

RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

5 September 2023

Present:

Councillors Peart (Chair), Best (Vice-Chair), Coles (vice Fellows), Sully and Cook-Woodman (vice Power).

Apologies:

Councillors Gilmour and Slade

* **RC/23/1**

Minutes

RESOLVED that the Minutes of the meeting held on 11 May 2023 be signed as a correct record.

* **RC/23/2**

Treasury Management Performance 2023-24: Quarter 1

The Committee received for information a report of the Director of Finance & Corporate Services (Treasurer) (RC/23/12) that set out the Authority's performance relating to the first quarter of 2023-24 (to June 2023) 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 key points were noted:

- The United Kingdom (UK) economy had fared better than anticipated and avoided a recession with small growth in Gross Domestic Product (GDP) of 0.2% month on month. As interest rates bore down on the economy, the UK may fall into recession over the next 6 months, however;
- Consumer Price Inflation (CPI) had fallen from 10.1% to 8.7% in April 2023 but was static thereafter. This was the highest reading of G7 countries but was expected to continue on a downward trajectory;
- interest rates had increased by 75bp to June 2023 taking the bank base rate to 5%. Since June 2023, the base rate had been increased again to 5.25% and was expect to rise to circa 6% in the next two quarters;
- the Authority had benefitted from the recent rises in interest rates with an increased return on investments at a yield of over 5%. The forecast return on investment at year end was now over £1m;

- the annual treasury management strategy had continued on a prudent approach, underpinned by investment priorities based on security of capital, liquidity and yield. Investment income of £0.028m (4.87%) had been generated in quarter 1 of 2023-24 against the new 3-month SONIA (Sterling Overnight Index) benchmark of 4.38%;
- none of the Prudential Indicators (affordability limits) had been breached in quarter 1 with external borrowing at 30 June 2023 being £24.264m, forecast to reduce to £23.771 by the end of the financial year with no new borrowing undertaken; and
- There were no plans to borrow any further funds in the immediate future.

* RC/23/3

Financial Performance Report 2023-24: Quarter 1

The Committee received for information a report of the Director of Finance & Corporate Services (Treasurer) (RC/23/13) that provided the Committee with details of the first quarter performance (to June 2023) against the agreed financial targets for 2023-24.

The Director of Finance & Corporate Services (Treasurer) advised that, at this stage in the financial year, it was projected that spending would be £0.053m less than the budget of £85.411m at £85.360m representing an underspend of 0.1% of total budget. He drew attention to the point that the reserve of £2.8m to cover pay awards was included within these figures albeit that only £1.173m of this reserve was forecast to be utilised to close the budget gap as a result of better than expected in year financial performance. The Executive Board continued to bear down on costs across the Service as it was reflecting a much larger budgetary gap to be bridged in 2025-26 and 2026-27 as outlined within the Medium Term Financial Plan (MTFP) and needed to keep this in sight.

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

- Wholetime pay – £0.520m or 1.4% of budget - driven by vacancies primarily. The Service had a window of retirements coming shortly so was holding vacancies in light of the knowledge that it would be looking at the workforce in due course.
- Professional and Technical staff spend - £0.220k underspend or 1.3% of budget – the Service continued to hold vacancies and maintain spending control. A complete review of zero hours contracts had also undertaken to ensure everything was fit for purpose and the Service was getting Value for Money;
- Transport costs - £0.096k underspend – largely due to the drop in fuel costs;
- Travel and subsistence - £0.139m or 8.6% of budget due largely to savings on vehicle rental costs and slippage on delivery and also pursuing the environmental agenda with new, electric vehicles. Line 13. Telematics also added to vehicles so seeing a change in driver behaviour as well which made vehicles more efficient;

- Support services contracts - £0.139m or 12.7% of budget – due to a new contract achieving better value for money and closer management of the provision; and
- Investment income - £0.807m or 153.7% of budget – due to increased interest rates seeing a much higher rate of return being achieved.

The Committee asked about potential spikes in pension costs in future years and how the Service was going to deal with this. The Treasurer confirmed that events had moved forward and Government had addressed historical issues surrounding pension detriment. The Service had paused processing immediate detriment claims pending the receipt of appropriate advice but this had resumed now with guidance from the Treasury in place. Fewer staff than anticipated had applied for retirement in 2023-24 with under 10 requests to date. Anecdotal evidence suggested that the recent Grey Book pay awards may have impacted upon such decisions but once the year end was reached, it was thought that staff would come forward with applications for retirement. The Chief Fire Officer indicated that much work was being undertaken to predict this through workforce planning but it was felt that any spikes may be seen in 2026-27 now. The Service was looking at high potential schemes and career pathways not only for operational but non-operational staff as well. The Treasurer added that the Service was also looking at the apprenticeship programme as well so Professional and Technical staff could see a route in for career progression.

In terms of Capital, it was noted that there would be a thorough review of the Capital Programme undertaken in the next 2 months. There was slippage of £1.7m due timing differences largely on Camels Head rebuild.

The Treasurer made reference to the reporting of the MTFP in line with the recommendation made by the external auditor for transparency. There was a gap in 2024-25 of around £3m but the Executive Board had set a target of £4m to find to address this next year. Reference was made to the need for additional grant funding and the Committee asked for a crib sheet setting out the picture on rurality as it was considered this was not recognised within the funding received from Government and needed to be addressed via lobbying as appropriate.

The Treasurer referred to the point that Government was going to gradually reduce the Revenue Support Grant funding for Airwave so this was an extra cost that Servies had to bear. The Committee commented that it seemed the only way to raise revenue was to increase Council Tax every year in future although fire and rescue services had not seen the same level of increase as other blue light emergency services. It was considered that there was now a strong argument for this to be achieved as it would be difficult to maintain services in future without the requisite level of funding in place.

* **RC/23/4**

Environmental Strategy Update

The Committee received for information a report of the Assistant Chief Fire Officer - Director of Service Delivery (RC/23/14) that detailed progress on the Environmental Strategy and Action Plan.

It was noted that a Strategic Environmental Board had been implemented to develop, deliver and oversee progress of the Environmental Strategy and action plan. The action plan was aligned to the goals and targets to be carbon net zero by 2030 and on delivery of the recommendations in the initial Environmental Review (IER). The work had been focussed on the following areas:

- Environmental policy and procedures;
- Environmental aspects, legislative registers annual review;
- Action planning aligned to ISO1400 standard annual review;
- UK climate risk assessment (2023) review;
- Implementation of the electric vehicle (EV) charging points and electric vehicles in Service;
- Undertaking an energy efficiency review across 10 sites and implementing activities;
- Establishing an environmental protection group (operations);
- National Fire Chiefs' Council (NFCC) sustainability and environmental toolkit and group support;
- Small reductions in the fleet and estate;
- Introducing the fleet to the latest European standards;
- Implementing an electric vehicle salary sacrifice scheme; and
- delivering environmental awareness training to all staff via eLearning.

The Committee was advised that good progress had been made against the Action Plan which was indicated above. There had also been success with the award of £0.095m of grant funding and efforts were being made to secure further funding to support work on the Service's environmental strategy.

The Committee commented that electric vehicles and charging required appropriate infrastructure to cope with this. Local planning authorities were indicating that all new properties should have charging points installed but infrastructure had to be able to cope with this and the Government needed to focus in this area. Further, if the Service was buying EV instead of leasing vehicles, it needed to address the costs of replacement batteries which could be up to £0.005m each. The Treasurer acknowledged this point.

* RC/23/5

His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) Areas for Improvement Action Plan Update

The Committee received for information a report of the Chief Fire Officer (RC/23/15) upon the progress made by the Service in addressing the 14 Areas for Improvement (AFIs) identified by His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) and associated actions, of which two were linked to the Resources Committee, including:

- HMI-2.2-202206a - The Service needs to make sure that its fleet strategy is regularly reviewed and evaluated to maximise potential efficiency; and

- HMI-2.2-202206b – The Service needs to ensure that its estate strategy is regularly reviewed and evaluated to maximise potential efficiency.

The Committee noted that action AFI-2.2-202206a had been closed. AFI-2.2-202206b was “in progress off track” currently but it was acknowledged that this was due largely to ensuring that the Estates Strategy aligned to work that was being undertaken on the Service’s Target Operating Model. The Committee asked if the Service was confident that it could achieve the revised target of February 2024. The Chief Fire Officer replied that the Executive Board was meeting on 6 September 2023 to discuss the measures to be taken and was confident by January 2024 it would be able to report the position to the Authority.

* **RC/23/6** **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 Officers of Red One Ltd.) 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/23/7** **Red One Ltd. Financial Performance 2023-24: Quarter 1**

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

The Committee received for information a report of the Co- Chief Executives and Finance Director of Red One Ltd. (RC/23/16) together with a supplementary report of the Director of Finance & Corporate Services (Treasurer) (RC/23/16(a)) setting out the financial performance of Red One Ltd. in quarter 1 of the 2023-24 financial year.

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