

## RESOURCES COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

23 November 2022

### Present:

Councillors Peart (Chair), Drean (Vice-Chair), Long, Sellis and Trail BEM (vice Power).

### Apologies:

Councillors Coles and Power.

### In attendance:

Councillor McGeough (attended virtually).

\* **RC/22/8**      **Minutes**

**RESOLVED** that the Minutes of the meeting held on 5 September 2022 be signed as a correct record.

\* **RC/22/9**      **Treasury Management Performance 2022-23: Quarter 2**

*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/22/16) that set out the Authority's performance relating to the second quarter of 2022-23 (to September 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 1 of 2022-23 which was squeezing economic growth. Inflation was at 11.1% currently and would have been higher but for the action taken by the Government to limit the impact of the rise in energy costs;
- The UK bank base rate rose by over 100 basic points in quarter 2 to 2.25%, rising again on 2 November 2022 to 3%. Further interest rate rises were forecast in December 2022 (3.5%), January 2023 (4%) and 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 situation in China with Covid was impacting supply chains;
- 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 fallen from 3.8% in June 2022 to a 48 year low of 3.6% in quarter 2 of 2022-23 with the number of vacancies levelling off from recent record highs. There was little sign of a slowing in the upward trend in wage growth, however, which had risen to 5.5% in July 2022;
- 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 £0.086m (2.35%) generated in quarter 2 of 2022-23, outperforming the new 3-month SONIA (Sterling Overnight Index) benchmark of 1.50% by 0.85bph. 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 2 with external borrowing at 30 September 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 Service was looking closely at its investments in future and would be bringing forward a strategy to the Committee which may have a more ethical outlook for consideration in due course.

\* **RC/22/10**      **Financial Performance Report 2022-23: Quarter 2**

The Committee received for information a report of the Director of Finance, People & Estates (Treasurer) (RC/22/17) that provided the Committee with details of the second quarter performance (to September 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 £2.442m more than the budget of £77.289m at £79.371m, representing an overspend of 3.16% 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 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 - £0.896m;
- 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% - £1.876m;

- Professional & technical staff pay – there had been savings generated due to the action taken by Executive Board to freeze vacancies resulting in an underspend of £0.167m initially but this position had moved to a forecast overspend due to the impact of the Green Book pay award - £0.154m;
- Energy costs – overspend of £0.335m;
- Communications equipment - £0.257m - of which £0.118m was because of unfunded increases in Airwave (the national blue light radio scheme) and £0.095m relating to alerter transmitters slippage from 2021/22.

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

- Training - £0.273m;
- Transport, repair and maintenance costs - £0.265m;
- Equipment and furniture - £0.442m.

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 (£1.200m), together with the repurposing of other ring fenced reserves (£0.568m) 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 overspend of £0.092m largely due to timing differences. The total debtor invoices outstanding at quarter 2 totalled £0.801m of which £0.464m related to Red One Ltd.

The Committee expressed concern at the impact of the £0.118m unfunded increases in Airwave (the national blue light radio scheme) costs (9.5% increase when budgeted for 1.47%) and the associated reduction in Firelink grant which was being phased out over 5 years starting in 2022-23. It was suggested that Government should be lobbied on the reduction in grant whereupon:

Councillor Sellis **MOVED** (seconded by Councillor Peart):

“that the Chair of the Fire Services Management Committee of the Local Government Association be requested to lobby the Government on the reduction in grant for Airwave costs”.

Upon a vote, this was **CARRIED** unanimously.

Attention was drawn to the point that there may be a need to increase the number of counselling sessions paid for by the Service which was currently limited to 6 in order to encourage an early return to work for staff with mental health issues. The Treasurer replied that 6 sessions had been agreed with the Occupational Health provider as the number in which it was reasonably expected that such issues could be resolved. The Service could request extensions in individual cases but urged caution on extending this as a blanket approach. The Chief Fire Officer added that this was an issue for the People Committee to consider and he indicated he would refer the matter accordingly.

Reference was also made to the position on the cap on increases in Council Tax in 2023-34 announced in the recent mini Budget. The Chief Fire Officer reported that it was understood that the cap had been increased to 3% for the 2023-24 budget but this would only amount to approximately £0.500m of extra funding for the Fire & Rescue Authority which was insufficient to bridge the expected budget deficit. He added that, with pay increases circa 5% expected in future years, action was being taken to lobby local Members of Parliament for the flexibility to increase the council tax beyond 3%. The Treasurer added that this was critical when combined with the high levels of inflation and associated price increases on energy and vehicle leasing costs currently being experienced.

The Committee welcomed the action being taken by the Service to manage the budget deficit on the 2022-23 revenue budget and expressed thanks to everyone involved.

#### **RESOLVED**

- (a). that the Chair of the Fire Services Management Committee of the Local Government Association be requested to lobby the Government on the reduction in grant for Airwave costs;
- (b). Subject to (a) above, the report be noted.

\* **RC/22/11**

#### **Exclusion of the Press and Public**

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public (with the exception of representatives of Red One Ltd.) be excluded from the meeting for the following 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/22/12**      **Red One Limited Financial Performance 2022-23: Quarter 2**

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

The Committee received for information a report of the Co-Chief Executives and the Finance Director of Red One Ltd. (RC/22/18) on the financial performance of the company during quarter two of the 2022-23 financial year.

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

The Meeting started at 10.00 am and finished at 12.25 pm

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