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NOTICE OF MEETING

Meeting	**Hampshire and Isle of Wight Fire and Rescue Authority**	*Clerk to the Hampshire & Isle of Wight Fire and Rescue Authority* ***CFO Neil Odin***
Date and Time	**Tuesday 27th February, 2024 10.30 am**	*Fire & Police HQ* *Leigh Road,* *Eastleigh* *Hampshire* *SO50 9SJ*
Place	**Room X - Hampshire & IOW Fire & Police HQ, Eastleigh**	
Enquiries to	**members.services@hants.gov.uk**	

The Openness of Local Government Bodies Regulations are in force, giving a legal right to members of the public to record (film, photograph and audio-record) and report on proceedings at meetings of the Authority, and its committees and/or its sub committees. The Authority has a protocol on filming, photographing and audio recording, and reporting at public meetings of the Authority which is available on our website. At the start of the meeting the Chairman will make an announcement that the meeting may be recorded and reported. Anyone who remains at the meeting after the Chairman's announcement will be deemed to have consented to the broadcast of their image and anything they say.

Agenda

1 **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

2 **DECLARATIONS OF INTEREST**

To enable Members to disclose to the meeting any disclosable pecuniary interest they may have in any matter on the agenda for the meeting, where that interest is not already entered in the Authority's register of interests, and any other pecuniary or non-pecuniary interests in any such matter that Members may wish to disclose.

3 **MINUTES OF PREVIOUS MEETING - 5 DECEMBER 2023** (Pages 5 - 10)

To approve the open minutes from the Full Authority meeting that took place on 5 December 2023.

4 **DEPUTATIONS**

Pursuant to Standing Order 19, to receive any deputations to this meeting

5 **CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

6 **MEMBER DEVELOPMENTS**

To receive any updates from Members of the Combined Fire Authority.

7 **BUDGET AND PRECEPT REQUIREMENT 2024/25 INCLUDING MEDIUM TERM FINANCIAL PLAN** (Pages 11 - 100)

To consider a report from the Chief Financial Officer, which presents the 2024/25 forward budget to the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) for approval.

8 **ANNUAL PAY POLICY STATEMENT** (Pages 101 - 114)

To consider a report from the Chief Fire Officer, which asks the Full Authority to approve the Annual Pay Policy Statement for publication on the website.

9 **HIWFRA SAFETY PLAN: YEAR 5 IMPROVEMENTS** (Pages 115 - 122)

To consider a report from the Chief Fire Officer, which presents and seeks approval for the fifth HIWFRA update of the proposed strategic improvement activities.

10 **EXCLUSION OF PRESS AND PUBLIC**

To resolve that the public be excluded from the meeting during the following items of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

11 **BUDGET AND PRECEPT REQUIREMENT 2024/25 INCLUDING MEDIUM TERM FINANCIAL PLAN - EXEMPT APPENDIX** (Pages 123 - 124)

To consider an example appendix for Item 7 on the agenda.

12 **RETROSPECTIVE BUILDING DESIGN PRINCIPLES REPROFILE OF CAPITAL - HEALTHY AND INCLUSIVE WORKPLACES** (Pages 125 - 136)

To consider a report from the Chief Fire Officer regarding retrospective design principles.

ABOUT THIS AGENDA:

This agenda is available through the Hampshire & Isle of Wight Fire and Rescue Service website (**www.hantsfire.gov.uk**) and can be provided, on request, in alternative versions (such as large print, Braille or audio) and in alternative languages.

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AT A MEETING of the Hampshire and Isle of Wight Fire and Rescue Authority held at Fire & Police HQ, Eastleigh on Tuesday 5th December, 2023

Chairman:
* Councillor Rhydian Vaughan MBE

* Councillor Zoe Huggins
* Councillor Fran Carpenter
  Councillor David Drew
* Councillor Sally Goodfellow
* Councillor David Harrison
  Councillor Karen Lucioni
* Councillor Hugh Lumby
  Councillor George Madgwick
* Councillor Derek Mellor
* Councillor Roger Price

Also present with the agreement of the Chairman: Donna Jones, Police and Crime Commissioner for Hampshire

215. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillors David Drew, Karen Lucioni and George Madgwick.

216. **DECLARATIONS OF INTEREST**

Members were mindful to disclose to the meeting any disclosable pecuniary interest they may have in ay matter on the agenda for the meeting, where that interest was not already entered in the Authority's register of interests, along with any other pecuniary or non-pecuniary interests in any such matter that Members wished to disclose.

217. **MINUTES OF PREVIOUS MEETING - 10 OCTOBER 2023**

The minutes of the last meeting were reviewed and following some minor updates, were agreed.

218. **DEPUTATIONS**

There were no deputations for the meeting.

219. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman shared that he had attended the official topping out ceremony at Cosham Fire Station on 19 October, marking the completion of the main structure as well as plans to attend the Emergency Services Carol Service in Winchester on the 15 December.

A combined Fire Cadet and Princes Trust presentation ceremony was scheduled for the 14 December at Basingstoke Fire Station. The Chairman concluded by thanking HIWFRS staff and volunteers for all their work and service in 2023.

220. **MEMBER DEVELOPMENTS**

Members shared the following with the Authority:

- The Chairman, Councillor Rhydian Vaughan had attended a HMICFRS Chiefs and Chairs meeting on the 1 November.
- Vice-Chairman Councillor Zoe Huggins had attended meetings on the 7 and 30 November in her Children and Young People champion role and was pleased to share that the first Waterlooville cadet cohort was due to start soon. She had also attended a meeting on performance on the 24 November.
- Councillor Sally Goodfellow had attended the Bishops Waltham Fire Station visit. She also confirmed that that Botley Fire Station was having an open day on 23 December.
- Councillor Roger Price had attended a performance review meeting with Councillor Huggins on the 24 November, a meeting on Pensions and also a meeting of the Fareham Safety Committee.
- Councillor Derek Mellor had attended the visit at Bishops Waltham Fire Station as well as a visit to Whitchurch Fire Station where the new equipment was demonstrated.
- Councillor George Madgwick provided an update electronically sharing that he had met with the Director Corporate Services on CO2 reductions and achieving a more green and carbon friendly estate and whilst a lot of work had already been done, some areas like HGV fuel alternatives were yet to be explored.

The Chairman confirmed upcoming events in December that had been sent to Members for their diaries and encouraged attendance if available.

221. **AMENDMENTS TO CONTRACT STANDING ORDERS**

The Authority considered a report of the Monitoring Officer (item 7 in the minute book) on amendments to Contract Standing Orders.

The Monitoring Officer summarised the report, which asked the Authority to consider the proposed amendments to improve efficiency and effectiveness along with operational independence of the Chief Fire Officer.

Members questioned whether Internal or External Audit had been liaised with and it was confirmed that any auditing would focus on *how* the Constitution and Standing Orders had been followed and adhered to policy rather than the rules themselves.

RESOLVED

a) The proposed amendments to Contract Standing Orders set out at Appendix 1 were approved by the HIWFRA Full Authority

b) The proposed addition to Standing Orders set out in paragraph 12 above were approved by the HIWFRA Full Authority

222. **QUARTER 2 BUDGET UPDATE REPORT**

The Authority considered a report from the Chief Financial Officer (item 8 in the minute book), which set out of the quarter two forecast position for the Authority and provided financial updates following the Budget Report in February 2023.

During questions of the report, Members learned that the programme of work referenced in paragraph 19 of the report would enable finances to be repurposed and refocussed to ensure that they were being utilised in the best area and in the best way.

An update would follow on the in-house HR service as referenced in paragraph 20b of the report in early 2024 and the Police and Crime Commissioner, Donna Jones, confirmed that HR and Recruitment was also due to move back across in the Police Service.

RESOLVED

a) The forecast outturn position for the financial year 2023/24 and associated capital programme forecasts were noted by the HIWFRA Full Authority.

b) The prudential indicators and the treasury management update, including the treasury management indicators were approved by the HIWFRA Full Authority.

c) The transfer of £690,000 of one-off additional interest income to the Capital Payments Reserve as a contribution to the costs of the Fire Contaminants work identified at the October Fire Authority was approved by the HIWFRA Full Authority.

d) The 2024/25 budget setting update and associated uncertainty was noted by the HIWFRA Full Authority.

223. **2023/24 MID-YEAR PERFORMANCE UPDATE REPORT**

The Authority considered a report of the Chief Fire Officer (item 9 in the minute book), which explored how the Service had performed over the previous six months.

The report was summarised with discussion around the wide range of areas covered in the report, for example response times, on-call availability and false alarms. It was also highlighted that there had already been an increase in Personal Development Reviews in the first six months of 2023/24 with a 62% completion rate, compared to a 53% rate for the whole of 2022/23.

During questions on the report, the following was clarified:

- National levels of sickness had been increasing and the Fire Service was only slightly higher than those in the same family group of similar services.
- Both false alarms due to apparatus (automated alarms) and from good intent (for example, where someone believes there to be an incident but it

turns out to be a false alarm) were included in the false alarm data provided in the report, but these figures would be broken down further by all false alarm types and provided to Members at a future APAG meeting along with false alarms in hospitals.

The Authority and Chief Fire Officer thanked staff for their work.

RESOLVED

a) The 2023/24 Mid-Year Performance Update Report was noted by the HIWFRA Full Authority.

224. **PROPERTY MATTERS**

The Authority received a report from the Chief Fire Officer (item 10 in the minute book), which summarised property related matters where action had already been taken under delegated authority.

The report was highlighted and Members were happy with the content.

RESOLVED

The items set out within the report were noted by the HIWFRA Full Authority.

225. **PENSIONS ARRANGEMENTS**

The Authority received a report from the Chief Financial Officer (item 11 in the minute book), which summarised how pensions were administered within the Service following the HR service moving in-house.

Members welcomed the report and the fact that HIWFRA and HCC would continue to work closely together across finance and pension services. It was agreed that examples of how the McCloud remedy would affect individuals would be shared with Members at a future APAG meeting.

RESOLVED

The content of the report was noted by the HIWFRA Full Authority.

226. **OPEN MINUTES FROM THE 3SFIRE CIC STAKEHOLDER COMMITTEE - 10 OCTOBER 2023**

The Authority received the minutes from the 10 October 3SFire CIC Stakeholder Committee (item 12 in the minute book). The Chairman of the Committee, Councillor Roger Price, was pleased to share that the community awards had been shared with recipients and the good work being done outside of paying back to the Fire Service.

227. **EXCLUSION OF PRESS AND PUBLIC**

There was no requirement to go into exempt session and the press and public were therefore not excluded from the meeting.

228. **EXEMPT MINUTES FROM THE 3SFIRE CIC STAKEHOLDER COMMITTEE - 10 OCTOBER 2023**

The exempt minutes from the 10 October 3SFire CIC Stakeholder Committee were received by the Committee and there were no questions.

Chairman,

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HIWFRA Full Authority

Purpose: Approval

Date: **27 FEBRUARY 2024**

Title: **BUDGET and PRECEPT REQUIREMENT 2024/25 INCLUDING MEDIUM TERM FINANCIAL PLAN**

Report of Chief Financial Officer

SUMMARY

1. This report presents the 2024/25 forward budget to the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) for approval. The report also includes the Medium Term Financial Plan (MTFP) covering the period 2024/25 – 2027/28.

2. The headline position is that the setting of a balanced budget is proposed. A detailed breakdown of the budget by area and type of spend is included as **Appendix A1**.

3. The provisional Local Government Finance Settlement for the Fire Authority is different from the scenarios presented to the Authority as part of the December Budget Update:

   (a) The council tax referendum limit for Fire and Rescue Authorities has been set at 2.99%, one of the two scenarios presented to the Authority in December
   (b) The inflation on grants is higher than forecast in December, closing the forecast budget gap somewhat.
   (c) Due to the low levels of grant increase for the Fire Authority, an additional one-off grant of £1.640 m has been provided, improving the 2024/25 position somewhat.

4. This report sets out details of the precept increase, showing the level of precept and increase for each council tax band. It is recommended that council tax is increased by the maximum level of 2.99% for 2024/25.

5. The report also contains information about in year spend against budget for 2023/24 and proposed in-year reserve allocations. The forecast year end position is an underspend of £0.804m.

6. The Revised Budget 2023/24 is included at **Appendix A2** and shows how the original budget agreed by the Fire Authority in February 2023 has been realigned.

7. This report also contains an update to the Medium Term Financial Plan at **Appendix B**, showing the more challenging financial position facing the service from 2025/26 onwards.

8. The capital programme for 2024/25 onwards and the funding of this are set out in this report, with details at **Appendix C1** and **Exempt Appendix C2** and are recommended for approval.

9. A Reserves Strategy is presented for approval in this report at **Appendix D**, which includes details of the current level of reserves, the reason for holding each reserve and plans for future usage.

10. The Treasury Management Strategy is presented for approval at **Appendix E.**

11. The Capital and Investment Strategy is presented for approval at **Appendix F.**

12. **Appendix G** contains the section 25 report of the Chief Financial Officer.

13. **Appendix H** contains the Authority's Efficiency Plan.

RECOMMENDATIONS

14. That the items listed below be approved by the HIWFRA Full Authority

15. The 2023/24 monitoring position as set out in paragraphs 31 – 37, including the £500,000 contribution to the Capital Payments Reserve in 2023/24 and the split of the 2023/24 underspend between the Transformation Reserve and the Capital Payments Reserve.

16. The one off pressures set out in paragraphs 65 and 66, to be funded from the Transformation Reserve.

17. The Revenue Budget for 2024/25, as set out in **Appendix A1**.

18. The Revised Revenue Budget for 2023/24 as set out in **Appendix A2**.

19. The Medium Term Financial Plan, as set out in **Appendix B**.

20. The Capital Programme and funding as set out in **Appendix C1** and exempt **Appendix C2**.

21. The Reserves Strategy as set out in **Appendix D**. This includes the contribution of £1.5m from an underspend on Capital Financing costs to the Transformation reserve as set out in paragraph 96 of the main report.

22. The Treasury Management Strategy for 2024/25 (and the remainder of 2023/24) as set out in **Appendix E**.

23. Delegated authority to the Chief Financial Officer to manage the Fire and Rescue Authority's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

24. The Capital and Investment Strategy as set out in **Appendix F** for 2024/25, (and the remainder of 2023/24).

25. The Section 25 Report as set out in **Appendix G** which should be taken into account by the Authority in agreeing the budget and council tax.

26. The council tax requirement for the Authority for the year beginning 1 April 2024 of £59,533,418.31.

27. That the Authority's council tax be increased by 2.99% for a Band D property for the year beginning 1 April 2024 and for the properties in each band to be increased by 2.99%, as set out in paragraph 44 of this report:

Band A:	£55.23	Band E:	£101.25
Band B:	£64.43	Band F:	£119.66
Band C:	£73.64	Band G:	£138.07
Band D:	£82.84	Band H:	£165.68

28. That the precepts set out in paragraph 50 of this report, totalling £59,533,418.31 are issued on the billing authorities in Hampshire, requiring the payment in such instalments and on such dates set by them and previously notified to the Authority, in proportion to the tax base of each billing authority's area as determined by them.

29. That the principle of adding any early delivery of savings from the efficiencies developed to meet the anticipated budget gap in 2025/26 to the Budget Equalisation Reserve be agreed.

BACKGROUND

30. This report builds on the position presented to the Fire Authority in December in the Budget Update report. Since that report was presented, detailed information about the Local Government Finance Settlement has been published.

2023/24 BUDGET MONITORING – QUARTER 3

31. This section covers the overall monitoring position. The forecast position for the Authority in 2023/24 is an underspend of £0.804m. A breakdown of the position is set out below:

Table 1	**2023/24 Budget**	**2023/24 Forecast**	**Over / (under) spend**
	£'000	£'000	£'000
Wholetime Firefighters	41,562	41,612	50
On-call Firefighters	8,674	7,473	(1,201)
Staff	16,430	16,722	292
Other Employee Costs	2,285	2,355	70
Premises Related Expenditure	8,183	8,476	293
Transport Related Expenditure	2,097	2,327	230
Supplies and Services	8,736	9,227	491
Third Party Payments	2,778	3,003	225
Income	(4,298)	(5,224)	(926)
Net Service Expenditure	***86,447***	***85,972***	***(476)***
Contingency	500	500	-
Capital Financing	1,029	755	(274)
Planned contributions to reserves	9,174	9,174	-
Planned draws from reserves	(3,483)	(3,483)	-
Net Expenditure	**93,667**	**92,917**	**(750)**
Funding	(93,667)	(93,721)	(54)
Net Position	**-**	**(804)**	**(804)**

32. The overall forecast position is an underspend of £0.804m. This is made up of a significant underspend on on-call firefighters, partially offset by small overspends elsewhere. The forecast underspend is slightly higher than the £0.698m forecast at the end of Quarter 2 that was reported to the Authority in December.

33. The pressure on staff costs mainly relates to the higher than budgeted green book pay award.

34. There is a pressure on transport which relates to firefighters' travel costs and the costs of maintenance and repair of our fleet. Some of this pressure will be offset by income for fleet maintenance work from other Fire and Rescue Services.

35. The is a pressure on Supplies and Services, mainly relates to backdated costs relating to radio airwaves and an increase in the external Audit fee. Funding for this pressure is proposed for inclusion in the 2024/25 budget.

36. The income forecast is higher than forecast in quarter two mainly due to additional forecast interest on investments and higher than budgeted income from the Networked Fire Services Partnership, which offsets additional costs.

37. The service holds a contingency budget as a mitigation against the risk of unforeseen in year costs. The contingency budget for 2023/24 remains unused. Therefore, it is proposed that the full amount of this contingency is transferred to the Capital Payments Reserve to address pressures on the capital programme set out later in this report. The figures in the report assume that this recommendation is approved.

2024/25 BUDGET AND PRECEPT

Overall 2024/25 Budget Position

38. Appendix A outlines the base budget for 2024/25 compared to the base budget for 2023/24 by cost type and area of spend.

39. In the December Budget Update report a scenario of a 3% council tax referendum limit suggested that there would be a deficit of £3.132m. A comparison against that position shows that the position is more favourable than anticipated. This difference is made up of some changes in funding as well as some changes in future cost assumptions. The full breakdown of these changes is set out below:

Changes since Budget Update Report	£'000
Forecast budget gap in December 2023 Budget Update report	3,132
Changes:	
On going funding increase	(2,020)
One-off funding increase	(1,640)
Firefighters pension grant	(2,687)
Delivery pressure - Audit	74
Pay inflation changes	(450)
Non-Pay inflation changes	291
FPS Employer Rate Increase	3,001
Proposed budget (surplus) / deficit	**(299)**
Contribution to Budget Equalisation Reserve	**299**
Deficit / (surplus)	**-**

40. In addition, since the December Budget Update report, the outcome of the triennial valuation of the Firefighters Pension scheme has been published. This has resulted in an increase in pension contribution rate of 8.8%, taking the employer's pension contribution rate to 37.6%. This represents an additional cost to the employer of £3.001m. Due to the allocation methodology the grant we have received for this increase totals £2.687m, meaning that there is a shortfall in grant allocation compared to the forecast cost.

41. The settlement leaves the Fire Authority in a balanced position for 2024/25, largely because of additional one-off funding.

Council Tax

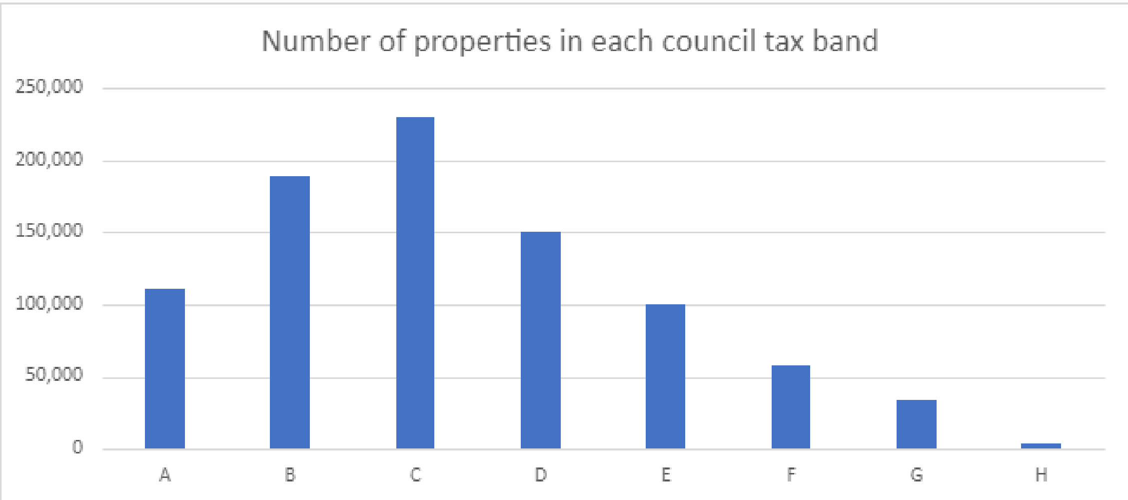
42. The Budget Update report assumed council tax base growth of 0.5%. Final figures from the district councils show growth of 0.65%, broadly in line with the assumed rate.

43. The Local Government Financial Settlement confirmed that the Council Tax referendum limit for Fire Authorities would remain at 3%. If the referendum limit had been increased to £5 on Band D properties (6.2%) this would have resulted in an additional £1.861m of available funding.

44. The table below sets out the impact of a 2.99% (£2.108m) council tax increase for each band:

Band	Increase (£)
Band A	1.61
Band B	1.88
Band C	2.15
Band D	2.41
Band E	2.95
Band F	3.49
Band G	4.02
Band H	4.82

45. With the ongoing pressures on cost of living it is important to consider the impact of a Council Tax rise on the residents of Hampshire and the Isle of Wight. The graph below illustrates that the majority of homes in Hampshire will see an increase of less than £2.41 per annum. Many residents will also benefit from Council Tax discounts and support, meaning that they will be protected from the full impact of the increase.



46. Council Tax is the most significant part of the Authority's funding and the 3% increase is essential in ensuring the financial sustainability of the Authority in 2024/25 and in later years of the plan. The increase of 3% brings in an additional £2.108m and is essential to the budget position in both 2024/25 and subsequent years. For this reason, all the figures in this report assume that a 2.99% increase is applied as recommended by the Chief Financial Officer.

47. The figures below show the council tax rates for the year beginning 1 April 2024 for the properties in each band, based on a £2.41 (3%) increase for Band D property:

48.

Band A:	£55.23	Band E:	£101.25
Band B:	£64.43	Band F:	£119.66
Band C:	£73.64	Band G:	£138.07
Band D:	£82.84	Band H:	£165.68

49. Combining the council tax base increase and the precept increase, the table below shows the precept funding due from each precepting authority for the year 2024/25.

50.

Billing Authority	Total (£)
Basingstoke	5,782,257
East Hampshire	4,357,337
Eastleigh	4,062,249
Fareham	3,660,608
Gosport	2,235,098
Hart	3,536,519
Havant	3,523,034
New Forest	5,995,255
Rushmoor	2,734,685
Test Valley	4,312,568
Winchester	4,447,816
Portsmouth	4,829,522
Southampton	5,549,369
Isle of Wight	4,507,101
Total	**59,533,418**

51. During 2023/24 there was a modest surplus across Council Tax and Business Rates Collection Funds of £0.334m. For 2024/25 there is an increase £0.373m across both collection funds.

Business Rates

52. The Authority receives a top up grant for business rates from the Government, together with a proportion of retained business rates collected by District and Unitary Councils in Hampshire and the Isle of Wight. In addition to this, following reliefs and business rate caps introduced by the Government, Section 31 grant is paid to the authority for lost business rate income it would otherwise have earned.

53. There has been a small reduction in the top-up grant, meaning that the grant will be £9.450m. This grant reduction is offset by an increase in locally retained business rates, which rise to £8.146m. This means that the total for top-up grant and locally retained business rates has increased by £0.962m since 2023/24.

54. There are a series of business rate reliefs and changes to multipliers which were introduced by the Government in response to the pandemic and cost of living crisis. Local Authorities receive Section 31 grants to compensate for the loss of business rate income due to these changes. The impact on business rates is significant in 2023/24 so grants of £4.810m will be received in 2024/25. The overall change for all business rates related funding is an increase of £1.505m.

Government Grant

55. The December Budget Update report assumed a modest increase in Revenue Support Grant (RSG). In the local government finance settlement, it was announced that RSG would increase in line with September Consumer Prices Index inflation (6.7%). This means that RSG will be £0.624m higher than in 2023/24, an improvement to the position reported in the budget update report.

56. In addition, the Pension Grant (£3.771m) received following the employer contribution rate increases as a result of the 2017 actuarial valuation of the scheme has been moved into RSG as part of the finance settlement, meaning that the overall increase in RSG is £4.395m.. A new grant, to cover the increase in employer contribution rate as a result of the 2020 actuarial valuation of £2.687m has been received. This offsets a forecast pressure of £3.00m of additional costs of employer pension contributions.

57. The Services Grant, originally introduced in 2022/23 and reduced in 2023/24 has been further reduced, leaving a remaining allocation of £0.115m. In the December Budget Update it was assumed that this grant would cease in 2024/25 so this is a marginal improvement on the position.

58. Due to the low increase in funding for the Authority, the Government have provided an additional, one-off Funding Guarantee grant of £1.640m. This grant was not included in the December budget update, so improves the position for 2024/25.

59. The Home Office previously notified that the Firelink grant, provided to cover the cost of Airwave radios, would be phased out. The reduction in this grant is reflected within the budget position.

60. It was positive to note that the unique circumstances facing island authorities were recognised with an additional £3m of support to Isle of Wight Council in the final settlement. However, it is disappointing that no additional funding was provided to HIWFRA.

Ongoing Pressures

61. Throughout the year the Authority has considered and approved papers outlining the need for ongoing additional funding to support several essential priorities. Due to the uncertainty around the service's financial position, these pressures were approved in principle for inclusion within the budget and are set out below:

Item	Cost (£'000)	Date of approval in principle
Control system	230	25th July 2023 (exempt item)
In-house HR	298	10th October 2023
HR IT system	18	10th October 2023
Contaminants posts	120	10th October 2023
Borrowing costs	500	Previous medium term financial plan
Total	**1,166**	

62. The approved amounts are now confirmed as affordable within the available funding for 2024/25 so have been included within the position presented in this report. The additional ongoing funding for the control system will be held in contingencies until the outcome of the procurement is known.

63. In addition, it is proposed that the following pressures are included within the budget:

Item	Cost (£'000)	
Fleet maintenance	75	Market conditions mean that additional funding is required to improve recruitment and retention of the fleet maintenance team
DBS checks	20	Legislative change means that FRS employees must have a DBS check
Audit fee	74	Increase due to the new national contract for external audit
Firefighters pension scheme employers' rate	3,001	Referred to elsewhere in the report, partly funded by grant for 2024/25
Total	**3,170**	

64. These pressures have been included within the figures presented in Appendix A1, bringing the total on-going pressure for 2024/25 to £4.336m. The vast majority of this relates to the increase in employers' pension contributions for the firefighters pension scheme.

<u>One off pressures</u>

65. In addition to these ongoing pressures, there are two one-off pressures for 2024/25. There may be significant costs relating to the implementation of the new control system. It is recommended that £2.25m to cover internal and supplier costs for the duration of the implementation period is earmarked in the Transformation Reserve. The overall costs of the new system are not forecast to exceed the amount approved by the Authority, as higher project costs will result in lower ongoing costs.

66. In order to deliver the Safety Plan improvements set out in a separate item on this agenda it is recommended that £0.283m is approved from the Transformation Reserve.

Efficiency measures

67. During 2024/25 our delivery of efficiencies will have three strands:

    (a) Delivering non-cashable efficiencies in our processes and ways of working to ensure that we are able to continuously improve our service

    (b) Delivering cashable efficiencies that can be re-invested

    (c) Preparing of the delivery of cashable efficiencies to bridge the budget gap in 2025/26, covered later in this report.

68. Further detail on the delivery of efficiencies during 2023/24 and plans for 2024/25 is included as Appendix H to this report.

Contingency

69. A general contingency of £0.5m (0.5% of gross budget) is retained within the 2024/25 budget. This contingency is a sensible and prudent measure, especially given the uncertainty surrounding the level of pay awards during 2024/25.

MEDIUM TERM FINANCIAL PLAN 2024/25 – 2027/28

Overall position

70. The Medium Term Financial Plan (MTFP) is set out at Appendix B. The headline position is that even though a balanced budget has been set for 2024/25, a significant gap of £4m is forecast to emerge for 2025/26. The reason for this forecast gap and options for addressing it are set out in the following paragraphs.

71. It is important to remember that the figures in the MTFP are based on a series of prudent assumptions. Later years of the plan are less certain and should be used as a guide, rather than as a basis for immediate decision making. However, the forecast deficit for 2025/26 is significant and plans to address this deficit must be developed and implemented. It would not be prudent or sensible to wait until there is greater cost and funding certainty as plans will need to be made in a structured, co-ordinated way in order for any changes to be implemented in the most effective way, in line with the Authority's agreed financial principles.

Funding

72. Over recent years, single year funding settlements and economic turbulence have made forecasting future funding challenging. The forecast of funding in the MTFP is based on the following prudent assumptions:

    (a) Funding Guarantee (£1.64m) is a one-off grant so is no longer available in 2025/26. Services Grant (£0.115m) is also assumed to be removed from 2025/26.

    (b) The Council Tax referendum limit for Fire Authorities is 1.99% and the base grows by 0.5%.

    (c) The new Pensions Grant relating to the 2024/25 employers' contribution rate increase remains as flat cash (i.e. there are no future inflationary increases)

    (d) Other grants increase by inflation, forecast at 1.99%.

73. Overall, this means that funding is forecast to increase at a level below inflation in future years, contributing to the budget gap. The impact of the one-off Funding Guarantee being removed from the forecast budget position from 2025/26 onwards plays a significant role in this.

74. These assumptions are reflected in later years of the plan.

Pressures

75. The only known pressure in 2025/26 is the final year of increasing the revenue budget to fund the approved prudential borrowing for the Capital Programme. This is a pressure of £0.6m, however the Chief Financial Officer will work with the treasury advisors Arlingclose to meet the required borrowing at a lower than budgeted cost if possible. In addition, the plan includes a placeholder of £0.3m for future necessary delivery pressures. In line with the Authority's financial principles, it will be necessary to minimise future growth as any increase will widen the budget gap.

76. In addition, it is assumed that pay and price inflation continue to run at 3%, which is a prudent assumption given the current economic position. The assumed pressures in the paragraph above and the assumption of inflation continuing at 3% are significant factors contributing to the budget gap.

Efficiency measures

77. The forecast budget gap for 2025/26 of £4m is a result of pressures, one-off funding ceasing, and other funding increasing at a level below inflation. Should any of these assumptions prove to be incorrect, the budget gap could be greater or less than forecast. However, the prudent approach taken to forecasting means that a significant increase in gap is less likely.

78. The recommended approach for addressing the deficit has been developed with regard to the Authority's financial principles, set out in Appendix D of this report. It is worth briefly considering other options for addressing the deficit.

79. The first would be to revise assumptions on funding and expenditure, assuming that additional funding will be available during 2025/26 and that costs will not need to be incurred. However, this is neither in line with the Authority's principles, nor recommended. Should these assumptions prove to be incorrect, the Authority would be in the position of needing to make short term decisions to reduce expenditure which may not support our purpose or even be possible.

80. Similarly, the Authority could choose to reduce revenue contributions to reserves. However, this would just be deferring the issue. The reserve contributions are needed to support the agreed capital programme and to replace essential assets. Were these reserves not available in the future, it would be necessary to borrow (although this would only be possible for eligible capital expenditure), further increasing the budget gap and jeopardising the financial sustainability of the organisation. This approach goes against the Authority's financial principles and is not recommended.

81. Therefore, it is recommended that a plan is developed and implemented during 2024/25 to improve the efficiency of the service and to deliver cashable reductions in the budget from 2025/26. This plan will be based on the outputs of the Community Risk Management Plan (CRMP) work and will look at our current resources compared to risks. Changes will be proposed and implemented in line with the Authority's policies.

82. Progress on savings delivery will be monitored and reported, with any early delivery of savings being used to contribute to the Budget Equalisation Reserve.

83. This approach is recommended as it maintains financial resilience, maintains focus on our purpose "together we make life safer" and is in line with the Authority's financial principles.

CAPITAL PROGRAMME

84. Capital investment is an integral part of the delivery of public services. It involves expenditure on assets that will have an impact on service delivery not just in the short term but also over the medium and longer term. Investment in existing assets and the delivery of new ones must be well aligned with the Authority's overall priorities, need and affordability. This includes not just consideration of the availability of the initial capital funding but also the longer-term revenue impacts of capital investment decisions.

85. The Authority prepares a forward capital programme covering at least three years of planned expenditure, with the revenue implications factored into the MTFP. The capital programme may impact the revenue budget in a number of ways, be that in providing the initial funding for the project, covering the cost of borrowing, or the ongoing costs associated with operating and maintaining assets.

86. Capital expenditure can be financed in a number of ways:

(a) The Authority has limited opportunities to fund expenditure from external sources (such as partner contributions) and receives no capital grant allocations from government.

(b) Any capital receipts generated from the sale of assets can be used to fund capital expenditure, but the opportunities are limited and existing assets can only be sold once.

(c) The Authority is therefore substantially dependent on using its own revenue resources to fund capital expenditure either (a) through upfront funding using planned contributions from the revenue budget/reserves or (b) by borrowing and then paying off the capital financing costs over time from future years' revenue budgets.

87. The awareness of this dependence on the revenue budget to ultimately fund the majority of capital expenditure is reflected in the Authority's financial principles. The principles set out that revenue contributions to capital will be maintained and only reduced to balance the budget as a last resort, with capital investment aligned with strategic priorities and risks.

88. The proposed capital programme is summarised in the table below with further detail in appendices C1 and C2 (confidential). As would be expected, the programme is focused on the estate and vehicles in addition to the delivery of change to support the approved carbon reduction pathway.

Prior years £'000		Forecasts				
		2023/24 £'000	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**	**Future £'000**
14,834	Estate	18,981	12,187	5,737	3.262	155
11,864	Vehicles	8,965	13,582	6,276	3,319	3,184
439	Carbon reduction	500	500	500	500	500
27,137	**Total capital**	**28,446**	**26,269**	**12,513**	**7,081**	**3,839**
2,499	Revenue CPR investments	231	1,171	0	0	0
29,636	**Total CPR funded**	**28,677**	**27,440**	**12,513**	**7,081**	**3,839**

89. The programme continues to include elements of schemes that must be treated as revenue expenditure for accounting purposes, but which continue to be shown within the programme to give a complete picture of each project. Furthermore, the capital programme tables in Appendices C1 and C2 also include revenue projects being funded from the capital payments reserve to give a complete overview of how this reserve is being used.

90. Inflation and interest rate variability both continue to mean there is risk and uncertainty with relation to capital programme costs and the associated revenue impact.

91. Furthermore, the necessary funding for schemes in the programme may need to change where projects are reappraised in the light of changing requirements, for example where the development of the scheme identifies the need to a change in how the scheme needs to be designed or implemented.

92. A combination of inflation and a need to change requirements following engagement on the requirements for the scheme means that concerns have been raised by the Authority's external cost management service that the budget is no longer sufficient to deliver all the projects within the Retrospective Design Principles (RDP) programme to the updated requirements. Additional detail is provided in the confidential report presented later on the agenda to this meeting, but in summary the proposed capital programme identifies an increase in funding of the RDP programme of £4.3m funded through a combination of (a) reprofiling underspends within the existing programme, (b) reallocating funding from other works to enable

the Authority to prioritise the provision of healthy and inclusive facilities and (c) a draw from the Capital and Investment Risk Reserve and the Capital Payments Reserve.

93. There are a number of items that are likely to need to be included within the later years of the capital programme that have not yet been scoped. These include the impact of the preparatory work on fire contaminants and any potential further works on the estate, particularly on the Isle of Wight.

94. Risks related to interest rate uncertainty are mitigated by prudent assumptions within the MTFP and regular discussions with the Authority's treasury management advisor (Arlingclose). The Chief Financial Officer will continue to seek the advice of Arlingclose on the most effective and efficient way to borrow for elements of the programme to be funded in this way to minimise the financial impact on the Authority.

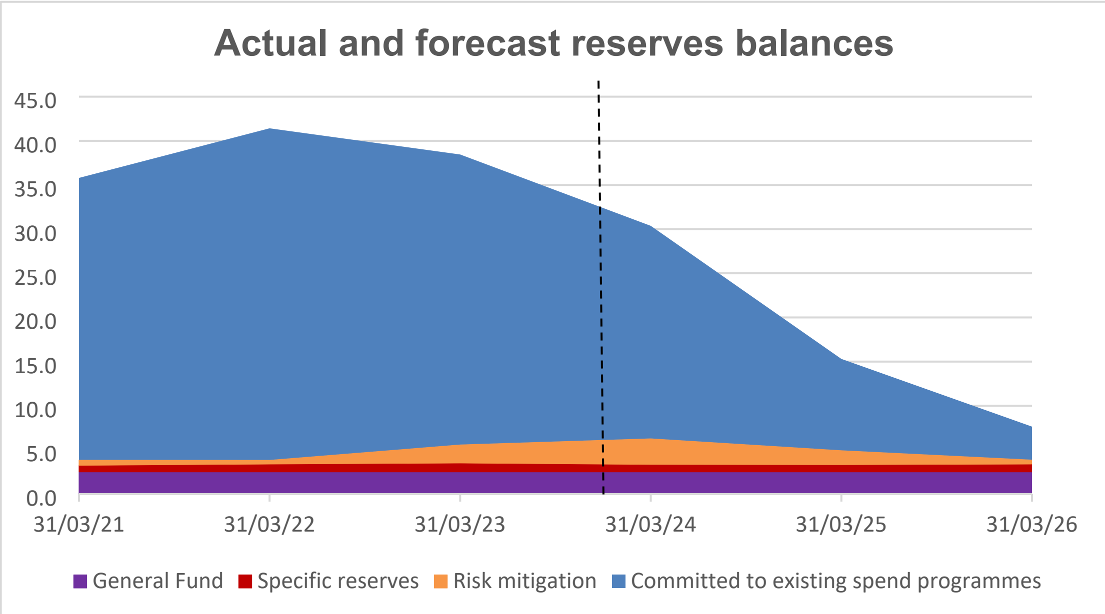
95. It is important that the repayment of the capital and interest on the Authority's planned borrowing for the capital programme is built into the revenue budget so that the increases can be managed over time and that funding to repay borrowing is available in advance of borrowing being taken out. However, due to the likely timing of borrowing during 2024/25, the whole budget will not be needed. It is therefore recommended that £1.5m is contributed to the Transformation Reserve to part-fund the implementation costs of the control system. If approved, this transfer will be made during 2024/25.

RESERVES

96. The Authority holds reserves for a number of purposes, including to provide for future planned spend and to mitigate risks as part of its medium term financial planning. Reserves and the annual contributions to reserves are an integral part of the medium term financial stability of the organisation and embedded within the Authority's seven approved financial principles.

97. An updated Reserves Strategy is included in Appendix D. This includes details of why the Authority holds reserves and the expected balances on each reserve over time, based on current forecasts and the MTFP.

98. Significant spend on the capital programme means that there is a forecast reduction in overall reserves balances over the forecast period, continuing a trend over the past two years. This is shown in the chart below.



99. **Planned annual contributions to reserves:** These are crucial to the ongoing financial sustainability of the organisation. These contributions to reserves from the revenue budget allow the Authority to fund the refresh of assets such as the estate, vehicles and equipment while avoiding where possible borrowing costs and the associated risks. They also allow the Authority to plan for the refresh of assets and delivery value for money in procurement, ensuring funding is available at the point that it is needed to coincide with the end of the useful life of assets.

100. **Risk mitigation reserves and the General Fund:** These reserves play a vital role in the financial resilience of the Authority by allowing the Authority to mitigate known risks and by providing a reserve of 'last resort' to mitigate uncertainty and unforeseen events such as a need for excessive operational activity.

RISKS AND MITIGATIONS

TREASURY MANAGEMENT STRATEGY AND INVESTMENT STRATEGY

101. The Treasury Management Strategy including the Investment Strategy for treasury investments is included at Appendix E and require approval on an annual basis. The document includes the treasury management indicators.

102. The report recommends that the following be approved:

(a) That the Treasury Management Strategy (TMS) including the annual investment strategy for 2024/25 (and the remainder of 2023/24) is approved;

(b) That authority is delegated to the Chief Financial Officer to manage the Authority's investments and borrowing according to the TMS as appropriate.

103. A key consideration for the Authority's treasury management strategy at present relates to the capital programme. The reason is twofold: (a) the Authority expects to take on new external borrowing to fund elements of the programme, with up to £37.45m of prudential borrowing approved by the Authority and (b) the expectation that reserves will reduce to meet other approved spend leading to lower available investment balances.

104. The Chief Financial Officer is advised by Arlingclose, the Authority's treasury management advisors, and will make decisions on the most effective and efficient way to borrow in line with the TMS.

CAPITAL AND INVESTMENT STRATEGY

105. The Capital and Investment Strategy combines the requirements to produce a capital strategy, an investment strategy, and an MRP statement. It requires annual approval by the Authority.

106. The **Capital Strategy** gives a high-level overview of how capital expenditure, capital financing, treasury management and investment activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It includes the required Prudential Indicators including an update on the 2023/24 indicators as at Quarter 3.

107. The **Minimum Revenue Provision Statement** is a statement that the Authority is required to prepare and approve each year setting out its policy on making MRP in respect of the upcoming financial year. The statement sets out how the Authority proposes to discharge its duty to make prudent MRP charges to the revenue budget.

108. The **Non-treasury Investment Strategy** focuses on investments that are not made for treasury management purposes and supports transparent reporting and democratic accountability for any such non-treasury investments. It includes the required investment indicators.

SECTION 25 REPORT

109. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to give an independent view on the robustness of the estimates and adequacy of reserves to the Authority at the time it is setting its budget and council tax. This is included as Appendix G of this budget report.

FINANCIAL MANAGEMENT (FM) CODE

110. The CIPFA FM Code was formally adopted across local government from the 2021/22 financial year. A self-assessment of the Authority's financial management was undertaken by the Chief Financial Officer and the Executive Group and concluded that the Authority was compliant with the requirements of the Code, as reported to the Authority in July 2022 as part of the outturn report. Compliance will be reviewed on an ongoing basis with an update provided to the Authority annually as part of the budget setting report.

111. No significant changes to the Authority's financial management have taken place since the previous self-assessment was completed and the Chief Financial Officer and Executive Group are therefore content that the Authority continues to be compliant with the FM Code. Although compliant, the Executive Group continues to discuss opportunities to further enhance the Authority's financial management and will continue to actively do so as opportunities arise.

INSURANCE STRATEGY

112. The Fire Authority became a member of a mutual, the Fire and Rescue Indemnity Company (FRIC), on 1 November 2015. FRIC is made up of a group of thirteen Fire and Rescue Authorities. FRIC was set up to provide indemnity for its members against risks normally fully covered by a traditional insurance company. Members work together to improve risk management by following best practice and sharing learning, with any financial savings being used for the benefit of the member authorities, rather than going to an insurer.

113. There has been an increase in our 2023/24 contribution of 6.53%. This is due to various factors including inflationary pressures, liability rate increases and market wide concern relating to injury and damage arising from "Forever Chemicals". However, the FRIC model does help protect Members from these external cost issues. The increased costs continue to benchmark favourably against the wider insurance market.

114. In April 2022, the FRIC Board agreed the first refund of contributions since it started activities in 2015. It was decided to phase the return with the expectation that they would continue to refund contributions in future years. The Contribution refund received by HIWFRS in 2022 was £25,542.

115. The 2023 distribution of the contribution refund was approved by the FRIC Board in December 2023. HIWFRS is expecting a return of approximately £24,000.

116. Additional covers consisting of Business Travel, Personal Accident, Engineering Insurance and Engineering Inspection are still obtained through Zurich Municipal and to date, no claims have been made under these additional policies. Average Weekly Earnings (AWE) inflationary measures were applied at 7.8%.

117. The charges to date are shown in the table below:

Contribution/Premium	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
FRIC Contribution	£541,826 (£12,558 Non-FRIC Covers)	£615,738 (£15,878 Non-FRIC Covers)	£647,250 (£19,183 Non-FRIC Covers)	£677,469 (£21,370 Non FRIC covers)	£725,270 (£25.151 Non FRIC Covers)
Additional Covers and Engineering Inspection	£80,473	£80,958	£84,719	£96,544	£102,795
FRIC Contribution for IOW elements (period of cover 01/04/21 – 31/10/21)		£32,587 (£590 Non-FRIC Covers)			

CONSULTATION

118. The proposals in this report have also been the subject of consultation with the business community and any comments or issues will be reported back verbally to the Authority.

RESOURCE IMPLICATIONS

119. The report covers the overall financial position for 2024/25 for revenue spending and seeks approval to the budget and council tax levels, it also provides an update on the capital programme and reserves.

IMPACT ASSESSMENTS

120. This report provides an overall summary. Any specific current or future initiatives referred to in this report would be covered by separate appropriate impact assessments.

LEGAL IMPLICATIONS

121. The proposals in this report meet the Authority's legal requirement to set a balanced budget and council tax for the next financial year prior to 1 March.

APPENDICES ATTACHED

122. Appendix A1 – 2024/25 detailed Budget
123. Appendix A2 – 2023/24 Revised Budget
124. Appendix B – Medium Term Financial Plan
125. Appendix C1 – Proposed Capital Programme and Funding - summary
126. Appendix D – Reserves Strategy
127. Appendix E – Treasury Management Strategy 2023/24 – 2024/25
128. Appendix F – Capital and Investment Strategy 2023/24 - 2025/26
129. Appendix G – Section 25 Report
130. Appendix H – Efficiency Plan.

Exempt Appendix

131. Appendix C2 – Proposed Capital Programme and Funding - detailed

BACKGROUND PAPERS

132. HIWFRA Q1 Budget Update Report

133. HIWFRA Q2 Budget Update Report

134. HIWFRA Budget and Precept Requirement 2023/24 including Medium Term Financial Plan

Contact: Catherine Edgecombe, Chief Financial Officer, Catherine.edgecombe@hants.gov.uk, 0370 779 6214

2024/2025 Budget - By type of spend

	2023/24 Original Budget £'000	Realignment £'000	Funding Changes £'000	Inflation £'000	Delivery Pressures £'000	2024/25 Budget £'000
Whole Time Firefighters	40,060	(232)		1,442	2,515	43,785
Retained Firefighters	9,000	(70)		313	486	9,729
Staff	16,249	1,037		818	493	18,597
Other Employee costs	2,146	197		19	20	2,382
	67,455	**932**		**2,592**	**3,514**	**74,493**
Premises	7,409	92		411		7,912
Transport	1,775	332		60		2,167
Supplies & Services	8,700	(1,220)		305	322	8,107
Third Party Payments	2,054	171		66		2,291
Contingencies	500					500
	87,893	**307**		**3,434**	**3,836**	**95,470**
Income	(2,922)	(307)		(37)		(3,266)
	(2,922)	**(307)**		**(37)**		**(3,266)**
Revenue contributions to capital	4,362					4,362
Equipment reserve	1,117					1,117
Budget equalisation reserve				299		299
Transformation reserve	275					275
ICT reserve	888					888
	6,642			**299**		**6,941**
Net Cost of Service	**91,613**			**3,696**	**3,836**	**99,145**
Capital financing	2,528				500	3,028
Investment Income	(210)					(210)
Budget Requirement	**93,931**			**3,696**	**4,336**	**101,963**
Funded by:						
Precept	(57,425)		(2,108)			(59,533)
Revenue Support Grant	(9,392)		(4,395)			(13,787)
Funding Guarentee			(1,640)			(1,640)
Business Rates Top-Up Grant	(8,951)		(499)			(9,450)
Locally Retained Business Rates	(7,642)		(504)			(8,146)
Business Rates S31 Grants	(4,308)		(502)			(4,810)
Pension grant	(3,771)		1,084			(2,687)
CT Collection Fund Balance	(163)		(310)			(473)
BR Collection Fund Balance	(171)		(64)			(235)
Other S31 Grants	(1,207)		120			(1,087)
Services grant	(637)		522			(115)
Funding Gap / (Surplus)	**264**	**0**	**(8,296)**	**3,696**	**4,336**	**0**

2024/2025 Budget – By Directorate

	2024/25 Budget £'000
People and Organisational Development	8,223
Operations	51,182
Policy, Planning and Assurance	4,085
Corporate Services	24,952
Finance	3,762
Reserve Transfers	6,941
Net Cost of Service	**99,145**

2023/2024 Revised Budget - By type of spend

	2023/24 Original Budget £'000	Realignment £'000	2023/24 Revised Budget £'000
Whole Time Firefighters	40,060	320	40,380
Retained Firefighters	9,000	(337)	8,663
Staff	16,249	(83)	16,166
Other Employee costs	2,146	138	2,284
	67,455	**38**	**67,493**
Premises	7,409	118	7,527
Transport	1,775	318	2,093
Supplies & Services	8,700	(1,176)	7,524
Third Party Payments	2,054	646	2,700
Contingencies	500		500
	87,893	**(56)**	**87,837**
Income	(2,922)	56	(2,866)
	(2,922)	**56**	**(2,866)**
Revenue contributions to capital	4,362	690	5,052
Capital & Investment Risk Reserve		1,500	1,500
Equipment reserve	1,117		1,117
Budget equalisation reserve			
Transformation reserve	275		275
ICT reserve	888		888
	6,642	**2,190**	**8,832**
Net Cost of Service	**91,613**	**2,190**	**93,803**
Capital financing	2,528	(1,500)	1,028
Investment Income	(210)	(690)	(900)
Budget Requirement	**93,931**	**0**	**93,931**
Funded by:			
Precept	(57,425)		(57,425)
Revenue Support Grant	(9,392)		(9,392)
Business Rates Top-Up Grant	(8,951)		(8,951)
Locally Retained Business Rates	(7,642)		(7,642)
Business Rates S31 Grants	(4,308)		(4,308)
Pension grant	(3,771)		(3,771)
CT Collection Fund Balance	(163)		(163)
BR Collection Fund Balance	(171)		(171)
Other S31 Grants	(1,207)		(1,207)
Services grant	(637)		(637)
Funding Gap / (Surplus)	**264**	**0**	**264**
Draw from BER to balance budget	**(264)**		**(264)**
Final deficit / (surplus)	**-**		**-**

2023/2024 Revised Budget – By Directorate

	2023/24 Original Budget £'000	Realignment £'000	2023/24 Revised Budget £'000
People and Organisational Development	5,146	2,520	7,666
Operations	43,360	4,470	47,830
Policy, Planning and Assurance	5,227	(1,096)	4,131
Corporate Services	22,969	486	23,455
Finance	8,269	(6,380)	1,889
Reserve Transfers	6,642	2,190	8,832
Net Cost of Service	**91,613**	**2,190**	**93,803**

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Medium Term Financial Plan

	2024/2025	2025/2026	2026/2027	2027/2028
	(Surplus) / Deficit £'000	(Surplus) / Deficit £'000	(Surplus) / Deficit £'000	(Surplus) / Deficit £'000
Opening deficit / (Surplus)	**264**	**0**	**4,028**	**5,005**
Council tax	(2,108)	(1,490)	(1,524)	(1,561)
New Pension Grant	(2,687)			
New Funding Guarantee	(1,640)	1,640		
Other funding changes	(1,861)	217	(661)	(749)
Pay inflation	2,592	2,235	2,303	2,372
Non-pay inflation	805	825	559	585
Delivery pressures	835	300	300	300
FPS Employer Rate Increase	3,001			
Staion Improvement Programme borrowing	500	600		
Cashable efficiencies				
BER contribution	299	(299)		
Closing deficit / (Surplus)	**0**	**4,028**	**5,005**	**5,952**
Use of Budget Equalisation Reserve		(1,132)		
Deficit to be addressed	**0**	**2,896**	**5,005**	**5,952**

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Appendix C1 – Capital Programme Summary

Capital programme	Approved at Feb 2023	Previous Years' Spend	2023/24	2024/25	2025/26	2026/27	2027/28	Total	Change
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Basingstoke Fire Station	6,955	6,844	0	111	0	0	0	6,955	0
Vehicles	45,809	11,864	8,965	13,582	6,276	3,319	3,184	47,190	1,381
Electric Vehicle Charging points	780	439	241	0	0	0	0	680	-100
Carbon Reduction	2,500	0	500	500	500	500	500	2,500	0
Estates Programme	43,786	7,990	18,740	12,076	5,737	3,262	155	47,960	4,174
Subtotal - capital projects	**99,830**	**27,137**	**28,446**	**26,269**	**12,513**	**7,081**	**3,839**	**105,285**	**5,455**
Revenue investments funded from CPR	3,335	2,499	231	1,171	0	0	0	3,901	566
Total Programme Cost	**103,165**	**29,636**	**28,677**	**27,440**	**12,513**	**7,081**	**3,839**	**109,186**	**6,021**

Financed by:

Capital Payments Reserve	63,945	22,358	13,859	19,411	6,776	3,819	3,684	69,907	5,962
Prudential Borrowing	37,450	5,508	14,759	8,029	5,737	3,262	155	37,450	0
Revenue Grant Unapplied Reserve	0	0	0	0	0	0	0	0	0
Revenue Contributions to Capital	0	0	0	0	0	0	0	0	0
Capital Receipts	1,770	1,770	59	0	0	0	0	1,829	59
Capital Grant	0	0	0	0	0	0	0	0	0
Partner Contributions	0	0	0	0	0	0	0	0	0
Total Financing	**103,165**	**29,636**	**28,677**	**27,440**	**12,513**	**7,081**	**3,839**	**109,186**	**6,021**

Hampshire and Isle of Wight Fire and Rescue Authority Reserves Strategy

1. The Reserves Strategy

1.1 The reserves strategy is a key component of the Authority's overall financial strategy. The requirement for Fire Authorities to maintain, approve and publish a reserves strategy is set out in statute[1] and guidance[2].

1.2 As well as being a statutory requirement, this strategy is an opportunity to clearly state the Authority's position on reserves. Reserves play an important part in our overall financial strategy. The reserves strategy is linked to the Authority's financial principles, with principles 5 and 7 of particular relevance:

1) A corporate approach will be taken to the development of budgets and savings programmes
2) Savings delivery will be planned so that savings are delivered at the optimum time to balance the budget
3) Financial planning assumptions will be realistic and prudent and will take account of pay and price inflation
4) One-off and recurring growth will be limited
5) Revenue contributions to reserves for capital investment, IT and other equipment replacement will be maintained
6) The revenue budget and capital investment will be aligned with strategic priorities and risks
7) Reductions in planned reserve contributions will be used as a last resort to balance the budget.

1.3 Principle 5 is crucial to the ongoing financial sustainability of the organisation. Without these reserve contributions the Authority would have no funding secured for the refresh of assets such as the estate, vehicles, and equipment. The ability to plan for the refresh of assets also allows us to deliver value for money in procurement. Without these contributions the Authority would be reliant on one-off underspends to replace assets, meaning that spend could not be planned and there would be a risk that funding would be unavailable when assets reached the end of their useful lives.

1.4 Reserve contributions also play a vital role in the financial resilience of the Authority. In the event of a financial risk being realised, for example, an unbudgeted pay award

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[1] Section 43 of the Local Government Finance Act 1992 requires that when setting the budget for the forthcoming year the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies and risks must be considered

[2] New Fire and Rescue Services Framework, May 2018, introduced a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website and outlined the detail which should be included.

or a reduction in Government grant at short notice, the Authority would rely on risk reserves then temporarily reduce contributions to reserves to balance the budget. As per financial principle 7, this action would be taken as a last resort. However, the reserve contributions are a strong mitigation against the financial risks and would allow the Authority time to develop plans should a financial risk materialise.

1.5 Reserves are by their nature one-off and, as set out in the rest of this appendix, largely committed to future spend or risk. Therefore, it would not be a reasonable strategy to use reserves to, for example, delay the need to make necessary savings or to limit necessary increases in Council Tax. Although the reserves could be used to cashflow these decisions in the short term, there would be profound consequences in the medium term. The reserves would quickly be depleted, meaning they were not available for the refresh of assets. Once the reserve balances had been exhausted the Authority would be left facing a significant budget gap. It is likely that service reductions would then urgently be needed to balance the budget.

1.6 In line with the constitution, the governance of the use of reserves is as follows:

a) Amounts less than £200,000 – Executive Group

b) Amounts greater than £200,000 – Fire Authority

c) Capital payments reserve (any amount) – Fire Authority

The Fire Authority approves the use of the reserves via regular updates e.g., the regular approval of the capital programme or via specific papers for one-off activities. The exception to this is the use of the ICT and Equipment Reserves set out in paragraph 5.3. This is to remove the need for regular Fire Authority papers to cover the business as usual replacement of assets.

1.7 In determining a Reserves Strategy, the Authority also takes account of the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code.

2. Detailed Reserves Position

2.1 The Authority holds reserves for four broad reasons:

a) **Reserves which are fully committed to existing spend programmes**. The overwhelming majority of these reserves (around 90%) are committed to the replacement or enhancement of existing assets. Contributions are made to ensure that a planned approach to the refresh of assets can be taken that delivers value for money and ensures that assets continue to be available. This includes amounts to support necessary enhancements to the estate to ensure a healthy and inclusive workplace and to meet carbon reduction commitments. Additionally, a balance is committed to service change and improvement.

b) **Reserves held to mitigate risk**. These are reserves held to mitigate significant financial risks held on the organisational risk register.

c) **Specific reserves**. These are small reserves held for very specific purposes.

d) **General reserve**. Usage from this Reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget e.g., excessive operational activity resulting in significant pay costs for on-call staff. This is deemed to be a reserve of 'last resort' and the Authority has never been required to use its General Reserve.

2.2 A summary of the reserves:

	Balance at 31/03/23 (Actual) £'000	**Balance at 31/03/24 (Forecast) £'000**
Fully Committed	**(32,849)**	**(24,075)**
Capital Payments Reserve	(25,156)	(17,629)
Transformation Reserve	(2,282)	(1,547)
Equipment Reserve	(2,186)	(2,149)
IT Reserve	(1,827)	(1,869)
Earmarked underspends	(300)	-
Revenue Grants Unapplied Reserve	(1,098)	(881)
Risk Reserves	**(2,099)**	**(2,954)**
Budget Equalisation Reserve	(1,097)	(833)
Capital and Investment Risk Reserve	(1,002)	(2,121)
Specific Reserves	**(1,007)**	**(844)**
SHQ Maintenance Reserve	(981)	(844)
Princes Trust Reserve	(26)	-
General Reserve	**(2,500)**	**(2,500)**
Total Reserves	**(38,455)**	**(30,374)**

Reserves are forecast to significantly reduce by the end of the financial year due to progress on the capital programme as well as the use of reserves for planned asset purchases.

Reserves which are fully committed to existing spend programmes

3. Capital Payments Reserve

3.1 The Capital Payments Reserve is the most important source of funding for the capital programme. Funding capital expenditure from this reserve reduces the need for borrowing, which in turn protects the revenue budget from the need to cover capital and interest payments on borrowing. The largest commitment against this reserve is the replacement of the oldest vehicles within the fleet, ensuring that vehicles are fit for purpose and that the Authority is protected from increased maintenance costs on an aging fleet. In addition, some Estates schemes are funded from this reserve. As there is no capital funding from Government and very limited scope for capital receipts, annual contributions to this reserve are made from revenue. Capital expenditure has been particularly affected by inflationary pressures over the last 18 months so there is a proposal in the main budget report to make an additional one off contribution in year and to contribute 50% of the 2023/24 underspend to this reserve. The figures in the table below assume that these contributions are made. There is a small uncommitted balance remaining on this reserve but this is likely to be required for later years of the plan when not all commitments have been fully scoped.

	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance	(25,156)	(17,630)	(4,201)	(1,787)	(2,330)
Draws	13,859	19,410	6,776	3,819	3,684
Contributions	(6,333)	(5,981)	(4,362)	(4,362)	(4,362)
Closing Balance	(17,630)	(4,201)	(1,787)	(2,330)	(3,008)

4. Transformation Reserve

4.1 The Transformation Reserve is used to fund service improvements or to provide one-off funding to deliver efficiency savings.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Opening Balance	(2,282)	(1,547)	(1,140)	(455)	(118)
Draws	1,410	2,182	960	612	-
Contributions	(675)	(1,775)	(275)	(275)	(275)
Closing Balance	(1,547)	(1,140)	(455)	(118)	(393)

4.2 In recent years, the reserve has been used to provide extra funding for the improvements identified in the Safety Plan. In the main report funding for the implementation of the control system and add additional contribution to this reserve from are forecast 2024/25 underspend are proposed.

5. Equipment and ICT Reserves

5.1 Information and Communications Technology (ICT) and other equipment purchases are not spread evenly across years. This makes it difficult to budget for replacement within the annual revenue budget. Reserves have therefore been set up for both ICT and other equipment to allow larger items to be purchased whilst retaining a constant contribution from the revenue budget.

Equipment	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Opening Balance	(2,186)	(2,149)	(2,635)	332	(232)
Draws	1,154	631	4,084	553	3,769
Contributions	(1,117)	(1,117)	(1,117)	(1,117)	(1,117)
Closing Balance	(2,149)	(2,635)	332	(232)	2,420

ICT	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Opening Balance	(1,827)	(1,869)	(1,962)	(1,836)	(2,004)
Draws	846	795	1,014	720	720
Contributions	(888)	(888)	(888)	(888)	(888)
Closing Balance	(1,869)	(1,962)	(1,836)	(2,004)	(2,172)

5.2 Making reserve contributions in advance of the refresh of ICT and operational assets mitigates the risk that the replacement of assets will be unaffordable. It also allows a planned approach to the procurement of new assets. The equipment reserve is currently forecast to be overspent in the final year of the plan. The overspend will be recovered in later years but the position will be closely monitored by officers.

5.3 The ability to draw down these reserves is delegated to officers, providing that they are used for their planned purposes (the refresh of operational equipment and ICT respectively) and that the drawdown does not create a pressure on the reserve. Unlike other reserves, this means that individual amounts above £200,000 do not require separate Authority approval as long as the requirements set out in this paragraph are met. Should draws on the equipment reserve create a pressure, Authority approval would be sought.

6. Revenue Grants Unapplied and Earmarked Underspends

6.1 The Revenue Grants Unapplied Reserve (RGUR) is used to hold grant received in advance of the relevant expenditure being incurred. The balance in the reserve is currently largely committed to the Emergency Services Network national programme and to the additional pension administration costs caused by the McCloud and Matthews pension remedies. The Earmarked Underspends Reserve is used to carry forward committed expenditure between financial years as approved by the Authority as part of the outturn report.

RGUR	**2023/24** **£'000**	**2024/25** **£'000**	**2025/26** **£'000**	**2026/27** **£'000**	**2027/28** **£'000**
Opening Balance	(1,098)	(881)	(413)	-	-
Draws	650	468	413	-	-
Contributions	(433)	-	-	-	-
Closing Balance	(881)	(413)	-	-	-

Earmarked Underspends	**2023/24** **£'000**	**2024/25** **£'000**	**2025/26** **£'000**	**2026/27** **£'000**	**2027/28** **£'000**
Opening Balance	(300)	-	-	-	-
Draws	300	-	-	-	-
Contributions	-	-	-	-	-
Closing Balance	-	-	-	-	-

Specific Reserves

7. Strategic Headquarters Maintenance Reserve

7.1 This reserve is held specifically to fund the maintenance of the Police and Fire Strategic Headquarters in Eastleigh. The Fire Authority and the Office of the Police and Crime Commissioner contribute to the reserve and its use is subject to agreement between officers in both organisations.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Opening Balance	(981)	(844)	(819)	(889)	(1,109)
Draws	357	245	150	-	-
Contributions	(220)	(220)	(220)	(220)	(220)
Closing Balance	(844)	(819)	(889)	(1,109)	(1,329)

8. Prince's Trust Reserve

8.1 This reserve is used for the financial management of Prince's Trust activities. Funding for this activity works on an academic year basis so this reserve is held to ensure that the Prince's Trust activities are self-funding across financial years.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Opening Balance	(26)	-	-	-	-
Draws	26	-	-	-	-
Contributions	-	-	-	-	-
Closing Balance	-	-	-	-	-

Reserves held to mitigate risk

9. Budget Equalisation Reserve

9.1 Since 2019 the Authority has held a Grant Equalisation Reserve, redesignated ans the Budget Equalisation Reserve in 2023. The reserve has a static balance, with a small planned contribution from the 2024/25 one off budget surplus added.

9.2 This reserve is held to mitigate uncertainty around fire service funding and service costs. The risk of funding reductions continues to be held on the corporate risk register. The forecast budget deficit of 2025/26 reinforces the importance of this reserve. In the main report it is recommended that any early delivery of efficiency savings be contributed to this reserve to further strengthen the mitigation.

9.3 Based on current assumptions, the full balance of this reserve will be needed to offset budget deficits over the life of this plan. This will need to be addressed in future planning activity.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Opening Balance	(1,097)	(833)	(1,132)	-	-
Draws	264	-	1,132	-	-
Contributions	-	(299)	-	-	-
Closing Balance	(833)	(1,132)	-	-	-

10. Capital and Investment Risk Reserve

10.1 This reserve was created in 2023 to mitigate inflationary and interest rate risks on the capital programme as well as the risk of a capital loss on the Authority's pooled funds. In the main report it is proposed that £2m is withdrawn from this reserve to address pressures on the Retrospective Design Principles project.

10.2 This leaves a balance of £0.5m to cover inflationary risks in the capital programme, interest rate risks and the risk of a capital loss on pooled funds. The reduced balance means that some flexibility has been removed. Should new schemes with an element of risk be approved, the balance on this reserve will need to be reviewed.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Opening Balance	(1,002)	(2,121)	(502)	(502)	(502)
Draws	381	1,619	-	-	-
Contributions	(1,500)	-	-	-	-
Closing Balance	(2,121)	(502)	(502)	(502)	(502)

General Reserve

11. Determine the Adequacy of the General Reserve

11.1 The General Fund is the reserve of last resort and as such should be maintained at as low a level as possible, while still covering financial risks. As outlined above, additional reserves have been developed to deal with the current funding and economic risks facing the Authority. Additionally, the Authority has robust risk and financial management processes. However, there is always a risk that the Authority will become liable for expenditure that it has not budgeted for.

11.2 The General Reserve has stood at £2.5m for several years. It has not increased in line with the increases in the service budget due to factors such as the Combination or inflation. However, as outlined above additional reserves to deal with specific new financial risks have been created. Given the challenges outlined elsewhere in the report and appendices the level of General Reserve remains appropriate.

11.3 At the start of 2024-25, the General Reserve will represent around 2.5% of the Authority's net revenue budget, which is considered adequate to mitigate the risks that it faces. While the percentage of the Authority's net revenue budget held in the General Reserve continues to reduce, the additional financial risk reserves mean that this level is adequate.

11.4 The level and adequacy of reserves is assessed annually by the Chief Financial Officer in preparing the Section 25 report (Appendix G) that Members must take into account in setting the annual budget and precept.

Treasury Management Strategy and Investment Strategy 2024/25 to 2026/27

1. Summary

1.1. The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) require authorities to determine the Treasury Management Strategy Statement (TMSS) before the start of each financial year.

1.2. As per the requirements of the Prudential Code, Hampshire and Isle of Wight Fire and Rescue Authority has adopted the CIPFA Treasury Management Code. This report fulfils the Fire & Rescue Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.3. **This Report recommends:**

1.4. **That the Treasury Management Strategy, including the Annual Investment Strategy for 2024/25, (and the remainder of 2023/24) is approved; and**

1.5. **That authority is delegated to the Chief Financial Officer, who in turn discharges this function to Hampshire County Council's Deputy Chief Executive and Director of Corporate Operations as agreed in the Service Level Agreement, to manage the Fire & Rescue Authority's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.**

2. Introduction

2.1. Treasury management is the management of the Fire & Rescue Authority's cash flows, borrowing and investments, and the associated risks. The Fire & Rescue Authority has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Fire & Rescue Authority's prudent financial management.

2.2. Treasury risk management at the Fire & Rescue Authority is conducted within the framework of the CIPFA Code which requires the Fire & Rescue Authority to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This report fulfils the Fire & Rescue Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2.3. Investments held for service purposes or for commercial profit are considered in a different report, the Capital and Investment Strategy.

3. External Context

3.1. The following paragraphs explain the economic and financial background against which the TMSS is being set.

Economic background

3.2. The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Fire & Rescue Authority's treasury management strategy for 2024/25.

3.3. The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. The November 2023 quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

3.4. Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from 4.6% in the previous month, and in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half of 2025 and into 2026.

Credit outlook

3.5. Credit default swap (CDS) prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. CDS prices were volatile during 2023, spiking in March 2023 on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Quarter 2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

3.6. On an annual basis, CDS price volatility was lower in 2023 compared to 2022, but 2023 saw more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

3.7. Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

3.8. Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

3.9. There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

3.10. However, the institutions on the Fire & Rescue Authority's treasury adviser, Arlingclose's, counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (December 2023)

3.11. Although UK inflation and wage growth remain elevated, Arlingclose forecasts that Bank Rate has peaked at 5.25%. The BoE's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Quarter 3 2024 to a low of around 3% by early-mid 2026.

3.12. Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

3.13. A more detailed economic and interest rate forecast provided by Arlingclose is in Annex A.

4. Balance Sheet Summary and Forecast

Table 1: Balance sheet summary and forecast

	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Forecast £m	31/03/26 Forecast £m	31/03/27 Forecast £m
Capital Financing Requirement	**15.0**	**29.3**	**37.3**	**41.8**	**44.0**
Less: Other debt liabilities*					
- Leases**	0.0	0.0	(0.4)	(0.4)	(0.4)
Loans CFR	**15.0**	**29.3**	**36.5**	**41.4**	**43.6**
Less: External borrowing***:					
- Public Works Loan Board	(5.9)	(5.6)	(5.2)	(5.2)	(5.1)
Total debt	**(5.9)**	**(5.6)**	**(5.2)**	**(5.2)**	**(5.1)**
Internal borrowing	**9.1**	**23.7**	**31.3**	**36.2**	**38.5**
Less: Balance sheet resources	(37.5)	(27.9)	(13.9)	(5.7)	(7.0)
New borrowing (or treasury investments)	**(28.4)**	**(4.2)**	**17.4**	**30.5**	**31.5**

* leases that form part of the Fire & Rescue Authority's debt

** IFRS 16 requires the Fire & Rescue Authority to change how it recognises its leases from 1 April 2024

*** shows only loans to which the Fire & Rescue Authority is committed and excludes optional refinancing.

4.1. On 31 December 2023, the Fire & Rescue Authority held £5.6m of borrowing and £17.8m of investments. This is set out in further detail at Annex B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1.

4.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Fire & Rescue Authority's current strategy is to maintain its investments below their underlying levels, sometimes known as internal borrowing.

4.3. The Fire & Rescue Authority has an increasing CFR due to its planned capital programme expenditure. In previous years, expenditure has been funded from the Authority's own resources but this will not be the case in future and the Authority will therefore be required to externally borrow over the forecast period. The increase in the Loans CFR is due to the major building works associated with the estate. The total CFR also includes the impact of the introduction of the new accounting standard for leases (IFRS 16) which changes the way the Fire & Rescue Authority accounts for leases but does not affect the overall revenue budget. The overall Capital Programme is detailed in Appendix C and shows that capital expenditure will predominantly be funded through borrowing and the use of reserves.

4.4. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Fire & Rescue Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Fire & Rescue Authority expects to comply with this recommendation during 2024/25.

Liability benchmark

4.5. To compare the Fire & Rescue Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1, but that cash and investment balances are kept to a minimum level at each year-end to maintain sufficient liquidity but minimise credit risk.

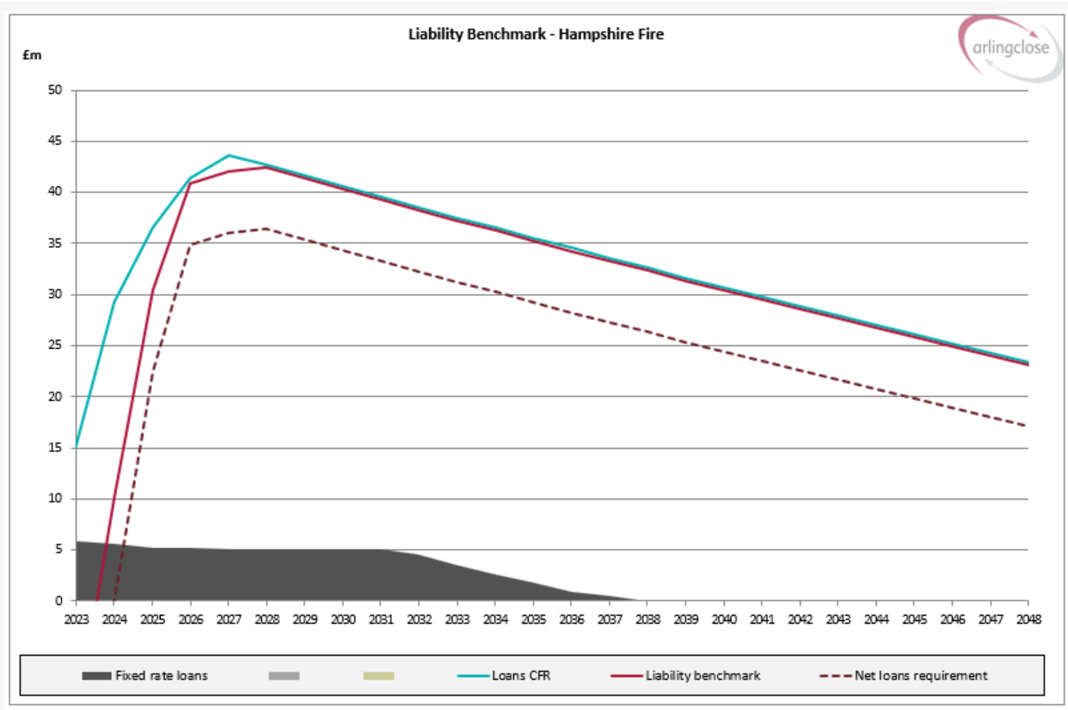
4.6. The liability benchmark is an important tool to help establish whether the Fire & Rescue Authority is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision-making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Fire and Rescue Authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Liability benchmark

	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Forecast £m	31/03/26 Forecast £m	31/03/27 Forecast £m
Loans CFR	15.0	29.3	36.5	41.4	43.6
Less: Balance sheet resources	(37.5)	(29.3)	(14.1)	(6.4)	(7.6)
Net loans requirement	**(22.5)**	**0.0**	**22.4**	**34.9**	**36.0**
Plus: Liquidity allowance	10.0	10.0	8.0	6.0	6.0
Liability benchmark	**(12.5)**	**10.0**	**30.4**	**40.9**	**42.0**

4.7. At the start of the period, 31 March 2023, the Fire & Rescue Authority had a Loans CFR of £15.0m, external borrowing of £5.9m and a liability benchmark of -£12.5m. The difference of £9.1m between the CFR and external borrowing is internal borrowing which is where the Fire & Rescue Authority has used its own resources to fund its borrowing requirement.

Graph 1: Liability Benchmark



4.8. The liability benchmark is the lowest level of debt the Fire & Rescue Authority could hold if it used all of its balances, reserves and cash flow surpluses to fund its CFR. The liability benchmark graph is created based on five years of data, which explains why the Loans CFR line reduces past the initial five-year period – the diagram assumes that no new capital projects will begin after 2026/27, which is a very unlikely scenario but a reflection of the current horizon for capital expenditure forecasts.

4.9. The Fire & Rescue authority expects a positive liability benchmark from 2024 onwards, reflecting the forecast balance sheet resources position mapped out in Tables 1 and 2. A positive liability benchmark that extends above the loans lines shows a need to take additional borrowing as the balance sheet resources and current external borrowing combined are not sufficient to meet the CFR. Therefore Table 2 and Graph 1 illustrate that the Fire & Rescue Authority's existing borrowing is forecast to no longer be sufficient to meet the liability benchmark and the Fire and Rescue Authority will need to source additional external borrowing if it is to meet the full delivery of its capital programme.

4.10. The Chief Financial Officer will continue to work closely with the Authority's treasury management advisor, Arlingclose, to borrow in the most effective way for the Authority.

5. Borrowing Strategy

5.1. The Fire & Rescue Authority held £5.6m of loans as at 31 December 2023, which is £1.1m lower than the previous year, as part of its strategy for funding previous years' capital programmes. The reduction in borrowing balances of £1.1m reflects the repayment of maturing Public Works Loan Board (PWLB) debt, which has not been replaced. The balance sheet forecast in Table 1 shows that the Fire & Rescue Authority may need to borrow in 2024/25 to fund capital programme requirements. The Fire & Rescue Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £43.3m (2024/25).

Objectives

5.2. The Fire & Rescue Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Fire & Rescue Authority's long-term plans change is a secondary objective.

Strategy

5.3. Given the significant cuts to public expenditure, the Fire & Rescue Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium term to either use internal resources or to borrow short term loans instead.

5.4. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Fire & Rescue Authority with this 'cost of carry' and breakeven analysis and this will be used to help determine whether the Fire & Rescue Authority borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

5.5. The Fire & Rescue Authority has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. New PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Fire & Rescue Authority intends to avoid this activity, and so will retain its access to PWLB loans.

5.6. The Fire & Rescue Authority may also arrange forward starting loans during 2024/25, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

5.7. In addition, the Fire & Rescue Authority may borrow short-term loans (normally for up to one month) to cover unplanned cash flow shortages.

Sources of borrowing

5.8. The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- any institution approved for investments
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Hampshire Pension Fund)
- capital market bond investors
- retail investors via a regulated peer-to-peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance

5.9. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar asset based finance

Short-term and variable rate loans

5.10. These loans leave the Fire & Rescue Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators at Section 7 of this appendix.

Debt rescheduling

5.11. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Fire & Rescue Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

6. Treasury Investment Strategy

6.1. The Fire & Rescue Authority holds invested funds representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Fire & Rescue Authority's treasury investment balance has ranged between £18.6m and £37.0m, however it is expected that balances will fall between now and 31 March 2024 as shown in Table 1.

6.2. The reduction in investment balances predicted are as a result of the planned funding of the capital programme, as well as due to the normal pattern of expected income and expenditure whereby the largest balances are expected in August following the receipt of the annual pension grant in July.

Objectives

6.3. The CIPFA Code requires the Fire & Rescue Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Fire & Rescue Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Fire & Rescue Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Fire & Rescue Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy

6.4. As demonstrated by the liability benchmark above, the Fire & Rescue Authority expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments.

6.5. Approximately 47% of the Fire & Rescue Authority's investment balances as at 31 December 2023 was invested so that it was not subject to bail-in risk, as it was invested in Government investments, pooled property funds, and secured bank bonds. Of the 53% of investment balances subject to bail-in risk, 77% was held in overnight money market funds which are subject to a reduced risk of bail-in due to the high level of diversification within these investments, with the remainder being held in overnight bank call accounts for liquidity purposes and short term bank notice accounts.

6.6. Further detail is provided at Annex B. This diversification represents a continuation of the strategy adopted in 2015/16.

Environmental, social and governance factors

6.7. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Fire & Rescue Authority does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Fire & Rescue Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Business models

6.8. Under the IFRS 9 standard, the accounting for certain investments depends on the 'business model' for managing them. The Fire & Rescue Authority aims to achieve value from its internally managed treasury investments through a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Investments targeting higher returns

6.9. In previous years the Fire & Rescue Authority earmarked an amount of its cash balances for investments targeting higher yields; these were made from its most stable core balances with the intention that they would be held for at least the medium term, and it was targeted that these investments would achieve a return of at least 4%. This was a successful approach through the period of very low interest rates, as this portfolio achieved higher interest rates than what was being achieved by cash investments and significantly increased the annualised average income return for the total investment portfolio.

6.10. Following the increases in UK Bank Rate the decision was made to subsume the investments targeting higher returns within the long-term investment portfolio as there was no longer a significant difference between the interest rates being achieved by those investments and cash, as short-term interest rates are now comparable with longer term interest rates.

6.11. The Fire & Rescue Authority will however continue to make use of long-term balances where appropriate, with the option of making investments in longer term investments including local authorities, other asset classes and regions, fixed capital value and pooled funds to mitigate the risk of low interest rates which will affect cash investments when UK Bank Rate is reduced. This diversification also helps to mitigate the risk of overexposure to a single event affecting a specific asset class, although given the reductions in investment balances resulting from the Authority's planned expenditure on the capital programme it is likely that the Authority will not hold significant amounts in longer term investments.

6.12. The Fire & Rescue Authority continues to hold investments in pooled funds (although this allocation has reduced over the last 12 months) which enables the Fire & Rescue Authority to achieve a greater degree of diversification than could effectively be achieved by directly owning individual assets. Pooled funds are managed by specialist external fund managers who are best placed to select and manage investments, for example with property investments in selecting appropriate buildings and then managing the relationship with tenants and the maintenance of those buildings.

6.13. Diversification in itself does not guarantee positive outcomes. The selection of pooled funds is carefully managed to target funds with a strong performance track record and objectives that are well aligned to the Fire & Rescue Authority's income returns aims without putting its initial investment at undue risk over the longer term. The Fire & Rescue Authority is therefore currently invested in pooled funds that specialise in providing income returns to support the revenue budget. As a result of their income focus these funds may not achieve the same capital growth and therefore total return, as other more general investment funds, however they are likely to deliver good income returns for the longer term.

6.14. The investible universe for pooled funds is vast and part of the service provided by Arlingclose as treasury advisers is to conduct research and suitable due diligence on pooled funds prior to making recommendations to their clients.

6.15. Past performance does not guarantee that funds can replicate successful outcomes in future and knowing which funds will perform well is not an exact science. The Fire & Rescue Authority will therefore continue to conduct its own ongoing review and scrutiny of the performance of its pooled fund investments. The Fire & Rescue Authority will also discuss these investments regularly with Arlingclose, who provide advice based on regular meetings with representatives from the pooled funds and their own ongoing due diligence on areas such as performance and investment style, strategy and process.

6.16. Previously, given the medium to long term nature of the investments, it was unlikely that a capital loss would have been realised since the Fire & Rescue Authority would have avoided selling investments wherever possible that crystallised a capital loss. As the Authority has an identified need to borrow in future, the Chief Financial Officer will continue to review the appropriateness of holding pooled fund investments and the associated risks and benefits taking advice from Arlingclose. In addition to the risk of realising a capital loss, changes to IFRS 9 mean that capital gains and losses on investments need to be reflected in the revenue account on an annual basis, although there is currently a statutory override in place for local authorities (including fire and rescue authorities) that exempts them from complying with this requirement.

6.17. The Fire & Rescue Authority is aware of the risks involved with investing in pooled funds and approved the creation of a Capital and Investment Risk Reserve in February 2023 to mitigate inflationary and interest rate risks to the capital programme and risks associated with the Authority's investments. Further details are provided in the Reserves Strategy.

Investment limit

6.18. The maximum that will be lent to any one organisation (other than the UK Government) will be £4m, which represents a reduction in comparison to the previous TMSS.

6.19. Table 1 indicates that treasury balances are forecast to reduce over all periods and therefore new external borrowing will need to be secured to deliver the anticipated capital programme. However, this investment strategy needs to contain investment limits that allow flexibility to manage higher investment balances to ensure that all of the Fire & Rescue Authority's cash can be invested in accordance with this TMSS in the eventuality that the capital programme doesn't proceed as planned, and increased investment balances become available as well as to manage timing differences between income and expenditure.

6.20. A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on fund managers as shown in Table 3.

Table 3: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£4m each
UK Central Government	Unlimited
Any group of pooled funds under the same management	£10m per manager

Approved counterparties

6.21. The Fire & Rescue Authority may invest its surplus funds with any of the counterparty types in Table 4, subject to the limits shown.

Table 4: Sector and counterparty limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	30 years	Unlimited	n/a
Local authorities & other government entities	25 years	£4m	Unlimited
Secured investments *	25 years	£4m	Unlimited
Banks (unsecured) *	13 months	£2m	Unlimited
Building societies (unsecured) *	13 months	£2m	£4m
Registered providers (unsecured) *	5 years	£2m	£10m
Money market funds *	n/a	£4m	Unlimited
Strategic pooled funds	n/a	£4m	£20m
Real estate investment trusts	n/a	£4m	£10m
Other investments *	5 years	£2m	£4m

This table must be read in conjunction with the notes below

*** Minimum credit rating**

6.22. Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-/A3. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant known factors including external advice will be taken into account.

6.23. For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

Government

6.24. Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 30 years.

Secured investments

6.25. Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured)

6.26. Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured)

6.27. Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds

6.28. Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Fire & Rescue Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds

6.29. Shares or units in diversified investment vehicles consisting of bond, equity and property investments. These funds offer enhanced returns over the longer term but are more volatile in the short term and allow the Fire & Rescue Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. This sector also includes cash plus funds which are also a type of pooled fund, but are used for short-term funds, with a lower risk appetite. Because strategic pooled funds have no defined maturity date, but are available for withdrawal after a notice period; their performance and continued suitability in meeting the Fire & Rescue Authority's investment objectives will be monitored regularly.

Real estate investment trusts (REITs)

6.30. Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments

6.31. This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Fire & Rescue Authority's investment at risk.

Operational bank accounts

6.32. The Fire & Rescue Authority may incur operational exposures, for example though current accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept low. The Fire & Rescue Authority's operational bank account is with National Westminster and aims to keep the overnight balances held in current accounts as positive, and as close to £0 as possible. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Fire & Rescue Authority maintaining operational continuity.

Risk assessment and credit ratings

6.33. Short and long-term credit ratings from the three main providers (Fitch Ratings, Moody's and Standard and Poor's) are obtained and monitored by the Fire & Rescue Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

6.34. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments

6.35. The Fire & Rescue Authority understands that credit ratings are good but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Fire & Rescue Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

6.36. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Fire & Rescue Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Fire & Rescue Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office, or invested in government treasury bills for example, or with other local authorities. This will likely lead to investment returns falling but will protect the principal sum invested.

Reputational aspects

6.37. The Fire & Rescue Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

Liquidity management

6.38. The Fire & Rescue Authority has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements, such as payroll, capital payments, grant income and council tax precept. Limits on long-term investments are set by reference to the Fire & Rescue Authority's medium term financial position (summarised in Table 1) and forecast short-term balances.

6.39. The Fire & Rescue Authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider, except in cases of extreme market stress whereby the Fire & Rescue Authority will be able to invest all of its liquid cash in one provider only, being the Debt Management Office.

7. Treasury Management Indicators

7.1. The Fire & Rescue Authority measures and manages its exposures to treasury management risks using the following indicators.

Interest rate exposures

7.2. The following indicator shows the sensitivity of the Fire & Rescue Authority's current investments and borrowing to a change in interest rates. Fixed rate investments maturing during the year are assumed to be variable for the remainder of the year.

Table 5: Interest rate risk indicator

	31 December 2023	Impact of +/-1% interest rate change
	£m	£m
Sums subject to variable interest rates		
Investment	17.8	+/- 0.2
Borrowing	0.0	+/- 0.0

Maturity structure of borrowing

7.3. This indicator is set to control the Fire & Rescue Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 6: Refinancing rate risk indicator

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	75%	0%
20 years and above	100%	0%

7.4. Time periods start of the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than a year

7.5. The purpose of this indicator is to control the Fire & Rescue Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 7: Price risk indicator

	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond a year	£12m	£10m	£8m	£4m

8. Related Matters

8.1. The CIPFA Code require the Fire & Rescue Authority to include the following in its treasury management strategy.

Financial derivatives

In the absence of any explicit legal power to do so, the Fire & Rescue Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

Investment Advisers

8.2. Arlingclose Limited is appointed as treasury management advisers and provides specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with Hampshire County Council's Director of Corporate Operations' staff and Arlingclose.

Markets in Financial Instruments Directive

8.3. The Fire & Rescue Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Fire & Rescue Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status at this current time.

8.4. As shown in Table 1, it is expected that over the forecast period investment balances will reduce and further external borrowing will need to be secured. As a result, in future the investment balances may reduce to below the £10m minimum threshold expected of professional clients by the Directive, which means that some financial institutions (including the Fire & Rescue Authority's treasury advisers, Arlingclose) may no longer accept the Fire & Rescue Authority as a professional client.

8.5. However in the event that this does happen, the Chief Financial Officer does not expect a retail client status to negatively affect the Fire & Rescue Authority's treasury management activities due to Arlingclose being able to accept it as a retail client, as well as the service provided by Hampshire County Council. Through the treasury management service supplied by Hampshire County Council, the Fire & Rescue Authority will have access to information on appropriate options for investment, which are shared amongst all partners. The Chief Financial Officer will agree suitable investment counterparties, based on this information for the sectors described in paragraphs 6.23-6.32.

8.6. The Chief Financial Officer will provide an update on the professional client status of the Fire & Rescue Authority in the Treasury Management Strategy Statement that will be produced for the 2025/26 financial year.

9. Financial Implications

9.1. The budget for investment income in 2024/25 is £0.210m, whilst the budget for debt interest paid in 2024/25 is £2.252m, although the actual borrowing costs are likely to vary from this amount as they are dependent on the timing of capital expenditure and the associated timing, source and interest rates secured on any new external borrowing.

10. Other Options Considered

10.1. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in Table 8.

Table 8: Alternative strategies and their implications

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term

Table 8: Alternative strategies and their implications

Alternative	Impact on income and expenditure	Impact on risk management
		interest costs may be less certain.

Annex A – Arlingclose Economic & Interest Rate Forecast - December 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium- term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early mid 2026.

- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

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	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%; PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%; UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

Annex B - Existing Investment & Debt Portfolio Position at 31 December 2023

Treasury investment position

Investments	**30/09/23 Balance £m**	**Net movement £m**	**31/12/23 Balance £m**	**31/12/23 Income return %**	**31/12/23 Weighted average maturity (years)**
Short term investments					
Banks and building societies:					
- Unsecured	2.3	(0.1)	2.2	4.45	0.01
- Secured	1.1	0.0	1.1	5.44	0.04
- High quality	1.0	(1.0)	0.0	N/A	N/A
Money Market Funds	19.3	(12.2)	7.2	5.32	0.01
Government:					
- Local Authority	0.0	1.0	1.0	5.45	0.26
- Treasury Bills	1.0	2.0	3.0	5.32	0.18
	24.7	**(10.2)**	**14.5**	**5.21**	**0.05**
Long term investments					
Pooled funds:					
- Pooled property*	3.3	0.0	3.3	4.76	N/A
	3.3	**0.0**	**3.3**	**4.76**	**N/A**
TOTAL INVESTMENTS	**28.0**	**(10.2)**	**17.8**	**5.13**	**0.05**

* The rates provided for pooled fund investments are reflective of annualised income returns over the year to 31 December 2023 based on the market value of investments 12 months earlier.

Treasury management position

	31/12/23 Balance £m	**31/12/23 Rate %**
External Borrowing - PWLB	(5.6)	(4.59)
Investments - Total Investments	17.8	5.13
NET INVESTMENTS	**12.2**	

Annex C – Treasury management indicators at 31 December 2023

Investment limits	**31/12/23 Actual £m**	**2023/24 Authorised Limit**	**Complied**
The UK Government	3.0	Unlimited	✓
Local authorities & other government entities	1.0	Unlimited	✓
Secured investments	1.1	Unlimited	✓
Banks (unsecured)	2.2	Unlimited	✓
Building societies (unsecured)	0	£6m	✓
Registered providers	0	£6m	✓
Money market funds	7.2	Unlimited	✓
Strategic pooled funds	3.3	£24m	✓
Real estate investment trusts	0	£6m	✓
Other investments	0	£6m	✓

Debt limits	**2023/24 YTD Maximum £m**	**31/12/23 Actual £m**	**2023/24 Operational Boundary £m**	**2023/24 Authorised Limit £m**	**Complied**
Total debt	6.3	5.6	45.8	51.0	✓

Refinancing rate risk indicator	**31/12/23 Actual**	**Upper Limit**	**Lower Limit**	**Complied**
Under 12 months	0%	50%	0%	✓
12 months and within 24 months	6%	5%	0%	✓
24 months and within 5 years	2%	50%	0%	✓
5 years and within 10 years	35%	75%	0%	✓
10 years and within 20 years	57%	75%	0%	✓
20 years and above	0%	100%	0%	✓

Long term investments	**2023/24**	**2024/25**	**2025/26**
Principal invested beyond year end	£3.3m	£3.3m	£3.3m
Limit on principal invested beyond year end	£12m	£12m	£12m
Complied?	✓	✓	✓

Capital and Investment Strategy 2024/25 to 2026/27

This strategy document is presented in three sections and requires approval by the Authority.

- **Section A: Capital Strategy**

  This gives a high-level overview of how capital expenditure, capital financing, treasury management and investment activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

- **Section B: Minimum Revenue Provision Statement**

  This is a statement that the Authority is required to prepare and approve each year setting out its policy on making MRP in respect of the upcoming financial year. The statement sets out how the Authority proposes to discharge its duty to make prudent MRP charges to the revenue budget.

- **Section C: Non-treasury Investment Strategy**

  This focuses on investments that are not made for treasury management purposes and supports transparent reporting and democratic accountability for any such non-treasury investments.

The requirement for this strategy document stems from the:

- Local Government Act 2003, Section 15(1)
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146]

As a result, the Authority is required to have regard to:

- MHCLG Statutory Guidance on Local Government Investments
- MHCLG Statutory Guidance on Minimum Revenue Provision (MRP)
- CIPFA's Prudential Code (last updated 2021)
- CIPFA's Treasury Management Code (last updated 2021)

Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, and a Treasury Management Strategy (TMS) in line with the requirements of the Treasury Management Code, the Investment Strategy can be published in those documents instead of as a separate document. The Authority includes its non-treasury management Investment Strategy alongside the Capital Strategy in this document. The TMS is a separate document reported to Authority and includes the investment strategy for treasury management investments.

Section A: Capital Strategy

1. Introduction

1.1 This Strategy gives a high-level overview of how capital expenditure, capital financing, treasury management and investment activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

2. Governance arrangements for capital investment

2.1 The Authority's overarching objective is set out in the statement *"Together We Make Life Safer."* The Medium Term Financial Plan (MTFP) is the financial plan to support the Authority in achieving its objectives and ensures that it continues to invest wisely in existing assets and the delivery of a programme of new ones in line with overall priorities and need. The MTFP is closely aligned to the development of the Authority's priorities to meet its Safety Plan objectives.

2.2 Governance arrangements for capital expenditure are set out in detail within the Authority's financial regulations. This includes a requirement for a capital programme to be prepared each year for consideration by Members including details of all schemes showing the phasing of costs and method of funding as well as an estimate of the revenue implications for the scheme. Any potential scheme with projected costs in excess of £1m need to be formally appraised and a report submitted to the Authority for approval before any expenditure can be committed.

2.3 Capital investment priorities are kept under review by the Executive Group, chaired by the Chief Fire Officer. The majority of the Authority's capital investment is in its estate and fleet, both of which fall under the remit of the Director of Corporate Services, who is a member of the Executive Group, as is the Chief Financial Officer.

2.4 Risk management is an integral part of determining and delivering a capital programme. Programme and project management, monitoring and reporting is used to manage schemes within the capital programme and ensure appropriate escalation of risks and issues. To further help to mitigate risk, the Authority approved the creation of a Capital and Investment Risk Reserve in February 2023.

2.5 The Authority has set a target to reach net zero carbon emissions by 2050 which will require sustained investment to reduce the organisation's impact on the environment. This is driven by several factors: the Government Climate Change Act; the increase in energy prices; and a need to reduce the future consequences of inaction, since the Service acts as a first responder to events such as flooding and storms, both impacted by changes in climate. The Authority has an approved Carbon Reduction Pathway in place.

3. Capital expenditure, capital financing and asset management

3.1 Capital expenditure is spending by the Authority on assets that will be used for more than one year, such as land, property, or vehicles. In local government this includes relevant spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy or enhance assets.

3.2 The Authority considers estimates for the timing of capital expenditure and the availability of financial resources when determining the capital programme.

3.3 There are a number of ways that capital expenditure can be funded:

- Funding can be sought from **external sources**, such as capital grants and contributions from other bodies, including developers. The opportunities for the Authority here are limited and it receives no capital funding from central government. The Authority will continue to explore opportunities as they arise, for example grants that may be available to support the carbon reduction pathway.
- **Capital receipts** secured through the sale of assets owned by the Authority can also be used to fund expenditure, although opportunities here are limited and any asset can only be sold once.
- The Authority's capital programme is therefore almost entirely funded through its own **local resources**, comprising prudential borrowing, contributions from the revenue budget, and the use of reserves. **Reserves** can only be spent once, and **prudential borrowing** creates a future pressure on the revenue budget through interest and repayment of principal (Minimum Revenue Provision) costs. Similarly, pressures on the revenue budget limit the extent to which **planned revenue contributions** can be used as a source of funding.

Capital expenditure

3.4 Table 1 provides details of the Authority's capital programme and the estimated expenditure flows. This is one of the required Prudential Indicators.

Table 1: Capital programme forecast expenditure flows (Prudential Indicator 1)

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Forecast Expenditure	28,446	26,269	12,513	7,081	3,839

3.5 The most significant elements of the Authority’s capital programme related to the Station Investment Programme, other developments to the estate (including the application of retrospective design principles and actions related to the carbon reduction pathway) and the investment in vehicles. Further details can be found in Appendix C.

3.6 The Authority continues to proactively monitor the developing research and awareness of impacts for fire and rescue personnel of the products of combustion from fires (fire contaminants). An update report was provided to the Authority in October 2023 and changes to assets, facilities and practices may further impact the capital programme in future.

Capital financing

3.7 All capital expenditure must be financed, either from external sources, the Authority’s own resources, or debt. Debt is only a temporary source of funding and is replaced over time by other financing, usually from revenue through annual Minimum Revenue Provision (MRP) charges. External debt will also incur interest costs. The Authority’s borrowing strategy is summarised in Section 5 and forms part of its Treasury Management Strategy.

3.8 The resources to fund the capital expenditure flows set out in Table 1 are shown in Table 2.

Table 2 - Resources to Fund Capital Expenditure

	2023/24 £’000	2024/25 £’000	2025/26 £’000	2026/27 £’000	Future years £’000
Prudential borrowing	14,759	8,029	5,737	3,262	155
Capital receipts	59	0	0	0	0
Contributions from other bodies	0	0	0	0	0
Use of capital payments reserve	13,859	19,411	6,776	3,819	3,684
Revenue Contribution to Capital	0	0	0	0	0
Total resources	**28,677**	**27,440**	**12,513**	**7,081**	**3,839**

3.9 In addition to the draws from the capital payments reserve for capital expenditure shown in Table 2, further draws are forecast to fund major revenue investments in 2023/24 (£0.231m) and 2024/25 (£1.171m). This is appropriate because the original source of funding for the capital payments reserve was revenue resources.

Asset management and disposal

3.10 Asset management for the Authority's estate is conducted by the Property and Facilities team within the Corporate Services directorate.

3.11 The Authority is required to discharge its responsibilities to safeguard public funds by correctly managing the lifecycle of assets under its stewardship. The Asset Management Policy sets out a whole life, whole asset approach to achieving this responsibility.

3.12 The policy also ensures that the Authority meets its legal requirements under the Fire and Rescue Services Act 2004 and Civil Contingencies Act 2004 to secure the provision of services and equipment necessary to meet all normal service delivery requirements.

3.13 The policy is reviewed on an annual basis to ensure it remains accurate and up to date. It helps to ensure a direct correlation between the Safety Plan priorities and the Corporate Services Strategic Plan in managing the Authority's assets. This includes maintaining written asset management plans and the appropriate use of asset management systems.

3.14 The policy sets out key principles to aid asset management decision making in terms of:

- Effectiveness
- Legislative compliance
- Value for money
- Stewardship

3.15 Capital receipts are generated when a capital asset is identified as surplus to requirements and is then sold. The proceeds from these asset sales may be used to fund new capital assets or to repay debt. The repayment of capital grants, loans and investments will also count as capital receipts, with the same restrictions on future use of the proceeds. The Authority has relatively limited opportunities to generate capital receipts.

3.16 The Authority's financial regulations set out that the Authority is required to consider and approve the sale and purchase of land or buildings with a value greater than £250,000 or the disposal of land of buildings by way of lease or license for a period of greater than 10 years or at a value greater than £100,000 per annum.

4. Prudence and affordability

4.1 The Authority is required to ensure that capital expenditure, investment and borrowing decisions are prudent, sustainable and affordable. There are a number of prudential indicators that must be set and monitored to help with this requirement, which are set out in the Prudential Code. Actual figures for the prudential indicators at the end of each quarter will be included in regular reporting to Members. The prudential indicators cover:

- Capital expenditure (Tables 1 and 3)
- External debt (Tables 3 and 5)
- Affordability (Tables 6 and 7).

4.2 The Prudential Code sets out that certain acts and practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment. The Authority will not therefore:

- Borrow to invest primarily for financial return
- Make investment or spending decisions that increase the CFR unless directly and primarily related to the functions of the authority (any financial returns should either be related to the financial viability of the project or incidental to the primary purpose).

Prudential borrowing

4.3 Capital financing costs associated with prudential borrowing must be financed by the Authority from its own resources. It is therefore important that the use of prudential borrowing is very closely controlled and monitored. The Authority will only use prudential borrowing where there is a clear financial case to support doing so, although it will not borrow to invest primarily for financial return and therefore retains full access to the Public Works Loan Board (PWLB).

Ensuring borrowing is only for capital purposes

4.4 The Capital Financing Requirement (CFR) is the cumulative outstanding amount of debt finance. The CFR increases with new debt-funded capital expenditure and reduces through annual Minimum Revenue Provision (MRP) charges to the revenue budget and any capital receipts or other contributions used to replace debt.

4.5 The Prudential Code states that a local authority must ensure that gross debt is only for capital purposes over the medium term, which means that gross external debt must not exceed the total of the CFR from the preceding year plus the estimates of any additional CFR for the current and next two financial years, except in the short term. This is a key indicator of prudence and is shown in Table 3.

Table 3: Ensuring Borrowing is Only for Capital Purposes (Prudential Indicator 2)

	31/03/24 Revised £M	31/03/25 Estimate £M	31/03/26 Estimate £M	31/03/27 Estimate £M
CFR	**29.3**	**37.0**	**41.8**	**44.0**
Debt				
Borrowing	5.6	22.6	35.7	36.6
Leases	0.0	0.4	0.4	0.4
Total Debt	**5.6**	**23.0**	**36.1**	**37.0**

4.6 Total debt is expected to remain below the CFR during the forecast period. The estimates for CFR and debt reflect the introduction of IFRS 16 (the new accounting standard for leases) from April 2024.

4.7 External debt is expected to remain below the CFR because of the Authority's borrowing strategy, whereby it has used internal borrowing (the temporary use of internal cash balances) to fund capital expenditure in place of borrowing money from external sources on the advice of its treasury management advisors, Arlingclose.

4.8 The Authority is expecting to undertake new external borrowing to support its capital programme plans and the forecasts in Table 3 are based on the current best assumptions for the timing of this borrowing, in line with the capital programme forecasts, consistent with Table 1 in the Treasury Management Strategy. The timing and source of borrowing will be determined in line with the Treasury Management Strategy and upon taking advice from Arlingclose.

Affordable borrowing limit

4.9 The Authority is legally obliged to set an Authorised Limit for the maximum affordable amount of external debt. In line with statutory guidance, a lower 'Operational Boundary' is also set as a warning level should debt approach the limit. The Operational Boundary is based on the Authority's estimate of a prudent but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the CFR and cash flow requirements, and is a key management tool for in-year monitoring.

Table 4: Affordable Borrowing Limits (Prudential Indicators 3 and 4)

	2023/24 Revised £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M
Authorised Limit:				
Borrowing	36.1	43.3	48.2	50.4
Leases and other	5.0	5.4	5.4	5.4
Authorised Limit	**41.1**	**48.7**	**53.6**	**55.8**
Operational boundary:				
Borrowing	32.7	39.9	44.8	47.0
Leases and other	5.0	5.4	5.4	5.4
Operational Boundary	**37.7**	**45.4**	**50.2**	**52.4**

Affordability of financing costs

4.10 Capital expenditure is not charged directly to the revenue budget, however the interest payable on loans and the annual MRP are charged to revenue, as are other financing costs such as interest payable under finance leases and amounts relating to the early settlement of borrowing. In aggregate these costs are known as financing costs. The impact of these costs needs to be well understood prior to making capital investment decisions and then closely monitored.

4.11 Table 5 shows the proportion of the Authority's net revenue stream (Council Tax, business rates and general government grants) required to meet financing costs. This is an indicator of the affordability of the Authority's capital programme.

Table 6: Ratio of Financing Costs to Net Revenue Stream (Prudential Indicator 5)

	2023/24 Revised	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Ratio	0.8%	3.0%	3.5%	3.5%

4.12 A low proportion is forecast, demonstrating that the cost of financing is minimised and the proportion of the revenue budget available for delivering services is maximised. The increase reflects the planned prudential borrowing associated with enhancements to the Authority's estate. The actual ratio in future years will depend upon the timing of capital expenditure and the timing, source and interest rates secured on any new borrowing.

Reliance on income from commercial and service investments

4.13 The update to the Prudential Code in 2021 introduced a new prudential indicator intended to show how reliant a local authority is on income from commercial and service investments, and therefore how exposed the authority is to the loss of this income.

4.14 The Authority does not make new investments for commercial or service purposes, however it does hold two assets as investment properties on its Balance Sheet. These assets relate to discrete buildings on existing fire station sites where the buildings are no longer required by the Authority for service delivery. They have therefore been rented out to public sector partners and count as assets held exclusively for rental income and/or capital appreciation, therefore meeting the technical definition of an investment property.

Table 7: Net Income from Commercial and Service Investments to Net Revenue Stream (Prudential Indicator 6)

	2023/24 Revised	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Ratio	0.1%	0.1%	0.1%	0.1%

5. Treasury Management

5.1 The Treasury Management Strategy (TMS) supports the Capital and Investment Strategy in setting out the arrangements for the management of the Authority's cash flows, borrowing and investments, and the associated risks.

5.2 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

5.3 The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

5.4 The Authority has potentially large exposures to financial risks through its investment and borrowing activity, including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's Treasury Management Strategy (TMS).

5.5 The Authority's TMS, included as Appendix E to this report and is approved by the Authority each year. Actual performance is reviewed by the Authority at mid-year and the end of each financial year.

5.6 Treasury Management prudential indicators are included within the Treasury Management Strategy.

Treasury management borrowing strategy

5.7 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans, should the Authority's long-term plans change, is a secondary objective.

Treasury management investment strategy

5.8 The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.9 The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

5.10 The Authority's actual and forecast treasury management investment balances are shown in Table 9 with further detail in the TMS.

Table 8 – treasury management investments

	31/3/23 actual £m	**31/3/24 forecast £m**	**31/3/25 forecast £m**	**31/3/26 forecast £m**
Short term investments	21.49	6.75	4.75	2.75
Long term investments	7.00	3.25	3.25	3.25
Total	**28.49**	**10.00**	**8.00**	**6.00**

Pooled fund investments

5.11 The Authority holds reserves for a number of purposes, which are explained in more detail in the Reserves Strategy (Appendix D). Where the Authority holds surplus cash, it is invested until it is required, in accordance with the Authority's TMS. This includes allocating a proportion to investments in pooled funds. The Authority currently holds pooled fund investments totalling £3.25m, having reduced its holding over the past 12 months.

5.12 These investments help the Authority to mitigate interest rate and inflation risks as part of its TMS. They also present a number of risks which must be carefully managed, including the risk of loss of capital, illiquidity, entry and exit fees, and volatility of returns.

5.13 Following the increases in UK Bank there is no longer a significant difference between the interest rates being achieved by pooled fund investments and cash, as short-term interest rates are now comparable with returns being targeted from pooled funds. The Authority will however continue to make use of long-term balances where appropriate, with the option of making investments in longer term investments including local authorities, other asset classes and regions, fixed capital value and pooled funds to mitigate the risk of low interest rates which will affect cash investments when UK Bank Rate is reduced. This diversification also helps to mitigate the risk of overexposure to a single event affecting a specific asset class, although given the reductions in investment balances resulting from the Authority's planned expenditure on the capital programme it is likely that the Authority will not hold significant amounts in longer term investments.

5.14 The Authority is aware of the risks involved with investing in pooled funds that hold underlying investments in bonds, equities, property and other financial instruments. Since 2023 it has held a specific Capital and Investment Risk Reserve to mitigate inflationary and interest rate risks to the capital programme and risks associated with the Authority's investments. Further details are included in the February 2023 update to the Reserves Strategy. The risks include not only the risk of crystalising a loss, but also risks related to the accounting treatment of fair value gains and losses under IFRS 9. There is currently a statutory override in place that means that changes in fair value do not have to be charged to the revenue budget, however this is due to end on 31 March 2025.

5.15 The selection of investments to target higher yields is carefully managed with the assistance of Arlingclose, the Authority's treasury management advisor. in Diversification in itself does not guarantee positive outcomes. The selection of pooled funds is carefully managed to target funds with a strong performance track record and objectives that are well aligned to the Fire & Rescue Authority's income returns aims without putting its initial investment at undue risk over the longer term.

5.16 The Authority utilises pooled investment vehicles as the most appropriate means to access asset classes such as property or equities. Pooled funds are managed by external specialist investment managers who are best placed to select investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building.

6. Knowledge and skills

6.1 Through the Hampshire Shared Services Partnership, the Authority is advised by professionally qualified and experienced staff in senior positions supporting capital expenditure, borrowing and investment decisions in accordance with approves strategies.

6.2 The Chief Financial Officer (S151 officer) and Deputy Chief Financial Officer (Deputy S151 officer) for the Authority are experienced members of the Chartered Institute of Public Finance and Accountancy (CIPFA), as is the Head of Investments and Borrowing, who oversees daily treasury management activity. Performance against targets and learning and development needs are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

6.3 Staff attend training courses, seminars and conferences provided by CIPFA, Arlingclose and other providers. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.

6.4 CIPFA's Code of Practice requires that the Authority ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. All Members were invited to a workshop presented by Arlingclose in November 2023, which gave an update of treasury matters. A further Arlingclose workshop is planned for 2024.

6.5 The Authority 'opted-up' to professional client status with its providers of financial services when the Markets in Financial Instruments Directive was put in place. Given the size and range of treasury management activities, the Chief Financial Officer believes this to be the most appropriate status at this current time. Investment balances are expected to fall over time as the Authority progresses with the approved capital programme and balances may fall below the £10m minimum threshold expected of professional clients under MiFID II. However, in the event that this does happen, the Chief Financial Officer does not expect a retail client status to negatively affect the Authority's treasury management activities due to Arlingclose being able to accept it as a retail client, as well as the service provided by Hampshire County Council. Through the treasury management service supplied by Hampshire County

Council, the Authority will have access to information on appropriate options for investment, which are shared amongst all partners. The Chief Financial Officer will then agree suitable investment counterparties based on this information as applicable. The Chief Financial Officer will provide an update on the professional client status in the 2025/26 TMS.

Investment Advisers

6.6 As part of the Hampshire Shared Services Partnership, Hampshire County Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with the Deputy Chief Executive and Director of Corporate Operations for Hampshire County Council, their staff, and Arlingclose. The Chief Financial Officer for the Authority also attends these meetings.

7. Chief Financial Officers Conclusion on the Affordability and Risk Associated with the Capital and Investment Strategy

7.1 This Capital and Investment Strategy has been developed alongside the TMS (Appendix E) and the Reserves Strategy (Appendix D). Together, they form an integrated approach adopted by the Authority to balance the need for capital investment to support service priorities with consideration of affordability and the consequent impact on the revenue budget, whilst recognising and managing risk to an acceptable level.

7.2 The forward planning of capital investment and its funding, including being in a position to maximise the use of external grants, contributions and capital receipts if available, together with the process of regular monitoring of actual income, expenditure, and project progress, provides assurance to the Chief Financial Officer that the proposed Capital Programme is prudent, affordable and sustainable.

7.3 The Estates Capital Programme significantly increases prudential borrowing and brings with it associated annual revenue costs over the longer term. The Authority and Service are aware of the impact of this new borrowing and it has been taken into account in setting the Medium Term Financial Plan, the revenue budget for 2024/25 and the capital programme.

Section B: Minimum Revenue Provision Statement

8. Minimum Revenue Provision (MRP) Statement

8.1 Where the Authority finances capital expenditure by debt, statutory guidance requires it to put aside revenue resources to repay that debt in later years, known as MRP. The Local Government Act 2003 requires the Authority to have regard to proper practice as issued by Government. The Department for Levelling Up, Housing and Communities has been consulting on proposed changes to the relevant regulations to ensure that all authorities make adequate revenue provision. The current consultation closes on 16 February 2024 and until that is concluded, the relevant government guidance is as issued in 2018.

8.2 The broad aim of the government guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits or, in the case of borrowing supported by Government Revenue Support Grant (RSG), reasonably commensurate with the period implicit in the determination of that grant.

8.3 The guidance requires the Authority to approve an Annual MRP Statement each year, and whilst it provides a range of options for the calculation of MRP, the guidance also notes that other options are permissible provided that they are fully consistent with the statutory duty to make prudent revenue provision.

8.4 The four options provided are:

- Option 1: Regulatory Method
- Option 2: CFR Method (4% of the CFR)
- Option 3: Asset Life Method
- Option 4: Depreciation Method

8.5 Options 1 and 2 may be used only for historic supported capital expenditure funded from borrowing (i.e. financing costs deemed to be supported through the RSG from central government). Methods of making prudent provision for unsupported capital expenditure are restricted to Options 3 and 4 (which may also be used for supported capital expenditure if the Authority chooses).

8.6 **Supported borrowing:** The Authority will continue to apply Option 2 in respect of historic supported capital expenditure funded from borrowing with an MRP charge equal to 4% of the CFR balance in respect of that expenditure.

8.7 **Unsupported borrowing:** The Authority will continue to apply Option 3 in respect of unsupported capital expenditure funded by borrowing by charging

MRP over the expected useful life of the relevant assets in equal instalments. The Authority's current capital programme plans will deliver enhancements to its estate funded through prudential borrowing, for example through the creation of new fire stations where MRP will be charged over 50 years.

8.8 **Leases:** For assets acquired by leases, MRP will be determined to be equal to the element of the rent or charge that goes to write down the balance sheet liability. The mandatory adoption of the new accounting standard for leases (IFRS 16) is April 2024 and will mean that former operating leases will be brought onto the balance sheet from 1 April 2024. Where this is the case, the annual MRP charge will be set so that the total charge to the revenue budget remains unaffected by the new accounting standard.

8.9 **Commencement of MRP:** Capital expenditure will not be subject to MRP charges until the year after the expenditure takes place.

MRP forecast

8.10 Based on the Authority's latest estimate of its CFR on 31 March 2024, the budget for MRP has been set as follows:

Table 9: MRP Budget

	31/03/2024 Estimated CFR £'000	2024/25 Estimated MRP £'000
Supported Capital Expenditure	9,035	361
Unsupported Capital Expenditure After 31/03/2008	20,259	409
Leases	0*	7
Total	**29,294**	**777**

* leases are due to be brought onto the Balance Sheet on 1 April 2024 in implementing IFRS 16

Section C: Non-treasury investment strategy

9. Introduction

9.1. The government issued statutory guidance on local government investments in 2018. The Authority is required to have regard to this guidance, which complements both the Prudential Code and Treasury Management Code. The update to the guidance in 2018 reflected changes in patterns of local authority behaviour that were considered to be exposing local authorities to too much financial risk, with insufficient transparency and the potential for insufficient expertise in understanding complex transactions being entered into.

9.2. The Authority may invest its money for three broad purposes:

a. Because it has surplus cash from its day to day activities (treasury management investments)

b. To support local public services by lending to or buying shares in another organisation (service investments)

c. To earn investment income (commercial investments where this is the main purpose)

9.3. The statutory guidance defines investments as *"all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios."*

9.4. The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority's definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

9.5. The government guidance states that assets that generate revenue income solely through fees and charges for discretionary services levied under Section 93 of the Local Government Act 2003 should not be classified as non-financial investments for this purpose.

Treasury management investments

9.6. There is typically a timing difference for local authorities between receiving cash (e.g. taxation and grants) and incurring expenditure. Local authorities also hold reserves balances to fund future expenditure. Where cash is held it is therefore invested in accordance with the requirements of the CIPFA Treasury Management Code. The majority of the Authority's investments are treasury management investments and covered in the Capital Strategy (Section A of this document) and the separate Treasury Management Strategy.

9.7. The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Commercial and service investments

9.8. The Authority primarily uses its property estate for the delivery of frontline services, with asset management conducted by the Property and Facilities team within the Corporate Services directorate. Where practical and without having an operational impact, the Authority will look to use property assets to reduce the annual revenue cost of the estate and to maximise the potential for income generation, for example through the use of vacant space within buildings and forming partnerships with other emergency services by sharing buildings.

9.9. **Investments for commercial purposes** are defined in the Prudential Code as being undertaken primarily for financial return but without being linked to treasury management activity or being part of service delivery. They are therefore additional investments taken voluntarily with the primary objective of generating a net financial return or profit. They will usually constitute capital expenditure. The income generated helps to deliver service objectives.

9.10. **Investments for service purposes** are those undertaken primarily and directly for the delivery of public services or in support of joint working with others to deliver such services. They will normally constitute capital expenditure and it may be appropriate to borrow to finance these investments. They may or may not deliver financial returns, but this will not be the primary purpose of the investment.

9.11. The Authority does not consider the use of spare capacity within buildings within its estate to constitute **commercial or service investments.** The income generated from allowing partners to use space within the Authority's buildings provides a contribution to offset costs being incurred by the Authority rather than to generate a profit and is an effective way of utilising assets. This is consistent with definitions within the CIPFA Code for investment properties.

9.12. The Authority does however have two separate buildings at existing fire station sites which have been classified as investment properties on the Balance Sheet, with a valuation of £0.754m at 31 March 2023. The assets are held as investment properties because they are discrete buildings no longer required for operational purposes by the Authority and are instead therefore being rented out to partners. For the purposes of this investment strategy these assets have therefore been included as commercial investments, however the value and nature of these assets, the reason for holding them, and the associated level of risk is very different from a traditional commercial property investment portfolio.

Investment indicators

9.13. The government guidance states that:

> *"…authorities should present a range of indicators to allow members and other interested parties to understand the total exposure from borrowing and investment decisions. The indicators should cover both the local authority's current position and the expected position assuming all planned investments for the following year are completed. The indicators do not need to take account of Treasury Management investments unless these are expected to be held for more than 12 months.*
>
> *The Guidance requires local authorities to develop quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions."*

9.14. The government guidance suggests a number of investment indicators for local authorities to use. The majority of the Authority's investments are treasury management investments and covered by the Treasury Management Strategy. In addition, as outlined above, the two investments classified as investment properties are low value and only exist because the Authority is utilising discrete buildings on existing fire station sites to generate income. A simplified table of indicators is therefore presented in Table 10.

Table 10 – Total Investment Exposure (£m)	**31.03.2023 Actual**	**31.03.2024 Forecast**	**31.03.2025 Forecast**
	£m	**£m**	**£m**
Treasury management (long term)	7.00	3.25	3.25
Service investments (loans)	0.00	0.00	0.00
Service investments (equity)	0.00	0.00	0.00
Commercial investments	0.75	0.75	0.75
Total investments	7.75	4.00	4.00

Section 25 Report from the Chief Financial Officer

Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to the Authority when setting its council tax on:

- the robustness of the estimates included in the budget, and
- the adequacy of the financial reserves in the budget.

The Authority is required to have regard to this report in approving the budget and council tax. Section 25 concentrates primarily on the risk, uncertainty, and robustness of the budget for the next financial year rather than the greater uncertainties in future years. Given the continued lack of a multi-year settlement, the well documented issues of financial sustainability in the sector and the challenging position in later years of the Medium Term Financial Plan, this report considers not only the short term position but also the position beyond 2024/25.

Robustness of Estimates in the Budget

The budget setting process within the Fire Authority has been operating effectively for many years and is based on incremental changes to budgets each year allowing for pay and price inflation and other marginal base changes in the cost or levels of service. For the 2024/25 process, necessary increases to budgets resulting from delivery pressures were identified and robustly challenged by the Executive Group, before being presented to the Fire Authority for initial approval over the course of the financial year. These pressures either relate to necessary service enhancements or to market pressures increasing the price of existing services.

The Executive Group also considered the ability of the service to deliver efficiencies, to manage the budget gap and ensure value for money in service delivery. Our productivity and efficiency plan sets out how cashable savings have been delivered and how other savings have been used for reinvestment in service improvement.

Inflation remains high although is no longer forecast to increase. Pay costs make up more than 71% of the budget, so uncertainty about pay ultimately has a negative impact on the robustness of estimates contained within the budget. Prudent assumptions about pay and non pay inflation plus the inclusion of a general contingency mitigate these concerns.

The accounts process for the 2022/23 accounts has been delayed and has only recently commenced. However, I have no reason to believe that this delay has any impact on the robustness of estimates contained within the budget.

As Chief Financial Officer for the Authority I have a close involvement in the budget setting process, and I am content that the estimates are robust based on the knowledge we have available to us currently.

Risks in the Budget 2023/24

The most significant financial risks to the Authority relate to the uncertainty of the medium term position and specifically to the risk that Government funding may reduce, and that pay and price inflation may outstrip the Authority's resources.

a) Government Funding and Policy. The provisional local government settlement was announced in December 2023. This settlement confirmed a 3% referendum limit, as opposed to the £5 (6.2%) that had been the limit in the previous two years. As an Authority that is heavily reliant on Council Tax this had a significant negative impact on the position for 2024/25. The budget gap for 2024/25 has been closed, in large part due to one off funding in the form of the Funding Guarantee Grant, as well as a result of some changes to inflation assumptions. In addition, in February the Home Office confirmed a grant of £2.6m to recognise the additional costs as a result of the triennial valuation of the Firefighters Pension Scheme. This grant is lower than the forecast costs of the pension rate increase for the Authority. These changes are illustrative of the challenges in forecasting funding. Any risk of funding changes is now low for 2024/25.

b) Pay and Price Risk. This risk remains, although inflation has slowed and is forecast to continue reducing. It has been necessary to draw on some of the risk related funding held in the Capital and Investment Risk Reserve as part of the budget setting process. This is as a result of specific and significant inflation on the capital programme. Reasonable allocations for inflation have been built into the budget and some risk related amounts remain in the Budget Equalisation Reserve and the Capital and Investment Risk Reserve. Pay awards for 2024/25 have not yet been agreed. Should these be higher than assumed, this would create an in year pressure that would need to be managed from the contingency, any in year underspends or risk reserves. In light of these mitigations, it would take a major departure from the Authority's assumptions to create a financial problem that could not be managed in year.

c) Treasury Risk. The Authority has limited exposure to interest rate risk as most long term borrowing is undertaken on a fixed rate basis. As a result of the significant prudential borrowing required for the Station Investment Programme, the Authority will need to start borrowing externally. Decisions on when best to take out this borrowing will need to be considered to limit the ongoing revenue liabilities that this will create. The Authority continues to hold some pooled funds, although some holdings were sold during 2023/24. The budget includes very prudent forecasts for investment returns, and the Capital and Investment Risk Reserve remaining balance provides a mitigation against losses on the capital value of pooled funds.

d) Economic uncertainty. There are significant financial challenges in the local government sector, the wider public finances and the economy generally. Although there are no immediate risks to the Authority from these concerns, there is likely to be an impact on the medium term position, as well as on partners and the communities we serve.

The Adequacy of Reserves

The Authority's policy on general balances is to hold a minimum prudent level which is currently set at £2.5m. This balance has remained constant since the start of period of austerity. The projected level of general fund balances will be 2.5% of net expenditure at the beginning of 2024/25 and it is considered that this remains a comfortable level. It is worth noting that the authority has never needed to dip into its general fund balance.

In line with its Asset Management Policy and financial principles, the Authority continues to make annual contributions to earmarked reserves for investment in capital assets and for the refresh of ICT and operational assets. The balance on these reserves has reduced considerably in the last two financial years as significant progress in the delivery of the capital programme has been made. These reserves are essential in ensuring that the Authority is able to invest in assets to ensure that its estate, equipment and vehicles are of a reasonable standard and that the Authority is not creating an unsustainable burden of asset replacement for future years. Regular reviews on the adequacy of these reserves are undertaken.

During the setting of the 2023/24 budget, risk reserves were strengthened. It has been necessary to draw from the Capital and Investment Risk Reserve to fund inflationary increases on the capital programme. An additional one-off contribution has been made to the Budget Equalisation Reserve to provide a mitigation against the risk of a delay in delivering the efficiencies needed to balance the budget in 2025/26 as well as to deal with any unforeseen inflationary pressures in year.

Although the total balances on risk reserves are relatively low, they strengthen the Authority's ability to withstand financial shocks. Should the Authority face financial issues greater than can be managed from these reserves, it would be possible to reduce revenue contributions to earmarked reserves while plans were developed to address budget gaps as a last resort.

Budget 2024/25 – Conclusion

Provided that the Authority considers the above factors and accepts the budget recommendations, especially the recommendation to increase Council Tax by the proposed maximum allowable amount, a positive opinion can be given under Section 25 on the robustness of the estimates in the budget and level of reserves for 2024/25.

The Position Beyond 2024/25

Given the announcement of a further one-year spending round for 2023/24 the Authority is still in the position of not knowing what its financial prospects are beyond a one-year planning horizon. In the absence of concrete information, the Medium Term Financial Plan has been built on a series of prudent assumptions.

The plan indicates that there is a significant deficit forecast for 2025/26. During 2024/25 plans to address this shortfall will be developed and implemented. Should there be necessary delays to plans or should the deficit position be worse than forecast, risk reserves will be used to balance the position, with reductions in contributions to other reserves used as a last resort.

There are significant risks within the Medium Term Financial Plan. Prudent planning assumptions, reserves and a drive to deliver cashable efficiencies within the Service mitigate these risks. It would take a significant change in the funding regime to create a scenario which the Authority could not cope with in the Medium Term.

Catherine Edgecombe

Chief Financial Officer

9 February 2024

Hampshire and Isle of Wight Fire and Rescue Authority

Efficiency Plan 2024/25

This plan forms part of the annual budget setting process. It sets out how the service has delivered and plans to deliver efficiency improvements.

What types of efficiencies are we targeting?

The Service plans to deliver efficiencies in two main ways:

1. Efficiencies on non-pay spend – largely delivered via procurement, maximising the use of assets and ensuring assets are fit for purpose.
2. Workforce efficiencies – increasing the efficiency of our workforce to optimise delivery of our frontline and support services.

During 2024/25 our delivery of efficiencies will have three strands:

a) Delivering non-cashable efficiencies in our processes and ways of working to ensure that we are able to continuously improve our service
b) Delivering cashable efficiencies that can be reinvested
c) Preparing for the delivery of cashable efficiencies to bridge the budget gap in 2025/26, covered later in this report.

What is not an efficiency?

We do not consider measures that reduce the service we provide to our communities to be efficiencies. These are service reductions or cuts. Although it may be necessary to consider service reductions in the future, these would be subject to a separate plan and appropriate consultation.

How does our efficiency plan link to our MTFP and Reserves Strategy?

Our **Medium Term Financial Plan** is our forward looking financial plan that takes account of the Safety Plan objectives and available financial and non-financial information. We consider reasonable assumptions and scenarios and use these to make prudent financial forecasts. Considering ways in which we can work more efficiently supports our financial position either by releasing cashable savings to reduce overall expenditure or offset other pressures or by allowing us to invest in the service. Where savings are not cashable, they enable us to support our communities more effectively.

The **reserves** held by the Authority are important enablers of efficiency. Reserves allow the Authority to:

- Plan for spend over the medium term and to secure economies of scale in purchasing. Our reserves allow us to deliver the right efficiencies at the right time rather than being forced to make sub-optimal decisions driven by the availability of cash flows.
- Allow investment to be made in improvements to service delivery.

Full details of the reserves and the purposes for which they are held are included in the Authority's reserves strategy.

CIPFA Financial Management (FM) Code

The CIPFA FM Code sets out principles to guide local authorities in managing their finances and minimum standards that should be achieved. The Authority is compliant with the requirements of the FM Code and adheres to the six principles of good financial management, which supports the work of our efficiency plan.

In total 3% of our directorate budgets results in an efficiency target of £2.3m. The table below draws out some key achievements for 2023/24, showing how we have met the target for the year. It also sets out our plans for 2024/25 which will be largely driven by the new Safety Plan.

Efficiency Plan – 2023/24 achievements, 2024/25 plans

Non-pay efficiencies

What have we done
We have made procurement savings by using specialist advice and frameworks as appropriate. During 2023/24 we delivered a saving of £125,000 on the replacement of the virtual desktop compared to the original estimated costs of hardware. Similarly, we made a saving of £26,000 on the procurement of mapping software. We have also made savings from leveraging our investment in our estate. Carbon reduction works at Liphook, Bordon and Whitchurch will reduce building running costs as well as support our carbon reduction trajectory. In addition, £100,000 external funding was secured to support the work at Bordon. The design of the new Live Fire Training facility means that wood is burnt more efficiently, saving an estimated £50,000 per annum. We have worked hard to get the most from our existing assets. Changes to the approach to the use of scrap cars in training has reduced costs by £38,000. We have used our training facilities to generate additional income of £22,000. Taking a proactive approach to the replacement of key components in our Breathing Apparatus sets has extended their life by 2 years, resulting in an efficiency of £155,000. We have also carried out activities in house, saving on external spend. Our network groups have delivered awareness training, resulting in high quality, tailored training and saving the costs of purchasing from an external provider. The engagement for phase one of our Community Risk Management Plan was carried out in house, saving an estimated £75,000 against the cost of external provision and building our internal capability.
What are we planning to do
The procurement of a control system is a key priority for this year. This is a collaborated procurement via our Networked Fire Services Partnership. We anticipate that the collaborated approach will deliver efficiencies as well as a better, more resilient service. We will continue to capture savings delivered from other procurement activities. We will continue to benefit from our investment in our estate, with reduced building running costs and further income from partners anticipated. We will continue to review the use of assets to ensure that they are managed effectively in line with our asset management policy. We will consider the implications of any changes to improve the efficiency of our service on our non-pay spend, ensuring that our plans for our non-pay spend align with service changes.

Workforce efficiencies

What have we done
We have made significant progress on a series of activities to refocus our Operations Directorate, moving resources to where they can have the greatest impact. This work has delivered efficiency savings of £1.25m which are being released to deliver 24 hour crewing at Ryde Fire Station, additional investment in Prevention, Protection and On-call Support and resources to support our ongoing work on fire contaminants as well as additional resources for Control. In addition, further efficiencies have been delivered by reallocating resources differently across the geographical groups (£206,000) and making changes to the structures and make-up of the Prevention and Protection teams (£152,000). The introduction of an electronic form to record Safe and Well activity has saved £36,000. A restructure within the Policy, Planning and Assurance Directorate has enabled £90,000 of staffing resources to be reallocated to higher priority work. Carrying out initial training for on-call firefighters in locally rather than at headquarters has saved £3,000 on a single course, as well as the associated benefits in reduced travel time for new on-call firefighters. Our Service Administration team have taken over arranging appointments for Safe and Well visits, meaning that we have saved approximately £51,000 as well as improving the service we are offering to the public. The Chief Fire Officer's briefings now take place on teams. This has enabled the Chief to connect with more members of our team while making an efficiency of approximately £12,000 when compared to the previous programme of senior manager visits.
What are we planning to do
During 20024/25 we will develop and implement a plan to improve the efficiency of our service and to deliver cashable reductions in the budget from 2025/26. The plan will be based on the outputs of the Safety Plan work and will look at our current resources compared to the risks that we have identified. Changes will be proposed and implemented in line with the Fire Authority's policies.

HIWFRA Full Authority

Purpose: Approval

Date: **27 FEBRUARY 2024**

Title: **ANNUAL PAY POLICY STATEMENT**

Report of Chief Fire Officer

SUMMARY

1. Relevant authorities are required by Section 38(1) of the Localism Act 2011 (openness and accountability in local pay) to prepare a Pay Policy Statement. Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) falls within the definition of a relevant authority and as such is required to prepare and publish a Pay Policy Statement.

2. Under the terms of the Localism Act, the Pay Policy Statement must be considered at a full meeting of Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) and cannot be delegated to any committee or sub-committee.

3. The Pay Policy Statement, attached at Appendix A, is correct at the time of writing for the 2024/2025 financial year. It may be updated throughout the financial year if there is a pay review/award as this will change the details of the financial content and the corresponding assessment of multiples.

BACKGROUND

4. Increased transparency about how taxpayers money is used, including in the pay and reward of public sector staff, is now a legislated requirement.

5. A Pay Policy Statement for a financial year must set out the Authority's policies for the financial year relating to:

   a) the remuneration of its Chief Officers
   b) remuneration of Chief Officers on recruitment
   c) the remuneration of its lowest-paid employees, and the relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers
   d) increases and additions to remuneration for each Chief Officer
   e) the use of performance-related pay for Chief Officers
   f) the use of bonuses for Chief Officers
   g) the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the Authority, and the publication of and access to information relating to remuneration of Chief Officers
   h) the definition of "lowest paid employees" adopted by the Authority for the purposes of the statement, and the Authority's reasons for adopting that definition.

6. For information, the definition of 'Chief Officers' as set out in the Localism Act, is not limited to Heads of Paid Service or statutory Chief Officers. It also includes those who report directly to them, such as the Deputy Chief Fire Officer.

7. The Act sets out the minimum information Authorities are required to include in the Pay Policy Statements. Authorities can consider extending this based upon their own structure. Therefore, HIWFRS has extended its Pay Policy Statement to include all those roles whose salary is based upon a percentage of the Chief Fire Officer's salary.

8. Approved Pay Policy Statements must be published on HIWFRS's website as soon as is reasonably practicable after they are approved or amended.

<u>CHIEF OFFICER/PRINCIPAL OFFICER PAY AWARD</u>

9. There is a two-track approach for determining levels of pay for Chief Officer ("Gold Book") roles. At national level, the NJC shall review annually the level of pay increase applicable to all Chief Officers. In doing so, the NJC will consider affordability, other relevant pay deals and the rate of inflation at the appropriate date.

10. All other decisions about the level of pay and remuneration to be awarded to Chief Officer roles will be taken by the local Fire and Rescue Authority, who will implement a process for annually reviewing the local salary levels.

11. The HIWFRA process for determining a local pay award has been reviewed by the Principal Officer Pay Review working group. An updated methodology is attached at Appendix B for approval by the Fire Authority.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

12. Approval and publication of the Pay Policy Statement discharges our obligations under the Localism Act 2011.

CONSULTATION

13. There is no requirement to conduct consultation on the content of the Pay Policy Statement. However, in the interests of being open, transparent and providing accountability in local pay, once approved the Pay Policy Statement must be published on the HIWFRS's website as soon as is reasonably practicable.

RESOURCE IMPLICATIONS

14. Other than staff time preparing figures and writing reports, no other resource implications have been identified.

IMPACT ASSESSMENT

15. The publication of the Pay Policy Statement has no impact on the environment or sustainability.

16. The information contained in this report and the attached Pay Policy Statement which, if approved, will be published on the HIWFRS website, is considered compatible with the provisions of equality and human rights legislation.

17. Employees of HIWFRS are paid in accordance with national pay frameworks and the grades of roles are determined through consistent job evaluation criteria. This ensures there are no adverse impacts for those with protected characteristics.

LEGAL IMPLICATIONS

18. Under Section 38(1) of the Localism Act 2011 (openness and accountability in local pay), HIWFRS is required to prepare and publish a Pay Policy Statement.

OPTIONS

19. HIWFRA choose to approve the Pay Policy Statement at Appendix A and the updated process for a local pay award at Appendix B. [RECOMMENDED]

20. Alternatively, HIWFRA choose to make some changes to the Pay Policy Statement or process for a local pay award, prior to publication. This may delay publication but does not present any other risks.

21. Failure to publish a Pay Policy Statement would be in contravention of the Localism Act. Therefore, this would be of significant risk to HIWFRA and is not a viable option.

RISK ANALYSIS

22. Approval and publication of the Pay Policy Statement discharges HIWFRA's obligations under the Localism Act 2011. Failure to do so in a timely fashion could result in concerns being raised from stakeholders, such as employees and trade unions, regarding HIWFRS's approach to openness and transparency. This risk can be mitigated by ensuring the updated Pay Policy Statement is approved and published on the HIWFRS's website as soon as is reasonably practicable.

EVALUATION

23. The publication of a Pay Policy Statement ensures that our communities are able to scrutinise the pay of our most senior officers and the pay frameworks for our employees. This requires HIWFRS to take accountability for its policies on pay and reward and enables interested stakeholders to consider the value of HIWFRS to the communities it serves.

CONCLUSION

24. In accordance with Section 38(1) of the Localism Act 2011 (openness and accountability in local pay), HIWFRS submits the Pay Policy Statement at Appendix A for consideration and approval by HIWFRA.

RECOMMENDATION

25. That Hampshire and Isle of Wight Fire and Rescue Authority approve the Pay Policy Statement at Appendix A for publication on Hampshire and Isle of Wight Fire and Rescue Service's website.

26. That Hampshire and Isle of Wight Fire and Rescue Authority approve the updated methodology for the annual local review of Principal Officer pay at Appendix B.

APPENDICES ATTACHED

27. Appendix A – Pay Policy Statement 2024/25

28. Appendix B - Methodology for the Annual Local Review of Principal Officer Pay

Contact: Molly Rowland, Director of People and Organisational Development, 07786 086543, molly.rowland@hantsfire.gov.uk

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Appendix A

ANNUAL PAY POLICY STATEMENT

Hampshire and Isle of Wight Fire and Rescue Service

Pay Policy Statement – 2024/2025

1. Introduction

1.1 The purpose of this Pay Policy Statement is to set out Hampshire and Isle of Wight Fire and Rescue Service's (HIWFRS) pay policies relating to its workforce for the financial year 2024/2025, including the remuneration of its Chief Officers and lowest paid employees.

1.2 Under the terms of the Localism Act 2011, the Pay Policy Statement must be considered at a full meeting of the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) and cannot be delegated to any sub-committee.

2. Pay Framework

2.1 Pay for all employees of HIWFRS is determined by the Local Government Employers with the Employers' Sides of the National Joint Council for Local Authority Fire and Rescue Services, the Middle Managers' Negotiating Body, and the NJC for Brigade Managers of Local Authority Fire and Rescue Services, the HIWFRA locally and representative bodies nationally. Terms and conditions of employment for HIWFRS employees are set nationally with any variations negotiated and agreed locally.

2.2 The HIWFRS pay framework for non-operational ("Green Book") support staff was implemented in April 2019 in line with national guidance, with the grade for each role being determined by a consistent job evaluation process. Pay awards for non-uniformed support employees are determined by the outcome of Local Government Employers' negotiations with the Trade Unions and are applied from April each year.

Please note: the latest Green Book pay award for non-operational staff , as included in this report, is effective from April 2023.

2.3 The HIWFRS pay framework for operational and control staff ("Grey Book") was implemented in December 2003 following a rank-to-role exercise in line with national guidance. Pay awards for uniformed operational employees are determined by the outcome of Local Government Employers' negotiations with the Trade Unions and are applied from July each year.

The latest Grey Book pay award for operational staff, as included in this report, is effective from July 2023.

3. Chief Officer Remuneration

3.1 There is a two-track approach for determining levels of pay for Chief Officer ("Gold Book") roles. At national level, the NJC shall review annually the level of pay increase applicable to all Chief Officers. In doing so, the NJC will consider affordability, other relevant pay deals and the rate of inflation at the appropriate date.

3.2 All other decisions about the level of pay and remuneration to be awarded to Chief Officer roles will be taken by the local Fire and Rescue Authority, who will annually review these salary levels, taking into account relevant available information, including the salaries of Chief Officers in other comparable Fire and Rescue Services nationally, together with an evaluation of their performance in role as determined locally with the HIWFRA. To support the annual review, information may be provided on inflation, earnings growth and any significant considerations from elsewhere in the public sector. The details of HIWFRS' Chief Officers pay is outlined in Appendix A of this Pay Policy Statement.

3.3 The definition of Chief Officers (as set out in section 43(2)) is not limited to Heads of Paid Service or statutory Chief Officers. It also includes those who report directly to them, such as the Deputy Chief Officer. There are a number of Director and Assistant Director roles that receive remuneration based on direct percentage proportions of the Chief Officer's pay and hence any agreed Chief Officer pay award (as described above) will be reflected in the remuneration of these employees. Therefore, these roles are covered by the Pay Policy Statement and details of their pay is also outlined in Appendix A. This excludes the Chief Financial Officer and Monitoring Officer as these post employed by Hampshire County Council on different terms and conditions and therefore the pay for these posts is not directly related to the Chief Officer's pay.

3.4 Chief Officer pay may be varied during a financial year (eg, if the incumbent post holder were to leave and a replacement be recruited). Any changes to remuneration (whether increases or decreases), in this situation, (or for any other legitimate reason) must be approved by the HIWFRA. The effects of any changes cascading from any change to other existing Executive Group employees would also require review and HIWFRA approval at that time.

Please note: the 2024 Gold Book pay award for Brigade Managers or equivalent has not been agreed with the Trade Unions and therefore the figures included in this report are effective from January 2023.

4. Remuneration of the lowest paid employee

4.1 HIWFRS define the “lowest paid employee” as that post holder receiving the lowest (FTE) annual salary. This definition has been chosen as the most representative and equitable method for comparison with Chief Officer remuneration.

4.2 The lowest salary is Grade A of the HIWFRS Green Book pay framework. There is one scale point on this grade and the FTE salary is £22,366.00 per annum, equivalent to £11.59 per hour. This is above the National Living Wage (NLW) of £10.42 per hour which was introduced from 1 April 2023 for workers aged 23 and over; and is also above the NLW from 1 April 2024, which is £11.44.

However, there are currently no roles within HIWFRA which are evaluated at Grade A. Therefore, the starting FTE salary of the lowest paid employees within HIWFRS is Grade B which is paid at £22,737.00 per annum, equivalent to £11.79 per hour.

5. Average remuneration of employees

5.1 The median average salary of an HIWFRS Green Book FTE post is £34,834.08. This includes all Green Book posts but excludes ICU (Incident Command Unit) employees whose earnings vary considerably based on levels of operational activity and the volume of incidents to which they respond.

5.2 The median average salary of an HIWFRS Grey Book FTE post is £36,226.08. This includes all operational posts and Control but excludes Retained Firefighters whose earnings vary considerably based on levels of operational activity and the volume of incidents to which they respond.

6. Relationship between remuneration of Chief Officers and lowest paid employees

6.1 The remuneration of the Chief Officer represents a multiple of 7.9 of the salary at Grade B which is the lowest paid employees’ salary. The relationship to the average Green Book staff salary is a multiple of 5.2 and to the average Grey Book staff salary it is a multiple of 5.0. HIWFRS relies on the transparency and equality of application of job evaluation processes to achieve equitable pay rates for all roles. As such, there is no specific policy to set or achieve a particular pay multiple in relation to Chief Officer remuneration compared to the pay levels of other staff.

7. Policies relating to remuneration (including pensions)

7.1 There are no special arrangements for Chief Officers in relation to pensions. All staff have the option to join the pension scheme relevant to their role and benefits under each scheme are based on contributions, salary and length of time in the scheme.

7.2 As of 1 April 2022, two pension schemes remain active for HIWFRS employees. Operational employees joining HIWFRS, excluding Control, are eligible to join the 2015 Fire Pension Scheme and non-operational employees (including Control and more senior operational employees who have taken re-employment after retiring from operational roles) are eligible to join the Local Government Pension Scheme. All other Fire Pension Schemes are legacy pension schemes which closed to all members on 31 March 2022. This means that there are no further employer or employee pension contributions being paid to these schemes.

7.3 HIWFRS does not routinely award any employees or Chief Officers with additional payments based on their performance or pay any bonuses. However, Grey and Green Book employees may receive an Honorarium payment, as a one-off lump sum to recognise factors not included in basic pay, in accordance with the HIWFRS Allowances and Expenses procedure.

7.4 HIWFRS pays Market Supplements, Standby and Responsibility Allowances to some Green Book roles. These payments are determined on a role-by-role basis following approval of a business case.

7.5 No special payments are made to employees or Chief Officers on leaving HIWFRS.

7.6 The management of redundancy in HIWFRS is detailed in the Redundancy Procedure.

7.7 HIWFRS does not permit the automatic re-engagement of staff after retirement.

<u>Appendix A</u>

Hampshire and Isle of Wight Fire and Rescue Service - Pay Policy Statement 2024/2025

Salary details of Executive Group roles employed by Hampshire and Isle of Wight Fire and Rescue Service

Role	**Annual Salary**
Chief Fire Officer	£179,999
Director of Policy, Planning and Assurance (Deputy Chief Fire Officer)	£143,999
Director of Operations (Assistant Chief Fire Officer)	£134,999
Director of Corporate Services	£107,999
Director of People and Organisational Development	£107,999
Assistant Directors (Operational) x4	£89.999

Appendix B

Methodology for the Annual Local Review of Principal Officer Pay.

Background

This methodology has been developed to reflect the onus that the National Joint Council (NJC) has placed on Fire and Rescue Authorities to undertake local pay reviews on an annual basis for Principal Officer Grades.

Procedure

On an annual basis, a panel of two or three of members of the Fire Authority will be appointed to consider a local pay review for Principal Officers (POs). The PO Pay Review working group will be established. This working group will report to the Fire Authority meeting.

In December of each year, the PO Pay Review working group will invite the Chief Officer to provide a business case for a local pay award if required. The Chief Officer, following consultation with Directors, will confirm whether a business case will be submitted.

If a business case is not to be submitted, the process ends.

If a business case is to be submitted, the PO Pay Review working group will convene and invite the Chief Officer to present the business case for a local pay award. The Chief Officer will make themselves available to the working group to answer questions and provide additional information.

The PO Pay Review working group will be supported by the Chief Financial Officer who will also ensure the working group have access to any further information they require.

In considering the case for a local pay award, the PO Pay Review working group may wish to take into consideration:

- HIWFRS' position compared with similar services in relation to performance statistics
- HIWFRS' position in relation to salary benchmarking for other Chief Officer in similar services
- The national pay awards for Green, Grey and Gold Book employees in the same pay period.
- HIWFRS' performance against strategic objectives and assessments such as the Safety Plan objectives and reports from the HMICFRS.
- Input from the Chair of the Fire Authority in relation to performance aspects of the Chief Officer appraisal.

The Principal Officers Pay Review working group will review the business case presented to them and any further information with the Chief Financial Officer. The PO Pay Review working group will determine a recommended local pay award based on their own assessment of the information and any wider economic considerations.

The recommendation from the PO Pay Review working group will be presented to the Fire Authority by the Chief Financial Officer for decision under the confidential part of the agenda. The financial implications of any decision will be considered by the Fire Authority.

The Chair of the Fire Authority and Chief Financial Officer will inform the Chief Officer of the Fire Authority’s decision.

HIWFRA Full Authority

Purpose: Approval

Date: **28th FEBRUARY 2024**

Title: **HIWFRA SAFETY PLAN: YEAR 5 IMPROVEMENTS**

Report of Chief Fire Officer

SUMMARY

1. The Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) Safety Plan 2020-2025 discharges the Hampshire and Isle of Wight Fire and Rescue Authority's (HIWFRA) statutory requirement to produce and maintain an Integrated Risk Management Plan (IRMP), now referred to by the fire and rescue sector as a 'Community Risk Management Plan' (CRMP) and with an associated Fire Standard.

2. Despite our Safety Plan covering five years, we conduct an annual refresh to ensure that the Safety Plan remains current and includes changes to the operating environment and incremental improvements. These improvements will complete during the year to fulfil the Authority's strategic priorities.

3. This report presents the fifth HIWFRA update of our proposed strategic improvement activities and seeks approval for these. This year's activities have a strong focus on completing the current Safety Plan, together with setting ourselves up for the new Safety Plan.

BACKGROUND

4. The Fire and Rescue National Framework for England requires every fire and rescue authority to have an IRMP. The HIWFRS Safety Plan 2020-2025 fulfils the requirement of an IRMP by setting out how HIWFRA intends to identify, evaluate, assess and plan to control foreseeable risks across the geography of Hampshire and Isle of Wight, and the communities which it serves.

5. The Safety Plan outlines the activities the Service will undertake in support of the IRMP, while also setting out how our people – in line with our Values – will work to meet the five strategic priorities:

- Our Communities
- Our People
- Public Value
- High Performance
- Learning and Improving

6. These priorities identify the strategic direction for our Service, describing the usual activity of the Service. In addition, where improvements have been identified or where the operating environment has changed, we produce a suite of change activities to improve our Service. Progress against these activities is reviewed internally on an ongoing basis and updated to the Authority during the year through the Service performance reports.

7. Year 5 (2024/25) is the final year of the current published plan. Work has already begun on the new Safety Plan, fulfilling the Fire Standards requirement to publish a Community Risk Management Plan (CRMP), formerly known as an Integrated Management Plan (IRMP). The first stage of this CRMP was presented and approved by the Authority in 2023. This detailed the unmitigated risks present in Hampshire and the Isle of Wight. Stage two of the CRMP is underway to establish the mitigations to these risks. Detailed proposals will come forward to the Authority during 2024 before being released for public consultation and then coming back to the Authority for approval.

SAFETY PLAN YEAR 5

8. The focus of this coming year (2024/25) will be to complete the work already agreed and part actioned, together with setting ourselves up for the introduction of a new strategic Safety Plan (2025-2030).

9. The activities proposed are set out in appendix A of this report.

10. These activities are those which are high priority to align with the overall goal stated in paragraph 8.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

11. The Safety Plan sets out how we continue to achieve our purpose of "Together we make life safer." The activities directly align to the descriptions of priorities set out within the Safety Plan 2020-2025.

12. The HIWFRS Safety Plan 2020-2025 ensures that the HIWFRA meets its statutory duty to have an IRMP in place which suitably addresses identified risks within the communities it serves and demonstrates how it makes the best use of its available resources to help mitigate them.

COLLABORATION

13. A core component in developing the Safety Plan 2020-25 was to actively listen to the opinions of our communities and our partners. We continue dialogue with these stakeholders to help inform and shape the plan.

14. The Year 5 improvement activities have been developed with senior managers across all directorates, through a refreshed strategic planning process.

RESOURCE IMPLICATIONS

15. Funding for the activities has been included within the Budget and Precept Requirements 2024/25 (Including the Medium-Term Financial Plan (MTFP)) Report. Some activities have been funded through year 4 and will continue to be funded to completion.

IMPACT ASSESSMENTS

16. The Safety Plan was developed undertaking the following stages: Strategic Assessment of Risk, Co-production and Engagement, Development, Appraisal and Consultation.

17. There are no specific impact assessment implications from the contents of this report, as impact assessments will be separately completed for all Year 5 Safety Plan improvement activities. This ensures that all future improvements will be compliant with legislative requirements, Health and Safety, People Impact Assessments and aid informed cost benefit and environmental decision making.

LEGAL IMPLICATIONS

18. Fire and rescue authorities have a legal obligation to produce an IRMP to ensure appropriate management of risk and discharge of their duties. The Safety Plan meets that duty.

19. This report is seeking approval on non-statutory aspects within the Safety Plan, namely the annual improvement plan for the continual development of our Service.

20. The HIWFRS Safety Plan and annual improvement update is subject to the governance and approval arrangements placed upon HIWFRA, thereby ensuring that HIWFRS have an IRMP to cover at least a three-year period and that it is reviewed and revised as often as necessary.

RISK ANALYSIS

21. Risks impacting the delivery of the Safety Plan will be recorded on the Organisational Risk Register and managed in line with the Service's Risk Management Procedure. These risks will be owned by their respective director and progress against them, and their mitigation, will be subject to Executive Group and Standards and Governance Committee oversight.

EVALUATION

22. The Chief Fire Officer will regularly monitor the successful delivery of the Safety Plan.

23. As with previous years, progress on Year 5 Safety Plan will be routinely reported to the HIWFRA via the normal performance reporting mechanisms.

CONCLUSION

24. The report and appendix propose HIWFRA approval of the new Year 5 Safety Plan improvements to provide the Service's strategic direction for 2024/25.

RECOMMENDATION

25. That the HIWFRS Safety Plan Year 5 improvements be approved by the HIWFRA Full Authority.

APPENDICES ATTACHED

26. Appendix A – Hampshire and Isle of Wight Fire and Rescue Safety Plan 2020-25 Year 4 improvements.

BACKGROUND PAPERS

27. HIWFRS Safety Plan 2020-2025

28. HIWFRS Community Risk Management Plan Stage 1

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Appendix A: List of Year 5 Improvements

<table>
<tr><th>Improvement Activity</th><th>The need to undertake this activity and benefits</th></tr>
<tr><td>1. To review the Hampshire and Isle of Wight Fire and Rescue Authority’s Policy framework and to complete identified gaps by agreeing a full suite of policies with Authority members. (New)</td><td>The HIWFRA policy framework is referenced within the HIWFRA constitution.

The improvements are needed due to:
The framework being inconsistent in terms of content, with policies and position statements mixed within a list, leading to missing elements;
The style and format of policy documents is inconsistent leading to a confusing mix of detail.
The benefits with will bring are:
A full suite of expectations being set by the Authority;
A clear set of principles being set by members of the Authority for use within the CRMP and any proposals for change;
Guidance to the Service in pursuit of a review of its own policy framework.</td></tr>
<tr><td>2. Produce the Safety Plan 2025 which includes the completion of the Fire Standard for Community Risk Management Planning (CRMP). (New)</td><td>Following the CRMP Stage 1 report, produce strategic options to consult with the public to mitigate the risks identified.

This work will concentrate on how to get the best from our On Call teams. Together with analysis of options for our buildings, our vehicles and Wholetime staff.

The work will begin in early 2024 with the Isle of Wight.</td></tr>
<tr><td>3. Deliver efficiencies during 2024/25. (New)</td><td>The financial principles contained within the Authority’s financial policy requires a keen eye on management of our finances and includes:
Cashable efficiencies to balance the budget;
Cashable efficiencies to allow investment in improvement or risk mitigating activities;
Non cashable efficiencies to provide opportunities to increase productivity.</td></tr>
<tr><td>4. Complete a feasibility study on the future provision of PPE and laundry options to enhance the management of fireground contamination. (New)</td><td>To include:
Health Screen Research
On station PPE storage options</td></tr>
</table>

5. Respond to and create an action plan from the Grenfell Tower Inquiry phase 2. *(Continued from Year 4)*	The Grenfell Tower Inquiry was due to report in December 2023, but this has been delayed. It is expected to have specific recommendations for FRS. These will highlight opportunities for FRS and the community to be safer and therefore important for HIWFRS to consider. It is likely the Home Office will track the progress of these recommendations.
6. Complete the implementation of National Operational Guidance and to agree a sustainable ongoing plan. *(Continued from Year 4)*	Started in Year 4, this programme of work was scheduled to continue until December 2024 to complete NOG product packages to fully adopt the latest operational guidance in line with Fire Standards Board expectations. This work will improve operational tactics and actions to be the most up to date. This work will establish an ongoing resource allocation to maintain and sustain compliance and implementation of NOG in the future.

Agenda Item 11

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

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