financing Requirement– Other Long-Term Liabilities

9.4. This Capital Financing Requirement (CFR) reports long term financing liabilities other than external borrowing, e.g. Private Finance Initiative (PFI) and Finance Leases, which under accounting rules are required to be reported alongside traditional borrowing liabilities.

	£m
Approved CFR	0.791
Revised CFR (Based on Actual Spending)	0.791
Variance	0.000

Authorised Limit and the Operational Boundary for External Debt

9.5. Actual external debt as at 31 March 2023 was £24.264m. This is within the revised authorised limit (absolute maximum borrowing approval) of £27.018m and the operational boundary of £25.765m.

Ratio of Financing Cost to Net Revenue Stream

9.6. This ratio aims to show the percentage of revenue resources which are applied to financing debt. The Authority's estimate was that 3.80% would be applied, a better ratio has been achieved as a result of investment returns.

	£m
Capital Financing Costs	3.028
Interest on Investments	(0.811)
Net Financing Costs	2.217
Net Revenue	77.289
Percentage	2.87%
Budgeted	3.80%
Variance	(0.93 bp

10. DETERMINATION OF CAPITAL FINANCE

10.1. The Authority is required to determine its use of capital finance as defined by capital control legislation. The following use of capital finance resources is proposed:

- That an amount of £1.365m of external borrowing from previous years be utilised to fund the Capital programme;
- That an amount of £3.121m is capitalised and funded from revenue contributions to capital spending, either directly from the 2022-23 revenue budget or from balances in Earmarked Reserves;
- That an amount of £0.663m of capital receipts be utilised to fund the Capital Programme.

11. RESERVES

11.1. A new requirement was introduced in 2018 under CIPFA guidance for the Fire Authority to publish a Reserves Strategy which outlines the intended use of reserves over the medium term financial period. The strategy for 2021-22 is available on the Authority's website and the next iteration will be reviewed and presented to the Authority in light of proposals made in this report.

11.2. The provisional Authority reserves position at the end as at 31 March 2023 is £29.946m, subject to approval of the recommendations in this report, the details of which are shown at Appendix B and in paragraph 4.1 above.

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

SUBJECTIVE ANALYSIS OF REVENUE SPENDING

DEVON & SOMERSET FIRE AND RESCUE AUTHORITY

Line No	SPENDING	2022/23 Budget £000	Outturn £000	Projected Variance over/ (under) £000
	EMPLOYEE COSTS			
1	Wholetime	32,942	33,973	1,031
2	On-Call	18,381	20,676	2,296
3	Control	1,513	1,570	57
4	Professional and technical support staff	15,808	15,552	(256)
5	Training investment	1,043	555	(488)
6	Fire Service Pension costs	2,358	2,595	237
		72,045	**74,921**	**2,876**
	PREMISES RELATED COSTS			
7	Repair and maintenance	1,051	1,067	16
8	Energy costs	711	973	262
9	Cleaning costs	572	543	(29)
10	Rent and rates	1,933	1,984	52
		4,265	**4,567**	**302**
	TRANSPORT RELATED COSTS			
11	Repair and maintenance	889	562	(327)
12	Running costs and insurances	1,253	1,294	41
13	Travel and subsistence	1,392	1,251	(141)
		3,534	**3,107**	**(427)**
	SUPPLIES AND SERVICES			
14	Equipment and furniture	4,216	3,280	(936)
15	Hydrants-installation and maintenance	96	239	143
16	Communications Equipment	2,437	2,307	(129)
17	Protective Clothing	568	544	(24)
18	External Fees and Services	153	151	(2)
19	Partnerships & regional collaborative projects	380	307	(73)
20	Catering	88	83	(4)
		7,937	**6,912**	**(1,025)**
	ESTABLISHMENT COSTS			
21	Printing, stationery and office expenses	268	201	(67)
22	Advertising	31	38	7
23	Insurances	447	489	42
		745	**727**	**(18)**
	PAYMENTS TO OTHER AUTHORITIES			
24	Support service contracts	818	849	32
		818	**849**	**32**
	CAPITAL FINANCING COSTS			
25	Capital charges	3,223	3,136	(87)
26	Revenue Contribution to Capital spending	1,200	1,200	0
		4,423	**4,337**	**(87)**
27	**TOTAL SPENDING**	**93,768**	**95,420**	**1,653**
	INCOME			
28	Treasury management investment income	(103)	(811)	(707)
29	Grants and Reimbursements	(10,690)	(10,803)	(114)
30	Other income	(1,474)	(1,359)	115
31	**TOTAL INCOME**	**(12,267)**	**(12,973)**	**(706)**
	NET SPENDING	**81,501**	**82,448**	**947**
	TRANSFERS TO EARMARKED RESERVES			
32	Transfers from reserves	-4,212	-4,255	43
33	Grants Unapplied	0	43	43
34		**(4,212)**	**-4,212**	**86**
35	**NET SPENDING**	**77,289**	**78,236**	**947**

SUMMARY OF RESERVES AND BALANCES AS AT 31 March 2023

Due to the tight timescales, these are provisional balances any may alter following the year-end process. Any changes will be reported to the next Resources Committee.

RESERVES AND PROVISIONS							
	Note	Balance as at 1 April 2022	Approved Transfers	Proposed Transfers	Spending Month 12	Proposed Balance as at 31 March 2023	
RESERVES		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Earmarked reserves							
Grants unapplied from previous years	4.1.a and b	(3,093)	1,665	(43)	334	(1,137)	
Invest to Improve	4.1.a	(2,619)	204		705	(1,710)	
Budget Smoothing Reserve	4.1.a	(1,831)	1,831	-	-	0	
Direct Funding to Capital	4.1.a and 6.1	(19,032)	555	225	-	(18,252)	
Projects, risks, & budget carry forwards		-	-	-	-	-	
PFI Equalisation		(50)	-	-	-	(50)	
Emergency Services Mobile Communications Programme		(1,301)	-	-	18	(1,283)	
Breathing Apparatus Replacement		-	-		-	-	
Mobile Data Terminals Replacement		(168)	-	-	24	(145)	
Pension Liability reserve		(1,362)	-	-	144	(1,218)	
Budget Carry Forwards		(1,878)	-	-	321	(1,557)	
Environmental Strategy		(268)	-	-	25	(243)	
Uncategorised		-	-	-	-	-	
MTA Action Plan		(151)	-	-	75	(76)	
Total earmarked reserves		**(31,754)**	**4,255**	**182**	**1,646**	**(25,671)**	
General reserve							
General Fund (non Earmarked) Balance	6.1	**(4,050)**	**-**	**(225)**	**-**	**(4,275)**	
Percentage of general reserve compared to net budget							5.8%
TOTAL RESERVE BALANCES		**(35,804)**	**4,255**	**(43)**	**1,646**	**(29,946)**	
PROVISIONS							
Doubtful Debt		(55)		-	-	(55)	

APPENDIX C TO REPORT RC/23/8

EARMARKED RESERVES

Initiative	£000
Council Tax Irrecoverable deficits	244
Direct Funding to Capital	555
P4A Reserve to fud future years	204
Budget Smoothing Reserve	1,831
NNDR Shortfall Funding	1,421
Total	4,255

GRANT RECEIVED IN ADVANCE

GRANT	£m
Protection Uplift	0.043
Member Approval	0.043

REPORT REFERENCE NO.	**RC/23/9**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**11 MAY 2023**
SUBJECT OF REPORT	**REVISION TO CAPITAL PROGRAMME 2023-24 TO 2025-26**
LEAD OFFICER	**Director of Finance, People and Estates (Treasurer)**
RECOMMENDATIONS	***That it be recommended to the Devon and Somerset Fire and Rescue Authority that the revised capital programme and associated prudential indicators for 2023-24 to 2025-26, as included in this report, be approved.***
EXECUTIVE SUMMARY	A three-year capital programme for 2023-24 to 2025-26 was approved at the budget meeting in February 2023. This report proposes a revision to that programme to reflect: a) An amount of money not spent in 2022-23 to be carried forward to 2023-24; b) A revision to the Fleet capital programme to focus on the delivery of front-line appliances, while delaying the requirement for the Authority to borrow; The proposed revision reduces the Authority's external borrowing requirements in the short-term. The Authority has not taken any new borrowing for over ten years, but the Capital Programme will require borrowing from 2025-26, pushed back from 2024-25 as reported at budget setting.
RESOURCE IMPLICATIONS	As indicated within the Report
EQUALITY IMPACT ASSESSMENT	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. Capital Programme 2023-24 to 2025-26. B. Revised Prudential Indicators 2023-24 to 2025-26.
BACKGROUND PAPERS	Capital Programme 2023-24 to 2025-26 report to DSFRA on 15 February 2023 (DSFRA/23/4).

1. INTRODUCTION

1.1 The current capital programme covering the three years 2023-24 to 2025-26 was approved at the budget meeting in February 2023.

1.2 This report seeks approval of the Authority to revise this programme to reflect budget not spent in 2022-23 and a revision to the Fleet capital programme.

1.3 It should be noted that the proposed changes do not require any additional external borrowing, over and above what has already been agreed, and therefore places no further burden on the revenue budget in terms of debt charges.

2. CURRENT CAPITAL PROGRAMME 2023-24 TO 2025-26

2.1 Each year the Capital Programme is reviewed and adjusted to include new projects and those carried forward, allowing the capital investment needs of the Service to be understood over a three year rolling programme.

2.2 At the budget meeting in February the Authority considered and approved a three-year capital programme covering the years 2023-24 to 2025-26. This approved programme is included at Appendix A (2023/24 Approved Budget column).

3. PROPOSED REVISION TO THE CAPITAL PROGRAMME

3.1 Appendix A to this report also provides a revised capital programme for the years 2023-24 to 2025-26. The changes included in the revised programme reflect that:

a) Since setting the original programme, in February 2023, there is further variance against budget in 2022/23 of £1.315m.

b) This is made up of an additional overspend of £0.041m against the Plymstock station rebuild and budget unspent in 2022/23 of £1.356m against schemes which will align the Capital programme with the future aspirations of the service going forward. The £1.356m unspent budget is still required (carried forward to 2023-24) but reflects only a change to the timing of spend rather than an increase to funding requirements.

c) Fleet in conjunction with Service Delivery have reconsidered the requirement for front line appliances and specialist vehicles. With the emphasis on delivering front line appliances and extending the current vehicles where possible to delay the need for the Authority to borrow, this review has reduced the capital programme requirement by £153k over the 5-year programme life cycle, with the earlier 3 years seeing a £1.9m reduction.

3.2 A summary of the impact to the overall programme of these changes is provided in Figure 1 overleaf.

Figure 1

	Estates	Fleet & Equipment		Optimism Bias	Total
	£m	£m		£m	£m
Original Programme					
2022-23 (predicted outturn)	2.5	4.0	6.5	0.0	6.5
2023-24	6.0	8.0	14.0	-1.2	12.8
2024-25 (provisional)	3.8	2.7	6.5	0.4	6.9
2025-26 (provisional)	0.1	4.5	4.6	0.8	5.4
Total 2022-23 to 2025-26	12.4	19.2	31.6	0.0	31.6
Revised Programme					
2022-23 (actual outturn)	1.6	3.6	5.2	0.0	5.2
2023-24	6.9	7.4	14.3	-1.2	13.1
2024-25 (provisional)	3.8	1.8	5.6	0.4	6.0
2025-26 (provisional)	0.1	4.5	4.6	0.8	5.4
Total 2022-23 to 2025-26	12.4	17.3	29.7	0.0	29.7
Proposed change	0.0	-1.9	-1.9	0.0	-1.9

3.3 Appendix B to this report provides a summary of the revised prudential indicators emanating from the revised programme. The current forecasts are that the ratio of financing costs to net revenue stream 5% ceiling will not be breached in the medium term as reported to the Authority in February 2023. The next review of capital spending plans will take place in good time to inform the budget setting process for 2024-25.

4. SUMMARY AND RECOMMENDATION

4.1 This report provides a revision to the agreed capital programme for the year 2023-24 considering the outturn figures for 2022-23. The Authority is asked to recommend this revision and associated prudential indicators.

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

PROJECT	2023/24 £000 Approved Budget	2023/24 £000 Revised Budget	2024/25 £000 Approved Budget	2025/26 £000 Approved Budget
Estate Development				
Site re/new build	1,880	1,919	3,000	0
Improvements & structural maintenance	4,109	5,009	775	80
Estates Sub Total	**5,989**	**6,928**	**3,775**	**80**
Fleet & Equipment				
Appliance replacement	4,413	4,522	0	2,575
Specialist Operational Vehicles	2,979	2,266	1,425	1,280
ICT Department	570	570	380	679
Fleet & Equipment Sub Total	**7,962**	**7,358**	**1,805**	**4,534**
Optimism bias Sub Total	**(1,200)**	**(1,200)**	**400**	**800**
Overall Capital Totals	**12,751**	**13,086**	**5,980**	**5,414**
Programme funding				
Earmarked Reserves:	11,418	11,753	2,560	698
Revenue funds:	50	50	2,050	2,050
Borrowing - internal	1,283	1,283	1,370	1,790
Borrowing - external		0		876
Total Funding	**12,751**	**13,086**	**5,980**	**5,414**

APPENDIX B TO REPORT RC/23/9

PRUDENTIAL INDICATORS

	2023/24 £m Estimate	2024/25 £m Estimate	2025/26 £m Estimate	INDICATIVE INDICATORS 2026/27 £m Estimate	2027/28 £m Estimate
Capital Expenditure					
Non - HRA	13.086	5.980	5.414	3.350	2.080
HRA (applies only to housing authorities)					
Total	13.086	5.980	5.414	3.350	2.080
Ratio of financing costs to net revenue stream					
Non - HRA	2.92%	2.92%	2.93%	2.66%	2.61%
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	23,771	23,313	24,096	23,728	22,035
HRA (applies only to housing authorities)	0	0	0	0	0
Other long term liabilities	656	509	349	182	0
Total	24,426	23,822	24,445	23,910	22,035
Annual change in Capital Financing Requirement	£000	£000	£000	£000	£000
Non - HRA	(628)	(605)	624	(535)	(1,875)
HRA (applies only to housing authorities)	0	0	0	0	0
Total	(628)	(605)	624	(535)	(1,875)
PRUDENTIAL INDICATORS - TREASURY MANAGEMENT					
Authorised Limit for external debt	£000	£000	£000	£000	£000
Borrowing	25,553	25,037	25,493	26,682	24,004
Other long term liabilities	823	681	527	359	182
Total	26,376	25,718	26,020	27,040	24,186
Operational Boundary for external debt	£000	£000	£000	£000	£000
Borrowing	24,364	23,871	24,289	25,495	22,902
Other long term liabilities	791	656	509	349	182
Total	25,155	24,527	24,798	25,845	23,084
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 2023/24		
Under 12 months	30%	2%
12 months and within 24 months	30%	2%
24 months and within 5 years	50%	14%
5 years and within 10 years	75%	1%
10 years and above	100%	81%

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REPORT REFERENCE NO.	**RC/23/10**
MEETING	**RESOURCES COMMITTEE**
DATE OF MEETING	**11 MAY 2023**
SUBJECT OF REPORT	**HIS MAJESTY'S INSPECTORATE OF CONSTABULARY & FIRE & RESCUE SERVICES (HMICFRS) AREAS FOR IMPROVEMENT ACTION PLAN UPDATE**
LEAD OFFICER	**Deputy Chief Fire Officer**
RECOMMENDATIONS	***That the Committee reviews progress in delivery of the action plan.***
EXECUTIVE SUMMARY	On Wednesday 27th July 2022, His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) published the Devon & Somerset Fire & Rescue Service's 2022 inspection report. The inspection report identified one Cause of Concern and 14 Areas for Improvement (AFIs). Of these AFIs, two have been linked to the Resources Committee. The paper appended to this report outlines the progress that has been made against the HMICFRS Areas for Improvement action plan since the last update to the committee in February 2023. The key highlights are that: • One action within the areas for improvement action plan is marked as 'In Progress – Off Track'. This is due to the following factors: - 06b.01: Dependencies associated with the Target Operating Model • One action within the areas for improvement action plan is marked as 'Not Started – Off Track'. This is due to the following factors: - 06b.02: Dependencies associated with the Target Operating Model.
RESOURCE IMPLICATIONS	Considered within the Action Plan where appropriate.
EQUALITY RISKS AND BENEFITS ANALYSIS	Considered within the Action Plan where appropriate.
APPENDICES	A. HMI Resources Committee Update
BACKGROUND PAPERS	None

HMICFRS ACTION PLAN – RESOURCES COMMITTEE UPDATE

1. INTRODUCTION

1.1. On Wednesday 27 July 2022, His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) published the DSFRS 2022 inspection report. The inspection report identified one Cause of Concern and 14 Areas for Improvement (AFIs).

1.2. This report provides an update on the Areas For Improvement action plan that has been produced following the inspection, which concluded in October 2021.

2. AREAS FOR IMPROVEMENT ACTION PLAN COMPLETION STATUS

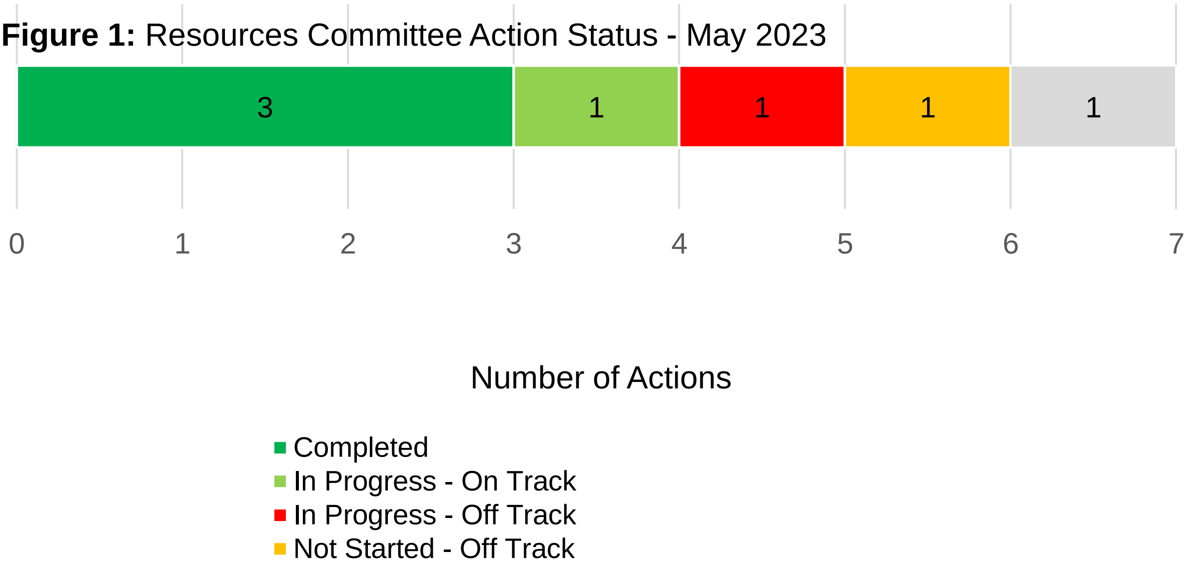
2.1. Table 1 lists the Areas For Improvement linked to the Resources Committee and their individual implementation status.

Table 1:

Reference	Description	Target Completion	Status
HMI-2.2-202206a	The service needs to make sure that its fleet strategy is regularly reviewed and evaluated to maximise potential efficiencies.	31/01/2024	In Progress – On Track
HMI-2.2-202206b	The service needs to make sure that its estates strategy is regularly reviewed and evaluated to maximise potential efficiencies.	31/01/2024	In Progress – Off Track

2.2. Figure 1 below outlines the completion status of all actions designed to address the linked to the Resources Committee, as outlined above.

Figure 1: Resources Committee Action Status - May 2023



2.3. Table 2 below outlines the completion status of these actions in table view.

Table 2: Summary of progress against the individual actions					
Areas For Improvement (Resources Committee)					
Not started (on track)	Not started (off track)	In progress (on track)	In progress (off track)	Completed	Closed
1 * (↓ from 2)	1 (→ at 1)	1 (↓ from 2)	1 (→ at 1)	3 (↑ from 1)	0 (→ at 0)

* Please note that the action which has not yet started is the evidence and assurance required (for HMI-2.2-202206b) once all other actions have been completed.

3. IMPROVEMENT AREAS WHICH ARE 'OFF-TRACK'

3.1 Table 3 below outlines the improvement areas which are currently marked as 'In Progress – Off Track'.

Table 3:

Improvement Area	**Status**
HMI-2.2-202206b – Estates Strategy (Area for Improvement)	In Progress – Off Track
Factors impacting delivery	
The Estates strategy has been drafted and the Head of Estates is currently in discussion with the Director of Finance, People and Estates to ensure that it aligns to the Service's Target Operating Model. After this, the strategy will be reviewed against the Community Risk Management Plan.	

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