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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 21st February, 2023 10.30 am**	*Fire & Police HQ Leigh Road, Eastleigh Hampshire SO50 9SJ*
Place	**Room X - Hampshire Fire & Police SHQ, 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 - 6 DECEMBER 2022** (Pages 5 - 10)

To agree the minutes from the Full Authority meeting that took place on 6 December 2022.

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 **AMENDMENT TO MEMBERS' ALLOWANCE SCHEME AND SSPS** (Pages 11 - 20)

To consider a report from the Monitoring Officer regarding the percentage increase that should be applied to the HIWFRA Members' Allowance Scheme ("the Scheme"), in light of the recent NJC Pay Award.

8 **BUDGET AND PRECEPT REQUIREMENT 2023/24 INCLUDING MEDIUM TERM FINANCIAL PLAN (MTFP)** (Pages 21 - 110)

To consider a report from the Chief Financial Officer, which presents the 2023/24 forward budget to the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) for approval.

9 **HEALTH, SAFETY AND WELLBEING STATEMENT OF INTENT 2023/24** (Pages 111 - 116)

10 **ANNUAL STATEMENT OF EQUALITY** (Pages 117 - 136)

To consider a report from the Chief Fire Officer, which provides an update on the workforce profile and highlights of some of the activity and actions taken within the last 12 months towards progressing the 2022-26 equality objectives.

11 **HIWFRA SAFETY PLAN: YEAR 4 REFRESH** (Pages 137 - 144)

To consider a report from the Chief Fire Officer, which seeks approval for the Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) Safety Plan Year 4 activities (Appendix A), which have a strong focus on further investing in, and supporting, healthy workplaces and staff wellbeing.

12 **COMMUNITY RISK MANAGEMENT PLANNING 2025-2030** (Pages 145 - 154)

To consider a report from the Chief Fire Officer, which provides an update on the work underway to produce the Fire Authority's next Community Risk Management Plan (Safety Plan 2025-2030) for the Authority's approval.

13 **PROPERTY MATTERS** (Pages 155 - 158)

To receive a report from the Chief Fire Officer, which summarises property related matters where action has already been taken under delegated authority.

14 **MINUTES FROM THE STANDARDS AND GOVERNANCE COMMITTEE - 28 NOVEMBER 2022** (Pages 159 - 164)

To receive the minutes from the Standards & Governance Committee meeting that took place on 28 November 2022.

15 **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 Paragraphs 1 and 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.

16 **EXEMPT APPENDIX C2 - BUDGET AND PRECEPT REQUIREMENT 2023/24 INCLUDING MEDIUM TERM FINANCIAL PLAN (MTFP)** (Pages 165 - 166)

An exempt appendix relating to item 8 on the agenda.

17 **EXEMPT MINUTE FROM HIWFRA ON 6 DECEMBER 2022** (Pages 167 - 170)

To agree the exempt minutes from the Full Authority meeting that took place on 6 December 2022.

18 **EXEMPT MINUTE FROM HIWFRA ON 6 DECEMBER 2022 (MEMBERS ONLY)**

To agree an exempt minute from the Full Authority meeting that took place on 6 December 2022.

19 **PRINCIPAL OFFICER PAY AWARD - VERBAL UPDATE (MEMBERS ONLY)**

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.

AT A MEETING of the Hampshire and Isle of Wight Fire and Rescue Authority held at Fire & Police HQ, Eastleigh, on Tuesday 6th December, 2022

Chairman:
* Councillor Rhydian Vaughan MBE

* Councillor Gary Hughes
* Councillor Tony Bunday
Councillor Cal Corkery
* Councillor Debbie Curnow-Ford
* Councillor David Harrison
* Councillor Zoe Huggins
* Councillor David Harrison
* Councillor Zoe Huggins
Councillor Karen Lucioni
* Councillor Keith Mans
* Councillor Derek Mellor
* Councillor Roger Price

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

125. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Cal Corkery and Karen Lucioni

126. **DECLARATIONS OF INTEREST**

Members were mindful to disclose to the meeting any disclosable pecuniary interest they may have in any 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.

127. **MINUTES OF PREVIOUS MEETING - 6 DECEMBER 2022**

The minutes of the last meeting were reviewed and agreed.

128. **DEPUTATIONS**

There were no deputations for the meeting.

129. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman confirmed that the Prince's Trust 20-year celebration event had been held at the headquarters on 18 November and a special award was presented to the Chief Fire Officer to celebrate the involvement and commitment of the Hampshire and Isle of Wight Fire and Rescue Service to the Prince's Trust. The Hampshire and Isle of Wight Fire and Rescue Service's Children and Young People's Team had also been highly commended in the children and young people award category at the National Fire Chiefs Council's (NFCC) Celebrating Prevention Awards held on 10th November.

On Remembrance Sunday, services across the county including Hampshire and Isle of Wight Fire and Rescue Service and alongside Fire Cadets from around the country, represented to commemorate the end of the First World War and pay their respects to all fallen soldiers who had sacrificed their lives in countless wars at the Remembrance Parade at the Cenotaph in London. The Chairman also laid a wreath at headquarters on behalf of the Hampshire and Isle of Wight Fire and Rescue Authority.

The Chairman confirmed that there had been a report on the London Fire Brigade and the Chief Fire Officer and team would be working to ensure that each of the questions raised by the report were considered by the organisation. The Authority would then receive a report providing further insight at a future meeting.

An update was also provided on upcoming industrial action and Members were reassured that the Service was working on plans to continue delivering the vital public services during periods of reduced staff availability.

The Chief Fire Officer confirmed that further work was anticipated around lithium battery storage and the importance of good management and involvement of the Fire and Rescue Service and a signed letter had requested more inclusion during the planning process.

It was also shared that some members of staff were participating in the Atlantic Sailing Challenge and officers and Members wished them luck.

130. **MEMBER DEVELOPMENTS**

Members provided the following updates:

- The Chairman and Councillor Tony Bunday had attended the Eastleigh Passing Out parade on the 5 December;
- Councillor's Tony Bunday, Cal Corkery and David Harrison had attended a Leadership and Scrutiny course in Warwick;
- Councillor Zoe Huggins had attended a school to look at the Fire Safety Programme in her capacity as the Champion for Children and Young People, and would be looking at work around the cadets going forward;
- Councillor Keith Mans had attended the South East Cadets Association that Hampshire Constabulary were involved in and hoped that Hampshire Fire Cadets could participate in the future;
- Councillor Tony Bunday had spent two hours observing in the control room as part of his champion role in safeguarding and on the 20 October had met with the Area Manager for the Southampton area;
- Councillor Derek Mellor had visited Tadley Fire Station and anticipated attending the upcoming Local Government Pension Scheme (LGPS) training. Cllr Mellor was also attending the Basingstoke Passing Out Parade before Christmas;

(Following the meeting, Councillor Corkery confirmed that he had continued to liaise with the local Fire Brigade Union about a number of workplace issues, notably their ongoing pay dispute and fight for a fair pay rise for firefighters feeling the impact of the cost of living crisis.)

131. **HIWFRA MODERN SLAVERY STATEMENT 2022-2023**

The Authority considered a report from the Chief Fire Officer (item 7 in the minute book), which sought approval of the Authority's annual Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) Modern Slavery Statement for 2022-2023.

The report was summarised and Members were pleased to hear that Internal Audit had concluded that there were reasonable processes in place and that the statement set out the actions by the Authority to understand, prevent and address all modern slavery risks within its services (directly provided and commissioned) and supply chains.

It was confirmed that training could be provided in future for Members and that an annual report could be taken to the Authority to update on progress.

RESOLVED

The HIWFRA Modern Slavery Statement 2022-2023, at Appendix A was approved by the Hampshire and Isle of Wight Fire and Rescue Authority and would subsequently be published on the Authority's website.

132. **2022/23 MID-YEAR PERFORMANCE REPORT**

The Authority considered a report from the Chief Fire Officer (item 8 in the minute book), which explored how the Service had achieved its core purpose over the last six months of making life safer.

In summarising the report, it was highlighted that there had been a small increase in response times owing to incidents in more remote (rural) or difficult to access locations, the impact of reduced on-call availability, and the resource impact of the extreme weather conditions experienced throughout the summer heatwaves (June through to August). There had also been a rise in sickness levels owing to increases in COVID-19 and mental health sickness. Whilst this did create pressure, the primary concern was supporting staff.

The skills deficit in filling vacancies was a national issue and the Hampshire and Isle of Wight Fire Service had found localised solutions to be very successful and finding the right people for the right type of cover needed.

RESOLVED

The 2022/23 Mid-Year Performance Report was noted by the Hampshire and Isle of Wight Fire and Rescue Authority

133. **BUDGET UPDATE REPORT**

The Authority considered a report from the Chief Finance Officer (item 9 in the minute book), which provided the Authority with an update on the 2022/23 financial monitoring position and the budget setting position for 2023/24.

A funding update was anticipated in mid-December that would allow more reasonable assumptions for inflation, which currently accounted for the majority of overspend.

During questions, Members learned the importance of using staff in a better, more efficient way to enable the best use of time and resources. It was also highlighted that slower progress with the Station Investment Programme meant that the Authority had not yet incurred capital expenditure to the level anticipated, resulting in the Authority has not taking on additional external borrowing and incurring lower interest and Minimum Revenue Provision (MRP) charges than budgeted. The subsequent savings against the capital financing costs budget enabled a more robust position going into 2022/23.

The Authority noted that there was an exempt appendix to the report and there were no questions.

RESOLVED

a) That the budget monitoring position was noted by the Hampshire and Isle of Wight Fire and Rescue Authority

b) The category a) and b) Delivery Pressures set out in Appendix B was approved by the Hampshire and Isle of Wight Fire and Rescue Authority for inclusion in the 2022/23 budget subject to affordability

c) The category c) and d) Delivery Pressures set out in Appendix B was noted by the Hampshire and Isle of Wight Fire and Rescue Authority

d) The amendment to the capital programme made by the Chief Fire Officer under paragraph B.17 of the financial regulations was noted by the Hampshire and Isle of Wight Fire and Rescue Authority

e) The mid-year review of treasury management activities set out in Appendix C was approved by the Hampshire and Isle of Wight Fire and Rescue Authority

f) The changes to the capital programme set out in exempt Appendix D were approved by the Hampshire and Isle of Wight Fire and Rescue Authority

134. **EMBEDDING NATIONAL GUIDANCE IN OPERATIONAL RESPONSE**

The Authority considered a report from the Chief Fire Officer (item 10 in the minute book), which sought Authority commitment to implement National Operational Guidance (NOG) and embed the code of practice across the organisation.

As part of the implementation, officers were confident that the correct people could be recruited from within the organisation and would have a better understanding of the work required, which would give growth and development opportunities as well as provide the necessary experience from across various roles of the staff that made up the team.

RESOLVED

The approach outlined in the paper, namely that the Service fully align itself with National Operational Guidance, and that up to £750,000 from the Transformation Reserve be provided for this work, was approved by the Hampshire and Isle of Wight Fire and Rescue Authority.

135. **CARBON REDUCTION PATHWAY UPDATE**

The Authority considered a report from the Chief Fire Officer (item 11 in the minute book), which provided an update to activities undertaken as part of the Fire Authority's Carbon Reduction Pathway.

It was highlighted that there had been an 11% reduction from the baseline of 2019/20 and it was anticipated that if the recommendations were approved, the carbon footprint was projected to continue to reduce to a total of 28% when compared to the 2019/20 baseline year, maintaining the trajectory towards net zero in 2050.

It was confirmed that improvements to insulation and double glazing replacements would continue as part of business-as-usual through revenue maintenance plans.

During questions, it was confirmed that water harvesting would become an in-built part of future estate developments and was included in plans for Cosham station. No consideration had been given to wind turbines due to the planning restrictions associated with them.

Members agreed that it was important to focus on the best return elements in the short term and monitor any grants and additional funding that could be used to support the more challenging aspects of the carbon reduction plans.

RESOLVED

a) Hampshire and Isle of Wight Fire and Rescue Authority approved the programme of works set out in **Option 2** to improve thermal efficiency of buildings and renewable energy generation over the next five years at a cost of £500,000 per year.

b) Hampshire and Isle of Wight Fire and Rescue Authority approved the adoption of the National Sustainability Charter (Appendix B) as part of the Carbon Reduction Pathway objectives.

136. **EXCLUSION OF PRESS AND PUBLIC**

It was agreed that the public be excluded from the meeting during the following items of business, as it was 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 outweighed the public interest in disclosing the information, for the reasons set out in the reports.

137. **COMMAND AND CONTROL SYSTEM REPLACEMENT**

The Authority considered a report from the Chief Fire Officer (item 13 in the minute book) on

138. **ESTATE CAPITAL PROGRAMME**

139. **BUDGET UPDATE REPORT - EXEMPT APPENDIX**

140. **RE-ENGAGEMENT (MEMBERS ONLY)**

Chairman,

HIWFRA Full Authority

Purpose: Approval

Date: **21 February 2023**

Title: Amendment to Members' Allowance Scheme and SSPs

Report of Monitoring Officer

SUMMARY

1. This report seeks a decision from the Authority about the percentage increase that should be applied to the HIWFRA Members' Allowance Scheme ("the Scheme"), in light of the recent NJC Pay Award.

2. The report also seeks approval for a minor amendment to the Scheme to ensure that future NJC pay awards can be applied automatically without further decisions of the Authority.

3. The report also contains information about the Government's guidance on Special Severance Payment and recommends that certain delegations to the Chief Fire Officer are confirmed in order to enable Special Severance Payments to be approved approriately.

BACKGROUND

Members Allowance Scheme

4. The current HIWFRA Members' Allowance Scheme was approved by HIWFRA in February 2022, pursuant to the Local Authority (Members Allowances) (England) Regulations 2003.

5. The Scheme was intended to apply for 4 years from 2022, with allowances indexed to the local government pay award. The recommendation approved by HIWFRA in February 2022 was:

"That any local government pay award made in this period be applied as an index for the adjustment of Member allowances. In doing so retaining the ratio between basic allowance and SRA as set out above. For clarity, the applicable pay award shall be that received by the majority of staff and exclude any additional pay award given to officers on low pay grades".

6. The Local Government pay award (NJC Green Book) has now been agreed. However, unusually, it does not consist of a percentage increase. Instead, it consists of (amongst other things) a flat rate increase of £1,925 to all pay points between 1 and 48 on the NJC Pay Scale, as shown in Appendix 2.

7. If the flat rate of £1,925 is applied to the basic allowance in the HIWFRA member allowance scheme (which is currently £6,243) it would increase the level of allowances overall by more than 30%. This is a disproportionate pay increase and does not properly reflect the NJC pay award.

8. In respect of the relevant part of the NJC pay scale, the pay award produces a percentage pay increase of c10.5% to spinal column point 1 and c4% to spinal column point 48.

9. In HIWFRA, "senior management" roles (e.g. Heads of Service) start at "grade P". This is likely to be the grade that is most comparable to the level at which Members of the Authority operate. The £1,925 NJC pay award equates to a 3.4% increase to pay at grade P.

10. In light of the difficulties of applying the pay award to the Scheme a decision needs to be made as to the level of uplift that is appropriate, and in line with the pay award. In the circumstances, it is recommended that the allowances in the Member Allowance Scheme are increased by 3.4% in line with the increase to pay for HIWFRA staff at grade P.

11. It is also recommended that the wording in the Members' Allowance Scheme is amended as set out in Appendix 1, in order to ensure that future pay awards can be applied automatically.

Special Severance Payments

12. In July 2021, the government launched a consultation on Special Severance Payments and Statutory Guidance was then published towards the end of last year. This guidance has been made under the Local Government Act 1999, and applies to all Best Value Authorities, including Hampshire and Isle of Wight Fire and Rescue Authority.

13. The guidance can be found here – “GOV.UK (www.gov.uk) Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England” and sets out:

- What a “Special Severance Payment” is
- the government’s view that Special Severance Payments do not usually represent value for money and should only be considered in exceptional circumstances
- the criteria employers should consider in the exceptional circumstances in which it may be appropriate to make a Special Severance Payment
- examples of the exceptional circumstances in which Special Severance Payments may be appropriate
- the disclosure and reporting requirements for Special Severance Payments

14. The guidance largely defines “Special Severance Payments” as payments made to a departing employee which are not statutory or contractual entitlements. Therefore, any “ex-gratia” payment reached under a settlement agreement between the employer and employee (e.g., to avoid legal proceedings), would be a Special Severance Payment. However, statutory and contractual redundancy payments (including pension strain charges) are not Special Severance Payments.

15. The guidance sets out the government’s expectations about approvals for Special Severance Payments. It is focussed on Local Authorities and suggests that payments of £100,000 and above be approved by a vote of full council; payments of £20,000 and above, but below £100,000, be personally approved and signed off by the Head of Paid Service, with a clear record of the Leader of the Council’s approval; and payments below £20,000 must be approved according to the local authority’s scheme of delegation. The guidance also suggests that where a payment is being made to the “Head of Paid Service” (i.e. “Chief Fire Officer” in HIWFRA), then it should be approved by a panel including at least two independent persons.

16. In HIWFRA this means that payments of £100,000 and above should be approved by the full Authority, payments of £20,000 and above but below £100,000 should be approved by the Chief Fire Officer, in consultation with the Chairman, and payments below £20,000 should be approved under the Chief Fire Officer’s Scheme of Authorisation. This is already broadly in line with HIWFRA’s existing constitutional arrangements. Where it is proposed to pay any Special Severance Payment to the Chief Fire Officer (as “Head of Paid Service”), then it is recommended that before approving such payment, the Authority should seek the views of its Independent Persons appointed in accordance with the Localism Act 2011 and take these into account prior to making any decision.

17. The Authority already has a robust process to ensure that exit payments represent value for money. Officers have reviewed this process in light of the new guidance to ensure that it remains compliant and also to ensure that the recommended elements in respect of economy, efficiency and effectiveness are properly considered in all determinations regarding severance payments.

18. The Authority also has robust processes in place to ensure it complies with its transparency obligations in respect of publishing information and data. Again, these processes have been reviewed and will be updated to ensure the disclosure and reporting requirements in the new guidance are met.

19. It is recommended that delegations for approval of Special Severance Payments are confirmed to ensure clarity.

RESOURCE IMPLICATIONS

20. There are no financial/resource implications associated with the proposals in this paper and the small increase in Member Allowances will be met from existing budgets.

IMPACT ASSESSMENTS

21. There are no equality or other impacts due to the administrative nature of the proposals contained in this paper.

LEGAL IMPLICATIONS

22. The Full Authority is required under the Local Authority (Members Allowances) (England) Regulations 2003 to adopt a Member Allowances Scheme. The Authority may amend its current Scheme.

23. Before making or amending a Scheme, the Authority is required to have regard to any recommendation of the Independent Remuneration Panels established by the Constituent Authorities. There have been no relevant recommendations by the Constituent Authorities' Independent Remuneration Panels that would affect the proposals contained in this paper.

24. In respect of Special Severance Payments, the Authority is required to have regard to the Government's guidance. The recommendations in this paper confirm that appropriate governance is in place for approving Special Severance Payments.

OPTIONS

25. OPTION 1 – That the Authority agrees to apply an uplift of 3.4% to the allowances in the current Members Allowance Scheme, in order to sensibly reflect the 2022/23 NJC Pay Award. Further, the Authority agrees the amended wording of the current scheme as set out in Appendix 1, in order to ensure future pay awards can be applied to the Scheme and agrees the recommendations in respect of SSPs (Recommended option)

26. OPTION 2 – That the Authority agrees a different uplift to the allowances in the current Members Allowance Scheme and agrees alternative wording for the Scheme to reflect future pay awards and agrees alternative arrangements for SSPs.

RISK ANALYSIS

27. It is up to the Authority to set the rates of Member Allowances under the Scheme. The existing scheme was intended to apply the NJC pay award applicable to the majority of staff. However, this was based on an assumption that there would be a percentage increase. This is not the case in respect of this year's pay award, and the current wording of scheme means there are a range of options for implementing it.

28. In analysing the effects of the pay award in HIWFRA, it is suggested that a reasonable equivalent percentage increase for staff at HIWFRA is Grade P. This represents a sensible balance, noting the seniority of the role of Members and the sensitivities in respect of national pay bargaining.

29. In respect of SSPs it is important that the Authority has appropriate governance in place, that has regard for the government's guidance whilst at the same time ensuring severance payments can be approved appropriately, where necessary.

EVALUATION

30. The recommended percentage represents a sensible interpretation of application of the pay award to the Member Allowance Scheme. The Authority may choose to apply a different/higher percentage, but should have regard to the reputational risks that may be associated with greater increases to Members' Allowances in the current external context.

31. The proposed amendment to the wording of the Members Allowance Scheme should help to ensure that future pay awards can be applied to the Scheme without needing further decisions of the Authority.

32. The recommendations in respect of SSPs enable the Authority to have due regard to the government guidance whilst ensuring SSPs can be approved where appropriate.

CONCLUSION

33. For the reasons set out above, Option 1 is recommended.

RECOMMENDATION

34. That option 1, to apply an uplift of 3.4% to the allowances in the Members' Allowance Scheme be approved by the HIWFRA Full Authority

35. That the Authority approves the revised Members Allowance Scheme at Appendix 1

36. That the Authority notes the statutory guidance in respect of special severance payments and confirms that the Chief Fire Officer has delegated authority to approve Special Severance Payments under £100,000, provided that any Special Severance payments of £20K or more shall be approved in consultation with the Chairman of the Authority

37. That any Special Severance Payments to the Chief Fire Officer, or any Special Severance payments of £100,000 or more shall be approved by the Authority. In the case of a Special Severance Payment to the Chief Fire Officer, the Authority will seek the views of its Independent Persons before approving such payment.

APPENDICES ATTACHED

38. Appendix 1 – Updated Members Allowance Scheme.

BACKGROUND PAPERS

39. Members Allowance Report to Authority dated 15 February 2022

Contact: Paul Hodgson, Monitoring Officer, paul.hodgson@hants.gov.uk

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Hampshire and Isle of Wight Fire and Rescue Authority Members' Allowances Scheme – 2022-2026

This scheme is made by Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) in accordance with the provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003 and is effective from 1 April 2022 until 31 March 2026.

1. A Basic Allowance of £6,569 per annum shall be paid to each properly appointed Member of HIWFRA (excluding Deputy Members, where appointed).

2. A special responsibility allowance (SRA) shall be paid to those Members who hold the offices of special responsibility listed in the table below and the amount of each allowance shall be the amount specified.

3. Should a Member be appointed to more than one role for which an SRA is payable, only one (the higher) SRA may be claimed.

Basic Allowance: £6,569

Special Responsibility Allowances:

Role	SRA Formula	SRA monetary value (based on £6,569 Basic Allowance)
Chairman of the Authority	2 x Basic	£13,138
Vice-Chairman of the Authority	0.5 x Basic	£3,285
Standards and Governance Committee Chairman	0.25 x Basic	£1,642
Standards and Governance Committee Vice-Chairman	0.125 x Basic	£821
Principal Opposition Spokesperson	0.5 x Basic	£3,285
Other* Opposition Spokesperson	0.125 x Basic	£821

* Not currently claimed

4. Travel and other expenses, including childcare and dependent carers' allowances accrued whilst undertaking HIWFRA duties to be claimed by each Member through and in accordance with the Members' Allowances Scheme of their respective appointing Authority.

5. Any local government pay award** made in this period will be applied as an index for the adjustment of Member allowances. In doing so retaining the ratio between basic allowance and SRA as set out above.
   (**The applicable pay award shall be the equivalent percentage increase received by HIWFRA employees at Grade P and shall exclude any additional pay award given to officers on lower pay grades.)

Full Authority

Purpose: Approval

Date: **21st February 2023**

Title: **BUDGET and PRECEPT REQUIREMENT 2023/24 including MEDIUM TERM FINANCIAL PLAN**

Report of the Chief Financial Officer

SUMMARY

1. This report presents the 2023/24 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 2023/24 – 2026/27.

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 A**.

3. The provisional Local Government Finance Settlement for the Fire Authority is significantly more favourable than the December forecast. This settlement, in addition to the availability of some one-off funding will allow us to achieve two significant aims:

   (a) Stabilise our Medium Term financial position by building our risk reserves, providing improved mitigation to the most significant financial risks on our Corporate Risk Register and avoiding the need for service reductions to bridge budget gaps

   (b) Investing in our organisation to make sure that we can best support our on-call workforce, seeking to reverse the downward trend in availability and ensuring that response times in rural areas are maintained.

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 in order to achieve the high level aims in paragraph 3 and further detailed throughout this report, council tax is increased by the maximum level of £5 (6.63%) for 2023/24.

5. The report also contains information about in year spend against budget for 2022/23. The forecast year end position is an underspend of £0.186m.

6. This report also contains an update to the Medium Term Financial Plan at **Appendix B**, showing the positive impact of the finance settlement on the early years of the plan and the challenges still facing the service in later years.

7. The capital programme for 2022/23 onwards and the funding of this are set out in this report, with details at **Appendix C**, and are recommended for approval.

8. 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.

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

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

11. **Appendix G** contains the section 25 report of the Chief Financial Officer, covering the adequacy of the Authority's reserves position.

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

BACKGROUND

13. 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. A revised grey book pay offer was made shortly before the publication of this report. The impact of this has been incorporated into the report.

2022/23 BUDGET MONITORING – QUARTER 3

14. The current forecast position for 2022/23 is an underspend of £0.186m which is a movement of £0.404m reported to the authority in December 2022 (Q2 underspend of £0.590m). This is shown in Table 1, with forecasts

based on the financial position as a the end of Quarter 3 (31 December). The position has been updated for the impact of the revised firefighter pay offer.

Table 1	**2022/23 Budget**	**2022/23 Forecast**	**Over / (under) spend**
	£'000	£'000	£'000
Wholetime Firefighters	37,556	39,438	1,882
On-call Firefighters	8,277	7,742	(535)
Staff	14,961	14,656	(305)
Other employee costs	2,179	2,242	63
Premises	8,744	9,541	797
Transport	1,829	2,347	518
Supplies and services	7,928	7,525	(403)
Third party payments	2,792	2,949	157
Income	(3,277)	(4,071)	(794)
Net Service expenditure	*80,989*	*82,369*	*1,380*
Contingency	800	0	(800)
Capital Financing	1,529	730	(799)
Net Current Expenditure	83,318	83,099	(219)
Funding	(83,318)	(83,285)	33
Net position	**0**	**(186)**	**(186)**

15. Inflation is the driver of significant pressures on the 2022/23 budget, as discussed in detail in the October and December 2022 reports to the Authority. It should be noted that although the pay award for Staff has been agreed and implemented, the outcome of the Firefighter pay award is not yet clear. However, on 9th February an offer of 7% from July 2022 and 5% from July 2023 was made. This is offer is the basis for the figures in this report. Similarly, the forecasts for energy costs are dependent not only on the price paid but also energy consumption. A colder or milder final quarter of the financial year than assumed in the forecast will again impact the outturn position.

16. The split between inflationary pressures and other budgetary under and overspends is shown in Table 2, with the inflationary pressures of £2.024m being the starting point for the 2023/24 budget in Appendix B:

Table 2	**Forecast (under)/ overspend**
	£'000
Excess non-pay inflation	1,158
Pay inflation	3,192

Pay contingency (3.3%)	(1,526)
Inflation and general contingencies	(800)
Sub-total inflationary pressures	**2,024**
Expenditure budget underspends	(650)
Additional income	(794)
Benefit of lower capital financing costs	(799)
Funding	33
Net position	**(186)**

17. One of the significant drivers for the underspend is the anticipated lower than budgeted spend on on-call firefighters. This is mainly driven by difficulties with recruitment and retention within the on-call workforce which is impacting on on-call availability, as previously reported to the Authority.

18. There is a significant overspend forecast for wholetime firefighters, largely related to the impact of the forecast pay award, with additional pressures created by wholetime trainees during their training period. The higher pay award means that this forecast overspend has increased since the position reported to the Authority in December. An underspend is however forecast against Staff pay budgets, partly due to difficulties in recruiting to specialist ICT roles.

19. Delays in delivering schemes in the capital programme has meant that new borrowing has not been needed as soon as original predicted, meaning a temporary underspend against the capital financing budget equating to approximately £0.8m in 2022/23. The delayed spend on the capital programme is also contributing to the Authority generating greater investment returns on its cash balances than budgeted, as not only is it is benefiting from higher interest rates on higher balances than budgeted. Additional income from partners is also contributing to the net underspend against the overall budget.

20. The forecast assumes the successful delivery of efficiency savings of £0.8m built into the 2022/23 budget, which are on track to be delivered as a result of a strong focus on financial management within the Operations directorate.

21. The Service has been successful in challenging the valuations used for business rates for a number of the properties it owns, resulting in significant one-off financial benefits. As set out in the Reserves Strategy, the outturn position assumes that a one-off contribution of £1m is made from the revenue budget to the proposed Capital and Investment Risk Reserve as a result of this work.

Overall 2023/24 Budget Position

22. **Appendix A** outlines the base budget for 2023/24 compared to the base budget for 2022/23 by cost type and by area of spend.

23. A comparison against the position from the Budget Update report shows that the position has moved from a forecast deficit of £3.283m prior to the announcement of the detailed funding settlement, to a modest deficit of £0.264m. It is recommended that the deficit is covered by a draw from the Budget Equalisation Reserve. The major factor in this improved position is the impact of council tax flexibility and the increase of Revenue Support Grant and Business Rates by Consumer Prices Index Inflation. This improvement is partly offset by an additional £1.278m for firefighter pay resulting from the revised pay offer and the on-call investment.

Changes since Budget Update report	**£'000**
Forecast budget gap in December 2022 Budget Update report	3,283
Changes since Budget Update report:	
Additional Revenue Support Grant	(693)
Additional Business Rates (net)	(1,727)
Services Grant	(638)
Additional Council Tax	(1,880)
Collection Funds	(334)
Other grant changes	(58)
Delivery pressure – Health and Safety	65
Inflation on Reserve Contributions	605
Non-pay inflation changes	188
Additional firefighter pay inflation	1,278
On-call investment	800
Temporary suspension of BER contribution	(625)
Proposed budget (surplus)/deficit	**264**
Draw from the BER	**(264)**
Deficit / (surplus)	**-**

24. The settlement provides us with an opportunity to maintain or increase spending in three key areas that were not included in the budget update report. Firstly, it allows us to inflate our reserve contributions, noted as a priority within the previous report. Inflation has impacted particularly on the assets funded from reserves. If these contributions are not inflated, it will

mean that the reserves are not available to fully fund the refresh of existing assets. Therefore, this is a prudent measure to improve our financial sustainability and also to ensure that these significant assets can be procured using a planned approach that delivers value for money.

25. In previous years, the Authority has contributed to a Budget Equalisation Reserve (formally Grant Equalisation Reserve). This reserve is held to mitigate financial risks. The announcement of an increased firefighter pay award at a late stage in the budget setting process was the realisation of a financial risk. In order to manage this risk, it is proposed that the annual contribution to the BER is temporarily suspended, along with a draw from the BER of £0.264m to balance the budget. This approach gives the Authority time to consider the medium term consequences of the higher pay award. While the inability to contribute further to the BER does weaken the Authority's financial position, the confirmation of the firefighter pay award reduces one of the significant financial risks for next year.

26. In addition, the settlement allows us to make a strategic investment in our on-call workforce. The challenge of maintaining availability in our on-call workforce has been noted repeatedly in Authority performance reports. The monitoring position reflects an underspend on-call firefighters, reflecting the challenges of recruitment and retention. This strategic investment will allow us to improve the support that we as a service offer to our on-call workforce. We work with our on-call workforce to understand what support is needed for their specific station or group of stations and then use this investment to deliver improvements at a local level.

Council Tax

27. The Budget Update report assumed council tax base growth of 1%. Final figures from the district councils show marginally lower council tax base growth of 0.86%, representing a small reduction in expected base growth.

28. In the December Budget Update report there was an assumption that the council tax increase for Fire Authorities would be limited to a maximum of 3% (£2.26) for a band D property. The Local Government Financial Settlement provided additional flexibility for Fire Authorities to increase Council Tax by £5 (6.63% for HIWFRA) without the need for a referendum. This flexibility has been granted for a single year only, with the expectation that the referendum limit for Fire Authorities will return to 3% from financial year 2024/25 onwards.

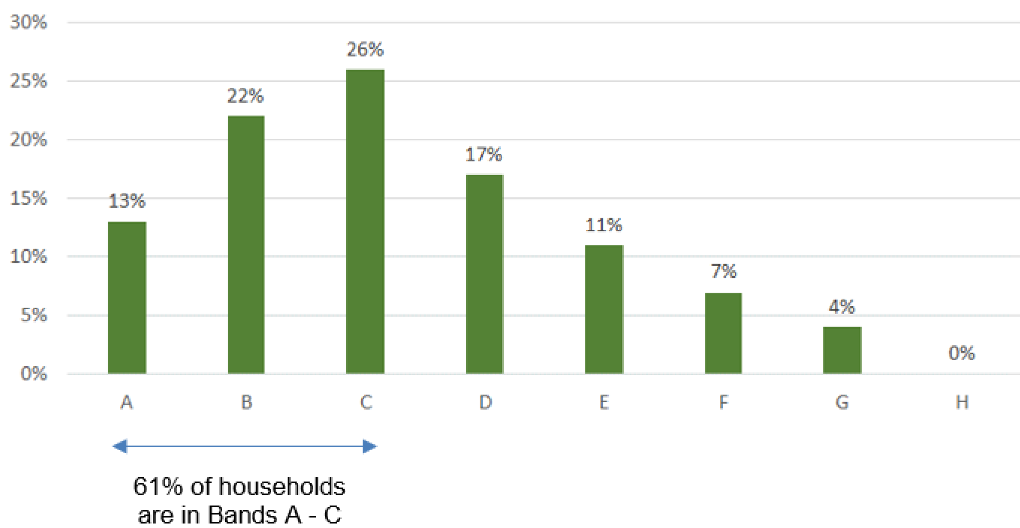
29. The table below sets out the impact of a £2.26 / 3.00% and a £5.00 / 6.63% council tax increase for each band:

	£2.26 / 3.00%	£5.00 / 6.63%
	£ per annum	£ per annum

Band A	1.51	3.33
Band B	1.76	3.89
Band C	2.01	4.44
Band D	2.26	5.00
Band E	2.77	6.11
Band F	3.27	7.22
Band G	3.77	8.33
Band H	4.53	10.00

30. With the current cost of living pressures, it is more important than ever to consider the impact that a Council Tax rise will have on the residents of Hampshire and the Isle of Wight. The graph below illustrates that 61% of properties are in bands A – C, meaning that the majority of homes in Hampshire and the Isle of Wight will see an increase of less than £5 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.

Percentage of Households by Council Tax Band



31. The additional flexibility to increase council tax brings in a potential additional £1.880m in council tax income during 2023/24 compared to the position set out in the budget update report.

32. The benefits of increasing council tax by the maximum allowable amount are set out throughout this report and become particularly clear in the MTFP section, which looks forward to future years. For 2023/24, the benefits set out in paragraphs 24 – 26 are contingent on an increase in Council Tax by

the maximum level permitted. The risks of not taking the maximum increase are also articulated as part of the MTFP. All figures in this report assume that a £5 increase is applied as recommended by the Chief Financial Officer.

33. The figures below show the council tax rates for the year beginning 1st April 2023 for the properties in each band, based on a £5 increase:

Band A:	£53.62	Band E:	£98.30
Band B:	£62.55	Band F:	£116.17
Band C:	£71.49	Band G:	£134.05
Band D:	£80.43	Band H:	£160.86

34. 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 2023/24.

Basingstoke and Deane Borough Council	£5,552,670
East Hampshire District Council	£4,229,112
Eastleigh Borough Council	£3,901,678
Fareham Borough Council	£3,550,132
Gosport Borough Council	£2,176,114
Hart District Council	£3,403,256
Havant Borough Council	£3,369,880
Isle of Wight	£4,350,217
New Forest District Council	£5,812,813
Portsmouth City Council	£4,623,165
Rushmoor Borough Council	£2,650,901
Southampton City Council	£5,393,395
Test Valley Borough Council	£4,179,786
Winchester City Council	£4,232,779
Total	**£57,425,898**

35. During 2022/23 the Council Tax Collection Fund had a surplus of £465,000 with neither deficit nor surplus on the Business Rates Collection Fund. For 2023/24 there is a modest surplus of £0.334m across both funds.

Business Rates

36. 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.

37. There has been a small reduction in the top-up grant, meaning that the grant will be £8.951m. This grant reduction is offset by an increase in locally retained business rates, which rise to £7.642m. This means that the total for top-up grant and locally retained business rates has increased by £0.866m since 2022/23.

38. 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 £4.308m will be received in 2023/24. The overall change for all business rates related funding is an increase of £2.042m.

39. As noted in paragraph 35 it is anticipated that there will be a modest surplus on the Business Rates collection fund.

Government Grant

40. The previous 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 (10.1%). This means that RSG will be £0.864m higher than in 2022/23, an improvement to the position reported in the budget update report.

41. During 2022/23 a new Services Grant was introduced. This grant was initially described as a one-off grant, but the provisional settlement announced that the grant will continue for 2023/24, albeit at a lower level of £0.637m. This is a further improvement to the position reported in the budget update report.

42. The Authority also receives a number of grants from the Home Office. During 2022/23 it was announced that the Firelink grant, provided to cover the costs of Airwave radios would be phased out. There was an in-year reduction of £33,000 with a further reduction of £59,000 in 2023/24. The grant will be fully phased out by 2026/27. Notifications of other grants received from the Home Office have yet to be received. With the exception

of the Firelink grant is has been assumed that there will be no change to these grants but until this is confirmed a risk of reductions remains.

Pressures

43. As part of the December Budget Update report a number of delivery pressures were identified. These were split into different categories. Category a (base budget increases that are essential to ensure continued high performance during the next year) and category b (one-off investments to be funded from the Transformation Reserve) were approved subject to affordability.

44. Assuming that the recommended Council Tax level is approved, these delivery pressures are now affordable so have been incorporated within the proposed budget for 2023/24. The delivery pressures totalled £0.406m. A further review of the Health and Safety function has resulted in a proposed additional funding increase of £0.065m, taking the total delivery pressures to £0.471m.

45. In addition, the Budget Update report flagged pressures on reserves (category c in the December report). The items funded from the Capital Payments, IT and Equipment reserves have been particularly impacted by inflationary increases. Since the introduction of these annual reserve contributions, the rate of inflation has been low. However, this changed considerably during the last financial year. If the reserve contributions are not increased by inflation, then there will be insufficient balances in the reserves to refresh current assets. Therefore, it is proposed that reserve contributions are inflated by CPI (subject to affordability) in this and future budgets. This creates an additional inflationary pressure of £0.605m which has been built into the base budget from 2023/24.

46. In addition, the settlement and some one-off funding will allow the Authority to improve the mitigation of the most significant financial risks it is facing. The Station Investment Programme, and the December 2022 update to the Capital Programme highlight the medium term need for the Authority to borrow. This borrowing has in impact on the revenue budget, and previous reports have identified the need to increase the budget for capital financing to £3.6m by 2025/26.

47. Currently the budget is £1.5m and it is proposed that, in line with the Medium Term Financial Plan, this is increased to £2.5m during 2023/24. However, due to the approach of using internal borrowing before borrowing externally, it is unlikely that the full £2.5m will be needed during the next financial year. The current levels of interest rates and reserve balances mean that it is likely that in the short term there will also be additional investment income. In line with the proposals in the reserve strategy (Appendix D to this report) it is proposed that this one-off underspends of £1.5m are transferred to the

newly created Capital and Investment Risk Reserve, £1m from capital financing and £0.5m from additional investment income.

48. This one-off contribution will play an important role in mitigating the risks to the capital programme from inflation or interest rate rises. It will also avoid the risk of needing to increase the capital financing budget when external borrowing is taken out.

49. In addition to these pressures, a one-off draw from the Transformation Reserve of £0.380m is requested to support the delivery of the Safety Plan Year 4 objectives.

Efficiency measures

50. The 2022/23 budget included an efficiency target of £0.800m, largely to be delivered from the Operations Directorate. This saving is on target to be delivered as a result of a strong focus on financial management within the Directorate. To deliver the two year target of £1.362m a further £0.562m of cashable efficiencies are planned to be delivered, largely as result of increased estates income and savings within the Corporate Services Directorate.

51. Further details on the Authority's approach to efficiency, including efficiencies delivered to date and future plans are included as Appendix H. This plan sets out how the Authority has delivered and will continue to deliver Public Value. To demonstrate the continued focus on efficiency, as part of the Safety Plan Year 4 objectives, Directorates have been tasked with delivering 3% efficiency savings. These will be reinvested within the service to drive improved outcomes against our priorities and to limit the need for future growth. Progress on this target will be reported to the Authority as part of the reporting on the Safety Plan deliverables.

Contingency

52. Reasonable assumptions for pay and non-pay inflation have been included within the 2023/24 budget. However, there are significant unknowns over the coming year, fire sector specific as well as the wider economic challenges affecting the whole country.

53. Given this uncertainty it is a prudent measure to include a contingency of £500,000 to allow the service to respond to unforeseen events during the coming financial year. It is worth noting that the full contingency balance was required in 2021/22 and in 2022/23 to deal with pay and non-pay inflationary pressures.

MEDIUM TERM FINANCIAL PLAN 2023/24 – 2026/27

54. The Local Government financial settlement for 2023/24 was a full single year settlement with some information about the following financial year. Although we still do not have a multi-year settlement, due to the changes in the economic climate it is sensible to fully revise the Medium Term Financial Plan (MTFP). Again, it is important to note that this plan is based on a series of prudent assumptions and has the potential to be significantly impacted by, for example, pay awards, inflation, and funding changes.

55. The plan has been prepared in line with the financial principles adopted by the Fire Authority at the December 2021 meeting, included as part of the Reserves Strategy (Appendix D). The MTFP takes the position outlined in the main Budget and Precept Report and looks forward to future years. It sets out assumptions about funding and expenditure, including the capital programme and reserves.

56. The MTFP will be updated when significant new information becomes available and at least annually.

57. Appendix B sets out a high level, indicative position for funding and expenditure for the period 2023/24 – 2026/27.

Overall position

58. An MTFP is included as **Appendix B.** The table presents incremental changes to the budget for a four year period starting with 2023/24. This illustrates that, even with the additional funding from the 2023/24 settlement and the recommended increase in Council Tax in line with the referendum limit, a modest deficit remains in 2023/24 which increases in the later years of the plan. These arise mainly due to the forecast impact of inflation, including the impact of the recently announced firefighter pay offer (outstripping the future Council Tax referendum limit) and the need to build up the financing for the Station Investment Programme borrowing.

59. Based on current assumptions it would be possible to manage the majority of the deficit in 2024/25 with a draw from the BER, leaving a balance of £0.610m to be addressed by other means. Monitoring the impact of inflation and funding announcements to ensure that the service has time to develop plans will be a key focus for the Executive Group during the early part of 2023/24.

60. The MTFP shows the vital importance of taking the opportunity to raise council tax by the maximum allowable amount during 2023/24. This increase brings in an additional £1.880m compared to the previous

referendum limit of 3%. Over the four year period of the plan this would mean a reduction in Authority resources of £7.5m if the increase were not to be approved.

61. If the council tax rise were capped at 3% it would mean that:

    (a) The benefits set out in paragraphs 24 to 26 would not be able to be delivered. Inflation would erode the value of reserve contributions, meaning that assets could not be refreshed in line with current strategies.

    (b) The Service would be facing a deficit of in excess of £2m during 2023/24. Closing this gap would exhaust the whole balance of the BER and would mean that other reserve contributions would have to be reduced. The service would urgently need to make plans for addressing considerable deficits from 2024/25, which would include options for service reductions.

    (c) The investment in support for our on-call workforce would not be possible, although the issues with recruitment and retention would remain.

62. When considering the position set out in Appendix B, it is important to remember that the forward projections of funding are not based on information from Government about funding plans but rather on prudent assumptions. The risks inherent in this approach are covered in detail later in this report. Funding estimates and inflation forecasts are unlikely to be totally accurate, meaning that the position could be materially better or worse than expected.

<u>Funding</u>

63. Council tax is the most significant funding stream for the Fire Authority. The MTFP is built on the assumption that the Authority use the flexibility offered to HIWFRA to increase council tax by £5 (6.63%) for a band D property.

64. The referendum limit for Fire Authorities has been increased to 3% for future years and the assumption has been made that Council Tax will be raised by the referendum limit in future years. There is no suggestion that the referendum limit will be higher than 3% in future years. Given the uncertainty surrounding the medium term position, it would be an extremely high risk strategy to delay implementing a higher rise this year with the intention of implementing a higher rise in future years.

65. Council tax base has increased by 0.86% against an assumption of 1% growth in the MTFP. The threat of a recession means that it is prudent to assume that Council Tax base growth reduces to 0.5% for the remainder of the MTFP period.

66. The system of business rates is complex, with locally retained business rates, business rates top-up grant and section 31 grants to compensate for reliefs. Business rates income is impacted by the wider economy to a greater extent than council tax. These factors make estimating business rates income challenging. For the purposes of the MTFP an assumption that business rates will increase in line with forecast Consumer Prices Index inflation of 5.3% in 2024/25 has been made, with a 3% increase in future years. Any changes to business rate reliefs or wider economic turbulence are likely to have a significant impact on business rate income.

67. It is assumed that the council tax and business rate collection funds return to a position of neither surplus nor deficit from 2024/25 for the remainder of the plan. This is prudent given the mixture of surplus and deficit over recent years.

68. Government grant is assumed to continue as flat cash over the period of the MTFP with two exceptions:

    (a) Revenue Support Grant is assumed to increase in line with inflation, estimated at 5.3% for 2024/25 and two percent in subsequent years.

    (b) Services Grant was a new grant for 2023/24. The grant has continued at a significantly lower level for 2024/25. As there has been no confirmation that this grant will continue beyond 2024/25 it has been removed from the forecast for future years.

Delivery pressures

69. The Fire Authority receives no funding for capital priorities. At the December 2022 meeting the Authority approved a significant revision to the capital programme, including the funding of various schemes using prudential borrowing. The schemes are funded from prudential borrowing and the majority of the impact of servicing this borrowing is now fully reflected in the MTFP. This is a major source of pressure on the revenue budget during the period of the MTFP.

70. In line with our financial principles, the MTFP assumes that growth in ongoing spend is limited to essential requirements. However, provision for a modest increase of £250,000 per annum is included. This is to recognise

necessary investment that may be needed due to external requirements such as Fire Standards or to enable positive change with the Service. It is assumed that efficiencies to balance out this growth will be delivered, however dependant on the challenges the service faces in future years this may not always be possible.

71. Both pay and non-pay inflation continue to be challenging to forecast. The latest Firefighter pay award improves this uncertain position somewhat but forecasting pay and price inflation remains challenging. An assumption of a 5% pay award for firefighters and 4% for staff for 2023/24 has been included in the budget. In later years of the plan, it is assumed that pay inflation will reduce to 3%, in line with reduced inflation.

72. 2022/23 has been an exceptional year for non-pay inflation. For the purposes of the 2023/24 budget, it has been assumed that non-pay inflation will reduce to 5% with a further reduction to 3% from 2024/25 onwards.

Efficiency measures

73. Public Value is at the core of our service and so we will always seek to deliver a more efficient service to our communities. 2023/24 is the second year of an efficiency plan, which will see cashable efficiencies of £1.3m delivered. The remainder of this balance will be delivered from savings in the Corporate Services and Operations Directorates.

74. In addition to the delivery of cashable efficiencies, as part of the Safety Plan Year 4 objectives, Directors have been tasked with delivering 3% efficiency savings on their operational budgets. These savings will be reinvested in improving our performance and allowing us to manage future pressures.

75. More information is included in Appendix H of this report.

CAPITAL PROGRAMME

76. Capital expenditure can be financed by the Authority in a number of ways. The Authority has limited opportunities to fund expenditure from external sources (such as partner contributions) and receives no capital grants from government. Receipts from the sale of the Authority’s assets may also be used to fund capital expenditure, but again opportunities are limited and assets can only be sold once. The Authority is therefore substantially dependent on using its own revenue resources to fund capital expenditure, either by doing so up front through planned contributions from the revenue budget/reserves, or by borrowing to fund expenditure and creating commitments in the form of capital financing costs against future years’ budgets.

77. The Authority's capital expenditure is always likely to be focused on investing in its estate and vehicles. The Authority received papers on the estates capital programme and the carbon reduction pathway in December 2022, with the recommendations from these reports reflected in changes to the capital programme included in the budget update report to the same meeting alongside additional analysis of capital financing costs and the impact of interest rate uncertainty. The anticipated timing of expenditure for these aspects of the programme has been further refined since December. This is reflected in the proposed capital programme in Appendices C1 and C2. Appendix C1 is a summarised version of the capital programme, exempt appendix C2 is a more detailed programme containing commercially sensitive information.

78. The proposed programme also includes updated forecasts for the vehicle replacement programme. This reflects the anticipated timescales for expenditure as well as the impact of inflation on vehicle costs and the addition of a further year to the programme. The composition of the fleet is informed by the risk profile of the county based upon the Integrated Risk Management Plan (IRMP) covering 2020 to 2025 (the Service's Safety Plan). Any changes to the composition of the fleet as a result of the new Community Risk Management Plan will be reflected in future updates to the capital programme. The programme focuses on replacing the oldest vehicles in the fleet, providing more suitable assets, and reducing the costs of maintaining an ageing fleet.

79. 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.

80. Where the Authority has agreed to fund parts of the capital programme from prudential borrowing, the Chief Financial Officer will continue to seek the advice of the Authority's treasury management advisor (Arlingclose) on the most effective and efficient way to borrow to minimise the financial impact on the Authority.

RESERVES

81. The Authority holds specific reserves to provide for future planned spending 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. Without these contributions the Authority would not have a plan to replace existing assets or be able to do this at the right time to achieve an efficient and effective outcome.

82. A fully updated Reserves Strategy which outlines the purpose of the reserves that we hold is provided in **Appendix D.** Details of the expected balance on each of the specific reserves and the general balance over the period 2022/23 to 2026/27 are set out within the appendix.

83. Significant spend on the capital programme means that there is a forecast reduction in overall reserve balances by the end of the financial year. Balances are forecast to continue to reduce during the period of the MTFP. Forecast reserve balances at the end of this financial year remain relatively high.

84. The reserves strategy identifies that the most significant balances are fully committed to future spend. In addition, there are balances held to mitigate risk, a prudent measure given the current turbulent economic climate and the lack of certainty about funding in the medium term. The ability of the Authority to use reserves to manage the impact of the late firefighter pay offer is testament to the importance of using reserves to mitigate the impact of financial risks.

85. The reserves strategy also highlights the purposes for which reserves cannot be used, namely, to delay the need to make savings or to limit necessary increases in Council Tax. This approach would lead to a funding cliff edge in future years once reserve balances were exhausted. It would also mean that the assets which the reserve balances were committed to will not be able to be delivered, leading to service pressures in future years.

RISKS AND MITIGATIONS

86. Financial planning uncertainty has been a risk on our organisational risk register for several years. The single year settlement means that this risk is still current. The duration of settlements is outside of the control of the Authority, although the Service continues to make the case for longer term financial planning information to Government.

87. There have been no bottom line funding reductions as a result of the 2023/24 Local Government Financial Settlement. However, notifications on the level of Home Office grants have not yet been received. The assumption is that these grants will be flat cash, i.e., no inflationary increase, but in previous years there have been reductions. Therefore, the risk of funding reductions in 2023/24 cannot yet be completely ruled out. The lack of information about future years means that this risk remains live for the duration of the MTFP.

88. In addition, the impact of inflation and interest rate rises on the services medium term financial position was added to the organisational risk register during 2022. The impact on the in-year and future financial position of these current issues has been set out elsewhere in the report. However, it is likely

that inflation will continue at rate higher than the Monetary Policy Committee target of 2% for the majority of the coming financial year and a possibility for future years of the plan. Inflation has impacted significantly on the revenue budget and capital programme and is likely to continue to do so.

89. As set out in the Reserves Strategy (Appendix D) it is proposed that the previous Grant Equalisation Reserve (GER) is repurposed as a Budget Equalisation Reserve (BER) to mitigate not only the longstanding risk of funding reductions but also the current risk of inflationary pressures outstripping available revenue funding. The importance of this redesignation in managing the impact of pay inflation is set out elsewhere in this report.

90. Due to the ongoing high levels of financial risk, it is proposed that contributions to the Budget Equalisation Reserve (BER) continue. This would mean that the service was able to respond to a reduction in funding or an increase in costs outside of our control such as an unbudgeted pay award by taking a measured approach. It has been necessary to suspend the contribution in 2023/24 but it is assumed that this contribution is reinstated during 2024/25. The current MTFP assumes that the reserve is fully exhausted by 2024/25.

91. Finally, an element of one-off underspend has been used to create a Capital and Investment Risk Reserve that provides some mitigation to inflation linked cost increases to the capital programme and increases in interest rates. In addition, this reserve provides some protection to the service from changes in the values of investments.

92. While the economic outlook and therefore uncertainty about the future financial position of the service has worsened, these mitigations mean that the service continues to be in a resilient financial position in the medium term.

TREASURY MANAGEMENT STRATEGY AND INVESTMENT STRATEGY

93. The Treasury Management Strategy and Investment Strategy are attached at **Appendix E** and require approval on an annual basis. This document includes the Treasury Management Indicators.

94. The report recommends that the following be approved:

- That the Treasury Management Strategy (TMS), including the Annual Investment Strategy for 2023/24, (and the remainder of 2022/23) is approved; and
- That authority is delegated to the Chief Financial Officer to manage the Authority's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

95. The strategy also takes into account the fact that the Authority will be taking out significant prudential borrowing as part of the funding of the Station

Investment Programme. This is also reflected in the Capital and Investment Strategy. It is expected that the Authority will need to take on new external borrowing either during 2023/24 or 2024/25. The Chief Financial Officer, advised by Arlingclose our Treasury Management advisors, will make decisions on the timing and level of borrowing in line the Treasury Management Strategy.

CAPITAL AND INVESTMENT STRATEGY

96. A new reporting requirement was introduced for the 2019/20 budget in respect of a Capital and Investment Strategy. This has been updated for 2023/24 and is included as **Appendix F** to this report. The Strategy gives a high-level overview of how capital expenditure, capital financing, and treasury management and investment activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. This document includes the Prudential Indicators required by the Prudential Code and the statement on Minimum Revenue Provision.

97. The Capital and Investment Strategy and the Treasury Management Strategy collectively take into account the requirements of the Prudential and Treasury Management Codes as well as DLUHC investment and MRP guidance.

SECTION 25 REPORT

98. 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**.**

99. The report sets out the importance of raising Council Tax by the referendum limit, as well as describing the key financial risks facing the Authority. The Authority is required to take this report into account in setting the budget and council tax for 2023/24.

FINANCIAL MANAGEMENT (FM) CODE

100. 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. 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

101. 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 twelve 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.

102. There has been an increase in our 2022/23 contribution of approximately 5%. This is due to various factors including inflationary pressures, liability rate increases and ongoing concerns relating to the Employee Liability risk profile. 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.

103. 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 in the expectation that they will be able to continue to refund contributions in future years The Contribution refund received by HIWFRS was £25,542.

104. Additional covers consisting of Business Travel, Personal Accident, Engineering Insurance and Engineering Inspection are still obtained through Zurich Municipal and to date, we have not made any claims under these additional policies. Increases are due to inflationary increases, applied at 4.30%.

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

Contribution/Premium	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
FRIC Contribution	£516,402 (£14,089 Non-FRIC Covers)	£541,826 (£12,558 Non-FRIC Covers)	£615,738 (£15,877.94 Non-FRIC Covers)	£647,250 (£19,183 Non-FRIC Covers)	£677,469 (£21,370 Non FRIC covers
Additional Covers and Engineering Inspection	£76,035	£80,473	£80,958	£84,719	£96,544

FRIC Contribution for IOW elements (period of cover 01/04/21 – 31/10/21)			£32,587 (£590 Non-FRIC Covers)		

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

106. This report sets out how the available funding will be directed to the priority areas within the Fire Authority and supports a continuing strong financial position.

CONSULTATION

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

RESOURCE IMPLICATIONS

108. The report covers the overall financial position for 2023/24 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

109. The proposals within this report are considered compatible with the provisions of the equality and human rights legislation and do not change any policies.

LEGAL IMPLICATIONS

110. 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.

RECOMMENDATIONS

The Authority is recommended to approve:

111. The 2022/23 monitoring position as set out in paragraphs 14 – 21, including the £1m contribution to the Capital and Investment Risk Reserve in 2022/23.

112. The Revenue Budget, as set out in Appendix A.

113. The draw of £0.38m from the Transformation Reserve to support the delivery of the Year 4 Safety Plan priorities as set out in paragraph 49.

114. The contribution of £1.5m from one-off underspends to the Capital and Investment Risk Reserve as set out in paragraph 47.

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

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

117. The Reserves Strategy as set out in Appendix D.

118. The Treasury Management Strategy as set out in Appendix E, including the Annual Investment Strategy for 2023/24, (and the remainder of 2022/23).

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

120. The Capital and Investment Strategy as set out in Appendix F for 2023/24, (and the remainder of 2022/23).

121. 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.

122. The council tax requirement for the Authority for the year beginning 1st April 2023 of £57,425,898.

123. That the Authority's council tax be increased by £5 for a Band D property for the year beginning 1st April 2023 and for the properties in each band to be increased by 6.63%, as set out in paragraph 18 of this report:

Band A:	£53.62	Band E:	£98.30
Band B:	£62.55	Band F:	£116.17
Band C:	£71.49	Band G:	£134.05
Band D:	£80.43	Band H:	£160.86

124. That the precepts set out in paragraph 33 of this report, totalling £57,425,898 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.

APPENDICES ATTACHED

125. Appendix A – 2023/24 detailed Budget
126. Appendix B – Medium Term Financial Plan
127. Appendix C1 – Proposed Capital Programme and Funding - summary
128. Appendix D – Reserves Strategy
129. Appendix E – Treasury Management Strategy 2022/23 – 2023/24
130. Appendix F – Capital and Investment Strategy 2022/23 - 2024/25
131. Appendix G – Section 25 Report

132. Appendix H – Efficiency Plan

Exempt Appendix

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

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2023/24 Budget - By type of spend

	2022/23 Original Budget	2022/23 Revised Budget	Remove one off spend	Realignment	Funding Changes	Inflation	Delivery Pressures	Efficiencies	Investments	2023/24 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Whole Time Firefighters	37,347	37,371		(741)		3,030	100		300	40,060
Retained Firefighters	8,318	8,318		20		662				9,000
Staff	14,550	14,605		136		787	276	(55)	500	16,249
Other Employee costs	2,149	2,147								2,147
	62,364	**62,440**		**(585)**		**4,479**	**376**	**(55)**	**800**	**67,455**
Premises	7,996	7,996	(1,694)	(10)		1,304		(187)		7,409
Transport	1,714	1,739		36						1,775
Supplies & Services	8,309	8,220		(195)		762		(87)		8,700
Third Party Payments	2,032	2,010		(67)		15	95			2,054
Contingencies	500	500				(500)			500	500
Savings	(800)	(800)		800						0
	82,115	**82,105**	**(1,694)**	**(20)**		**6,060**	**471**	**(329)**	**1,300**	**87,893**
Income	(2,719)	(2,709)		20				(233)		(2,922)
	(2,719)	**(2,709)**		**20**				**(233)**		**(2,922)**
Revenue contributions to capital	4,038	4,038	(73)			397				4,362
Equipment reserve	1,015	1,015				102				1,117
Budget equalisation reserve	625	625							(625)	0
Transformation reserve	250	250				25				275
ICT reserve	807	807				81				888
	6,735	**6,735**	**(73)**			**605**			**(625)**	**6,642**
Net Cost of Service	**86,131**	**86,131**	**(1,767)**			**6,665**	**471**	**(562)**	**675**	**91,613**
Capital financing	1,529	1,529							1,000	2,529
Investment Income	(210)	(210)								(210)
Budget Requirement	**87,450**	**87,450**	**(1,767)**			**6,665**	**471**	**(562)**	**1,675**	**93,931**
Funded by:										
Precept	(53,396)	(53,396)			(4,029)					(57,425)
Revenue Support Grant	(8,528)	(8,528)			(864)					(9,392)
Business Rates Top-Up Grant	(9,043)	(9,043)			92					(8,951)
Locally Retained Business Rates	(6,684)	(6,684)			(958)					(7,642)
Business Rates S31 Grants	(3,132)	(3,132)			(1,176)					(4,308)
Pension grant	(3,771)	(3,771)			0					(3,771)
CT Collection Fund Balance	(465)	(465)			302					(163)
BR Collection Fund Balance					(171)					(171)
Other S31 Grants	(1,299)	(1,299)			92					(1,207)
Services grant	(1,132)	(1,132)			495					(637)
Funding Gap / (Surplus)	**0**	**0**	**(1,767)**	**0**	**(6,217)**	**6,665**	**471**	**(562)**	**1,675**	**264**

Draw from BER to balance budget	**-264**
Final deficit / (surplus)	**-**

2023/24 Budget – By Directorate

	2023/24 Budget £'000
People and Organisational Development	5,146
Operations	43,360
Policy, Planning and Assurance	5,227
Corporate Services	22,969
Finance	8,269
Reserve Transfers	6,642
Net Cost of Service	**91,613**

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Medium Term Financial Plan

	2023/24 (Surplus) / Deficit **£'000**	**2024/25** (Surplus) / Deficit **£'000**	**2025/26** (Surplus) / Deficit **£'000**	**2026/27** (Surplus) / Deficit **£'000**
Pressures brought forward				
Additional non-pay inflation	358			
Additional pay inflation	1,666			
Opening deficit / (surplus)	**2,024**	**264**	**2,068**	**2,412**
Remove one off spend	(1,767)	-	-	-
Council tax increase	(4,029)	(2,019)	(2,089)	(2,163)
Other funding changes	(2,188)	(543)	(865)	(894)
Pay inflation	3,182	2,184	1,973	2,032
NI decrease	(368)			
Non-pay inflation	1,827	1,057	825	849
Delivery pressures	471	275	283	292
Contingency	500	-	-	-
SIP borrowing	1,000	500	500	100
Efficiencies	(562)	(275)	(283)	(292)
On-call investment	800	-	-	-
Remove contribution to BER	(625)	625		
Closing deficit / (surplus)	**264**	**2,068**	**2,412**	**2,337**
Use of Budget Equalisation Reserve	(264)	(1,458)	(625)	(625)
Deficit to be addressed	**0**	**610**	**1,787**	**1,712**

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Appendix C – Capital Programme Summary

Capital programme	Approved at Dec 2022	Previous Years' Spend	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total	Change
	£'000s	£'000s	£'000s	£'000s	£'000	£'000s	£'000s	£'000	£'000s	£'000s
Basingstoke Fire Station	6,955	6,835	0	120	0	0	0	0	6,955	0
Estates Transformation - HQ Phase 2	4,660	4,529	40	0	0	0	0	0	4,569	(91)
Vehicles	40,157	5,464	5,948	15,146	12,293	5,104	1,854	0	45,809	5,652
Electric Vehicle Charging points	780	0	780	0	0	0	0	0	780	0
Carbon Reduction	2,500	0	0	500	500	500	500	500	2,500	0
Estates programme	43,746	1,148	11,937	19,894	9,566	1,241	0	0	43,786	40
Subtotal - capital projects	**98,798**	**17,976**	**18,705**	**35,660**	**22,359**	**6,845**	**2,354**	**500**	**104,399**	**5,601**
Revenue investments funded from CPR	5,702	4,395	1,096	221	0	0	0	0	5,712	10
Total Programme Cost	**104,500**	**22,371**	**19,801**	**35,881**	**22,359**	**6,845**	**2,354**	**500**	**110,111**	**5,611**

Financed by:

Capital Payments Reserve	64,807	19,577	12,978	16,612	12,793	5,604	2,354	500	70,418	5,571
Prudential Borrowing	37,450	625	6,749	19,269	9,566	1,241	0	0	37,450	0
Revenue Grant Unapplied Reserve	0	0	0	0	0	0	0	0	0	0
Capital Receipts	1,703	1,669	34	0	0	0	0	0	1,703	0
Capital Grant	0	0	0	0	0	0	0	0	0	0
Partner Contributions	540	500	40	0	0	0	0	0	540	40
Total financing	**104,500**	**22,371**	**19,801**	**35,881**	**22,359**	**6,845**	**2,354**	**500**	**110,111**	**5,611**

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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, 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 31/03/22 (Actual) £'000	Balance at 31/03/23 (Forecast) £'000
Fully Committed	**(37,559)**	**(26,674)**
Capital Payments Reserve	(30,599)	(20,964)
Transformation Reserve	(2,602)	(2,034)
Equipment Reserve	(1,422)	(227)
IT Reserve	(1,020)	(1,527)
Earmarked underspends	(616)	0
Revenue Grants Unapplied Reserve	(1,300)	(1,053)
Risk Reserves	**(472)**	**(2,097)**
Budget Equalisation Reserve	(472)	(1,097)
Capital and Investment Risk Reserve	0	(1,000)
Specific Reserves	**(889)**	**(640)**
SHQ Maintenance Reserve	(815)	(566)
Princes Trust Reserve	(74)	(74)
General Reserve	**(2,500)**	**(2,500)**
Total Reserves	**(41,420)**	**(31,911)**

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 increase revenue contributions to this reserve in line with inflation in future years. The figures in the table below assume this inflationary increase. The capital programme was rescoped in December 2022 and this will provide a mitigation against the need to further reduce the size of the programme. The table below shows that the reserve is overcommitted in later years of the plan. Officers will closely monitor this. Currently there is an assumption of no surplus or deficit in 2022/23 so no additional contribution to the Capital Payments Reserve.

	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance	(30,599)	(20,964)	(8,935)	(635)	1,933
Draws	13,673	16,391	12,793	7,196	2,354
Contributions	(4,038)	(4,362)	(4,493)	(4,628)	(4,766)
Closing Balance	(20,964)	(8,935)	(635)	1,933	(479)

3.2 The balance on the Capital Payments Reserve remains high as there have been significant delays on the vehicle replacement programme in recent years. However, spend funded from the Capital Payments Reserve has increased during this financial year, with a number of vehicles delivered and more expected before the end of the financial year. In addition, significant progress has been made on the Live Fire and Bishops Waltham Fire Station schemes that use funding from this reserve.

3.3 Inflationary pressures and specific market factors affecting the vehicle manufacture and construction industries mean that even with the inflationary increases built into the reserve contributions, the reserve is overcommitted during the course of the plan, and the balance is forecast to reduce significantly. This limits the ability to deliver new capital schemes in the future. The Authority must ensure 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, its Safety Plan priorities, and its Medium Term Financial Plan (MTFP).

4. Transformation Reserve

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

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Opening Balance	(2,602)	(2,034)	(488)	(136)	(121)
Draws	818	1,821	635	307	315
Contributions	(250)	(275)	(283)	(292)	(300)
Closing Balance	(2,034)	(488)	(136)	(121)	(106)

4.2 In recent years, the reserve has been used to provide extra funding for the improvements identified in the Safety Plan. In addition, in December a major commitment to deliver National Operational Guidance within the service to be funded from this reserve was approved by the Fire Authority.

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	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance	(1,422)	(227)	(842)	(1,721)	(2,702)
Draws	2,210	502	271	204	538
Contributions	(1,015)	(1,117)	(1,150)	(1,185)	(1,220)
Closing Balance	(227)	(842)	(1,721)	(2,702)	(3,384)

ICT	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance	(1,020)	(1,527)	(1,401)	(1,520)	(1,448)
Draws	300	1,014	795	1,014	720
Contributions	(807)	(888)	(914)	(942)	(970)
Closing Balance	(1,527)	(1,401)	(1,520)	(1,448)	(1,698)

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 balance on the equipment reserve is high by the end of the period as there is a planned refresh of breathing apparatus in 2027/28. Equipment and ICT assets have also been affected by price inflation so inflationary increases in the contributions to these reserves have also been built in.

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.

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	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance	(1,300)	(1,053)	(653)	(552)	-
Draws	247	400	101	552	-
Contributions	-	-	-	-	-
Closing Balance	(1,053)	(653)	(552)	-	-

Earmarked Underspends	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening Balance	(616)	-	-	-	-
Draws	616	-	-	-	-
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 OPCC contribute to the reserve and its use is subject to agreement between officers in both organisations.

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Opening Balance	(815)	(566)	(497)	(582)	(775)
Draws	430	254	104	-	-
Contributions	(181)	(185)	(189)	(193)	(193)
Closing Balance	(566)	(497)	(582)	(775)	(968)

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.

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Opening Balance	(74)	(74)	(74)	(74)	(74)
Draws	-	-	-	-	-
Contributions	-	-	-	-	-
Closing Balance	(74)	(74)	(74)	(74)	(74)

Reserves held to mitigate risk

9. Budget Equalisation Reserve

9.1 Since 2019 the Authority has held a Grant Equalisation Reserve. The reserve is funded by a regular annual contribution using the £625,000 previously required to meet the annual deficit contribution to the Hampshire Local Government Pension Scheme, which ceased to be required following the last triennial valuation of the Fund. A draw was made from this reserve to balance the budget in financial year 2021/22.

9.2 This reserve was held to mitigate uncertainty around fire service funding. The risk of funding reductions continues to be held on the corporate risk register. It was recommended that the contribution was made for three years until the results of the 2022 triennial pension fund valuation were known. This valuation is now complete and there continues to be no deficit so the £625,000 is still available.

9.3 Whilst the uncertainty over fire service funding in the medium term remains, with a further single year funding settlement in 2023/24, the economic climate has changed markedly since 2019. In particular pay and price inflation have become significant risks to the medium term position. This risk is now held on the corporate risk register, alongside the existing financial risk relating to reduced funding. Additionally, the threat of a recession may impact the council tax base and the collection fund and business rates income.

9.4 Taking the challenging economic climate, the projected medium term position, and the lack of a multi-year funding settlement into account, it is recommended that the Grant Equalisation Reserve is re-designated as a Budget Equalisation Reserve. The annual contribution of £625,000 will continue until there is a multiyear settlement or a more stable economic outlook, subject to affordability. This re-designation would allow the Authority to use the reserve to respond to funding cuts but also to deal with the effects of inflation on the revenue budget (including real terms cuts in funding).

9.5 On 9th February 2023, a revised firefighter pay offer of 7% from July 2022 and 5% for July 2023 was made by the National Joint Council. Although there has been no agreement to date it is sensible to budget for an award of this level. In the main budget report it is proposed that the contribution to the BER is removed for 2023/24 and that there is a draw from this reserve of £264,000 to balance the budget. This is clear evidence of the importance of having risk reserves to allow us to immediately respond to financial challenges that are more likely in the economic climate.

9.6 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.

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000

Opening Balance	(472)	(1,097)	(833)	0	0
Draws	-	264	1,458	625	625
Contributions	(625)	0	(625)	(625)	(625)
Closing Balance	(1,097)	(833)	0	0	0

10. Capital and Investment Risk Reserve

10.1 This is a new reserve proposed in response to inflationary and interest rate risks to the capital programme. In December 2022, the Fire Authority agreed to resize the capital programme in light of interest rate rises. This reserve is proposed to ensure that the resized capital programme is deliverable, by providing a one-off contingency against increased costs or interest rates. During 2022/23 a one-off contribution will be made to the reserve from the one-off benefit of successful business rates appeals of £1m. During 2023/24, an additional one-off contribution of £1.5m will be made, subject to affordability. This will be funded from additional forecast investment income and a forecast underspend on capital financing costs due to the use of internal borrowing while reserve balances remain reasonably high and the impact of the timing of expenditure on the capital programme financed by borrowing.

10.2 In addition, this reserve will also hold an allocation to mitigate risks to investments held by the Fire Authority. Currently there is a statutory override that prevents unrealised capital gains and losses on investment assets being charged to the revenue budget (required by International Financial Reporting Standard 9). However, this override is currently subject to a consultation and may be removed. This reserve would be used to absorb these in-year unrealised gains and losses so that the service budget continued to be unaffected by unrealised changes. The Authority would only crystalise a gain or loss on these investments at the point it decided to sell them. Further details are included in the Treasury Management Strategy.

	2022/23	2023/24	2024/25	2025/26	2026/27
	£’000	£’000	£’000	£’000	£’000

Opening Balance	0	(1,000)	(2,500)	(2,500)	(2,500)
Draws	0	0	0	0	0
Contributions	(1,000)	(1,500)	0	0	0
Closing Balance	(1,000)	(2,500)	(2,500)	(2,500)	(2,500)

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 2022-23, the General Reserve will represent around 2.7% 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.

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Treasury Management Strategy and Investment Strategy 2023/24 to 2025/26

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 2023/24, (and the remainder of 2022/23) is approved; and**

1.5. **That authority is delegated to the Chief Financial Officer 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 ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

3.3. The Bank of England (BoE) increased the Bank Rate by 0.75% to 3.00% in November 2022 and by 0.50% to 3.50% in December 2022.

3.4. The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

3.5. The UK economy grew by 0.2% between April and June 2022, but the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.

3.6. CPI inflation is expected to peak at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets with a peak of 5.25%. However, the BoE has stated it considers this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target.

Credit outlook

3.7. Credit default swap (CDS) prices have followed an upward trend throughout the year, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

3.8. CDS price volatility has been higher in 2022 compared to 2021 and this year has seen a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

3.9. However, the institutions on our 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

3.10. The Fire & Rescue Authority's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.

3.11. While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.

3.12. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

4. Balance Sheet Summary and Forecast

4.1. On 31 December 2022, the Fire & Rescue Authority held £6.7m of borrowing and £32.m of investments. This is set out in further detail at Annex B.

4.2. Table 1 analyses the Authority's Balance Sheet, showing actual figures as at 31 March 2022 and the forecasts for the subsequent four years.

Table 1: Balance sheet summary and forecast

	31/03/22 Actual £m	31/03/23 Estimate £m	31/03/24 Forecast £m	31/03/25 Forecast £m	31/03/26 Forecast £m
Capital Funding Requirement pre IFRS 16	11.0	16.9	35.6	44.3	44.5
Add: impact of IFRS 16 - Leases	0.0	0.0	0.0	0.4	0.4
New Capital Funding Requirement	**11.0**	**16.9**	**35.6**	**44.7**	**44.9**
Less: Other debt liabilities*					
- Leases**	0.0	0.0	0.0	(0.4)	(0.4)
Loans CFR	**11.0**	**16.9**	**35.6**	**44.3**	**44.5**
Less: External borrowing***:					
- Public Works Loan Board	(6.7)	(5.9)	(5.6)	(5.3)	(5.2)
Total debt	**(6.7)**	**(5.9)**	**(5.6)**	**(5.3)**	**(5.3)**
Internal borrowing	**4.3**	**11.0**	**30.0**	**39.0**	**39.3**
Less: Balance sheet resources	(36.5)	(27.4)	(14.6)	(6.6)	(4.6)
New borrowing (or treasury investments)	**(32.2)**	**(16.5)**	**15.5**	**32.5**	**34.7**

* 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.

4.3. 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.

4.4. The Fire & Rescue Authority has an increasing CFR due to increased spending on the capital programme and during 2023/24 expects to be unable to fund this fully from its investment balances and therefore will 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 estates capital programme. The total CFR also includes the impact of the introduction of the new accounting standard for leases (IFRS 16) which changes the way the Authority accounts for leases but does not affect the overall revenue budget. The overall Capital Programme is detailed in Appendices C1 and C2 and shows that capital expenditure will predominantly be funded through borrowing and the use of reserves.

4.5. 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 2022/23.

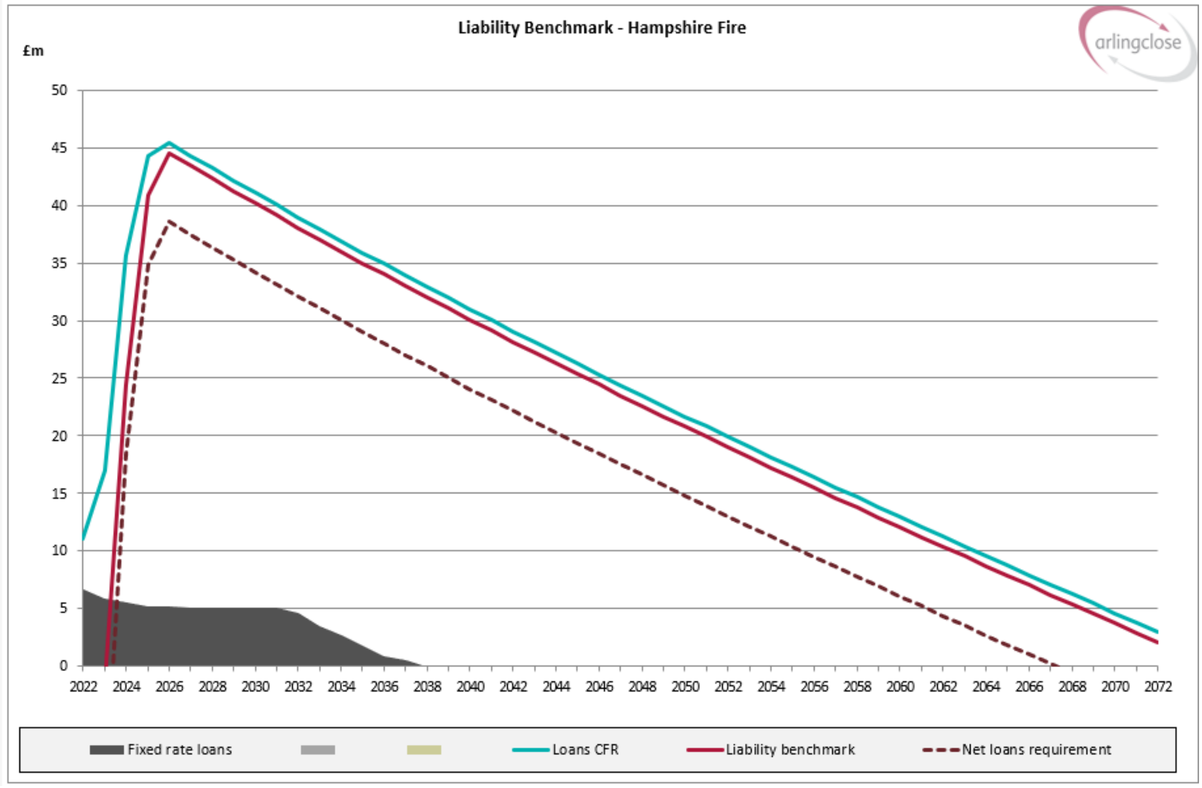
Liability benchmark

4.6. 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.

Table 2: Liability benchmark

	31/03/22 Actual £m	**31/03/23 Estimate £m**	**31/03/24 Forecast £m**	**31/03/25 Forecast £m**	**31/03/26 Forecast £m**
Loans CFR	11.0	16.9	35.6	44.3	44.5
Less: Balance sheet resources	(36.5)	(27.4)	(14.6)	(6.6)	(4.6)
Net loans requirement	**(25.5)**	**(10.6)**	**21.1**	**37.7**	**39.9**
Plus: Liquidity allowance	10.0	10.0	10.0	6.0	4.5
Liability benchmark	**(15.5)**	**(0.6)**	**31.1**	**43.7**	**44.4**

4.7. At the start of the period, 31 March 2022, the Fire & Rescue Authority had a Loans CFR of £11.0m and a liability benchmark of -£15.5m. The difference of £4.3m 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.



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 Fire & Rescue authority expects a negative liability benchmark across the first year of the forecast period, which means that currently there is not a requirement to borrow during this period.

4.9. It is expected that during 2023/24 the CFR will rise as the balance sheet resources continue to drop which is expected to result in a positive liability benchmark as at 31 March 2024, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR.

4.10. The Fire & Rescue Authority expects to hold external borrowing of £5.9m at 31 March 2023 with the expectation that additional external borrowing will be required over future years. Further borrowing will be considered by the Chief Financial Officer over the coming months taking the advice of Arlingclose, the Authority's treasury management advisor.

4.11. A limitation of liability benchmarking is that the further out the forecast, the less it can be relied upon and so as time passes, the requirement to borrow may change and either may not be therefore the whole period or alternatively cash flow requirements that are not known about today may become present later which may require the Fire & Rescue Authority to take additional external borrowing in the future.

5. Borrowing Strategy

5.1. The Fire & Rescue Authority held £6.7m of loans as at 31 December 2022, which is £0.4m lower than the previous year, as part of its strategy for funding previous years' capital programmes. The reduction in borrowing balances of £0.4m 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 decide to borrow in 2023/24 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 (£51.0m in 2023/24).

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. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short term to use internal resources where possible or to borrow short term loans to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

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 2023/24 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 2023/24, 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)
- 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
- 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

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 £25.7m and £45.0m, however it is expected that balances will fall between now and 31 March 2023 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.

Strategy

6.4. Given the increasing risk and very low returns from short-term unsecured bank investments, the Fire and Rescue Authority aims to continue to hold investments that provide diversification through greater security and/or higher yielding asset classes. This is especially the case for the estimated funds that are available for longer-term investment.

6.5. Approximately 45.3% of the Fire & Rescue Authority's investment balances as at 31 December 2022 was invested so that it was not subject to bail-in risk, as it was invested in Government investments, pooled property, equity and multi-asset funds, and secured bank bonds. Of the 54.7% of investment balances subject to bail-in risk, 70.7% 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, 11.1% was held in overnight bank call accounts for liquidity purposes. The remainder was held in short term bank notice accounts and short term certificates of deposit which are saleable.

6.6. Unfortunately, the availability of appropriate longer term investment opportunities has been reduced in comparison to previous years due to an uncertain economic market and the local authority market has been much reduced due to the amount of funding that has been supplied to the sector from Central Government.

6.7. The Fire & Rescue Authority made a payment of £3.94m on 1 April 2020 to prepay its employer's LGPS pension contributions for three years. By making this payment in advance the Fire & Rescue Authority was able to generate an estimated saving of £0.26m over the period on its pension contributions.

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

Environmental, social and governance factors

6.9. 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

6.10. Under the new 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

6.11. In order to minimise the risk of receiving unsuitably low investment income, the Fire and Rescue Authority has continued to invest a proportion of steady core balances in externally managed pooled funds, investing in pooled property, equity and multi-asset funds, as part of its higher yielding strategy. This allows diversification into asset classes other than cash without the need to own and manage the underlying assets.

6.12. The funds operate on a variable net asset value (VNAV) basis and offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer the potential for enhanced returns over the longer term but are likely to be more volatile in the short-term. All of the Fire & Rescue Authority’s pooled fund investments are in the funds’ distributing share classes which pay out the income generated.

6.13. The CIPFA Code requires the Fire and Rescue Authority to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest yield. As a result, the Fire and Rescue Authority’s investments targeting higher yields have been made from its most stable balances and with the intention that they will be held for at least the medium term. This means that the initial costs of any investment and any periods of falling capital values can be overcome and mitigates the risk of having to sell an asset for liquidity purposes, helping to ensure the long-term security of the Fire and Rescue Authority’s investments.

6.14. The Fire and Rescue Authority’s investments in pooled funds fell considerably in value when the coronavirus pandemic hit world markets but subsequently rallied. However, difficult markets over the past 12 months means these investments are now worth slightly less in aggregate than the initial sums invested, as shown in Table 3. It is important to take a longer-term approach with a view to being able to ride out periods of market volatility, ensuring the Fire and Rescue Authority is not a forced seller at the bottom of the market.

Table 3: Higher yielding investments - market value performance

	Amount invested	Market value at 31/12/2022	Gain/fall in capital value	
			Since purchase	One year
	£m	£m	£m	£m
Pooled property funds	3.25	3.19	(0.06)	(0.39)
Pooled equity funds	2.00	2.19	0.19	(0.04)
Multi-asset funds	1.75	1.52	(0.23)	(0.26)
Total	**7.00**	**6.90**	**(0.10)**	**(0.69)**

6.15. Money can usually be redeemed from pooled funds at short notice however these investments must be viewed as long-term investments from core balances not required for immediate liquidity requirements. This ensures that even in times of market volatility, the Fire and Rescue Authority will not be a forced seller and will not crystalise capital losses.

6.16. The IFRS 9 accounting standard that was introduced in 2018/19 means that annual movements in the capital values of investments need to be reflected in the revenue account on an annual basis, although a five-year statutory override was put in place for local authorities that exempts them from complying with this requirement.

6.17. 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. In setting the budget for 2023/24, it is proposed that a new Capital and Investment Risk Reserve is created. This reserve will in part be held to mitigate risks associated with investments held by the Authority. Further details are included in the February 2023 update to the Reserves Strategy

6.18. The Fire and Rescue Authority’s long-term investments in pooled funds are expected to bring benefits to the revenue budget through higher yields than can be achieved on cash investments.

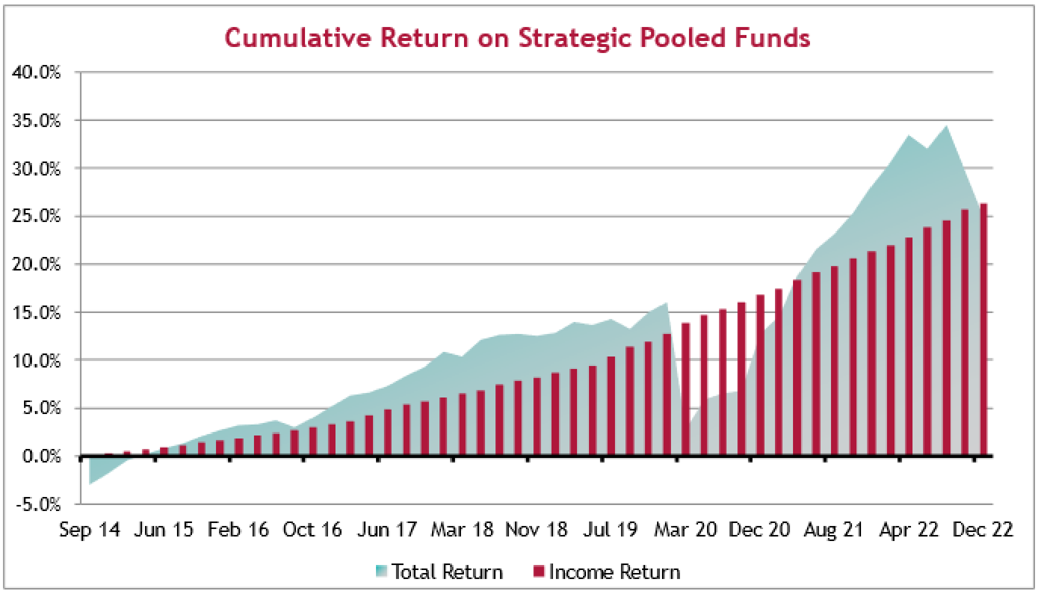
6.19. This benefit to the revenue budget is demonstrated indicatively in Table 4, using cash balances and average returns at 31 December 2022. It should be noted however that this is a snapshot at a particular point in time and balances and returns do not remain constant over the course of a year. The Fire and Rescue Authority has taken a prudent approach in forecasting its income from pooled funds for 2023/24 and has been advised by Arlingclose on this.

Table 4: Estimated annual income returns

	Cash balance at 31/12/2022	Weighted average return	Estimated annual income return
	£m	**%**	**£m**
Short-term and long-term cash investments	25.4	2.8%	0.71
Investments targeting higher yields	7.0	4.8%	0.34
Total	**32.4**	**3.3%**	**1.05**

6.20. The performance of these investments and their suitability in meeting the Fire & Rescue Authority's investment objectives are monitored regularly and discussed with Arlingclose.

6.21. The cumulative total return from the Fire & Rescue Authority's investments in pooled equity, property and multi-asset funds since purchase is shown in the graph below. This highlights that despite volatility in the capital value of the funds over 2022, these pooled funds have delivered strong and steady income returns and a positive capital increase to date.



Investment limits

6.22. The maximum that will be lent to any one organisation (other than the UK Government) will be £6m, which remains the same in comparison to the previous TMSS with the expectation that investment balances will remain at broadly the same levels. Over the longer term it is expected that the Fire & Rescue Authority's cash balances will reduce and new external borrowing will need to be taken, due to world supply issues the delivery of elements of the agreed capital programme has been delayed, which may result in raised investment balances for a short time. In addition the opportunity for the Fire & Rescue Authority to potentially take advantage of low interest rates when borrowing could mean that the Authority could borrow slightly in advance of expenditure, which may also result in raised investment balances for a short time. Increased limits allow the flexibility to ensure that all of the Fire & Rescue Authority's cash can be invested in accordance with this TMSS.

6.23. 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 5.

Table 5: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£6m each
UK Central Government	Unlimited
Any group of pooled funds under the same management	£12m per manager

Approved counterparties

6.24. The Fire & Rescue Authority may invest its surplus funds with any of the counterparty types in Table 6, subject to the limits shown.

Table 6: 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	£6m	Unlimited
Secured investments *	25 years	£6m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£3m	£6m
Registered providers (unsecured) *	5 years	£3m	£6m
Money market funds *	n/a	£6m	Unlimited
Strategic pooled funds	n/a	£6m	£24m
Real estate investment trusts	n/a	£3m	£6m
Other investments *	5 years	£3m	£6m

This table must be read in conjunction with the notes below

*** Minimum credit rating**

6.25. 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-. 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.

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

Government

6.27. 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

6.28. 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)

6.29. 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)

6.30. 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

6.31. 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

6.32. 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)

6.33. 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

6.34. 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

6.35. 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

6.36. 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.

6.37. 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

6.38. 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.

6.39. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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.

Liquidity management

6.40. 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.

6.41. 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 7: Interest rate risk indicator

	31 December 2022 £m	Impact of +/-1% interest rate change £m
Sums subject to variable interest rates		
Investment	25.4	+/- 2.5
Borrowing	1.1	+/- 0.1

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 8: 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 9: Price risk indicator

	2023/24	2024/25	2025/26
Limit on principal invested beyond a year	£12m	£12m	£12m

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 the 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.

9. Financial Implications

9.1. The budget for investment income in 2023/24 is £0.21m, whilst the budget for debt interest paid in 2023/24 is £1,818m, which is based on the expected fixed interest costs of the current debt portfolio. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

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 10.

Table 10: 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 interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast - December 2022

Underlying assumptions:

- UK interest rate expectations have eased following the mini-budget, with a growing expectation that UK fiscal policy will now be tightened to restore investor confidence, adding to the pressure on household finances. The peak for UK interest rates will therefore be lower, although the path for interest rates and gilt yields remain highly uncertain.

- Globally, economic growth is slowing as inflation and tighter monetary policy depress activity. Inflation, however, continues to run hot, raising expectations that policymakers, particularly in the US, will err on the side of caution, continue to increase rates and tighten economies into recession.

- The new Chancellor dismantled the mini-budget, calming bond markets and broadly removing the premium evident since the first Tory leadership election. Support for retail energy bills will be less generous, causing a lower but more prolonged peak in inflation. This will have ramifications for both growth and inflation expectations.

- The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will bear down on household disposable income. The short- to medium-term outlook for the UK economy is bleak, with the BoE projecting a protracted recession.

- Demand for labour remains strong, although there are some signs of easing. The decline in the active workforce has fed through into higher wage growth, which could prolong higher inflation. The development of the UK labour market will be a key influence on MPC decisions. It is difficult to see labour market strength remaining given the current economic outlook.

- Global bond yields have steadied somewhat as attention turns towards a possible turning point in US monetary policy. Stubborn US inflation and strong labour markets mean that the Federal Reserve remains hawkish, creating inflationary risks for other central banks breaking ranks.

- However, in a departure from Fed and ECB policy, in November the BoE attempted to explicitly talk down interest rate expectations, underlining the damage current market expectations will do to the UK economy, and the probable resulting inflation undershoot in the medium term. This did not stop the Governor affirming that there will be further rises in Bank Rate.

Forecast:

- The MPC remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets

- Following the exceptional 75bp rise in November, Arlingclose believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%, with a further 50bp rise in December and smaller rises in 2023.

- The UK economy likely entered into recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the MPC will cut Bank Rate.

- Arlingclose expects gilt yields to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.

- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales will maintain yields at a higher level than would otherwise be the case.

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50	3.50
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.90	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.75	3.75	3.75
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.36	3.65	3.90	3.90	3.90	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20
Downside risk	0.00	0.70	0.90	1.00	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	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.70	3.75	3.75	3.75	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Downside risk	0.00	0.70	0.90	1.00	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	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.88	4.00	4.00	4.00	4.00	4.00	3.90	3.90	3.90	3.90	3.90	3.90	3.90
Downside risk	0.00	0.70	0.90	1.00	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	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.24	3.40	3.40	3.40	3.40	3.40	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Downside risk	0.00	0.70	0.90	1.00	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%
UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

Annex B - Existing Investment & Debt Portfolio Position at 31 December 2022

Treasury investment position

Investments	30/09/2022 Balance £m	Net movement £m	31/12/2022 Balance £m	31/12/2022 Income return %	31/12/2022 Weighted average maturity (years)
Short term investments					
Banks and building societies:					
- Unsecured	4.8	(0.7)	4.1	3.4%	0.19
- Secured	2.0	(1.0)	1.0	0.5%	0.28
Government:					
- DMO	4.5	(1.0)	3.5	2.7%	0.13
- Treasury Bills	5.0	0.5	5.5	2.9%	0.23
- UK Gilts	1.5	0.0	1.5	0.1%	0.09
- Local authorities	0.0	0.0	0.0	0.0%	0.00
Money Market Funds	13.8	(4.0)	9.8	3.2%	0.00
	31.7	**(6.3)**	**25.4**	**2.8%**	**0.11**
Long term investments					
Banks and building societies:					
- Secured	0.0	0.0	0.0	0.0%	0.00
	0.0	**0.0**	**0.0**	**0.0%**	**0.00**
Long term investments - higher yielding strategy					
Pooled funds:					
- Pooled property*	3.3	0.0	3.3	3.7%	N/A
- Pooled equity*	2.0	0.0	2.0	5.5%	N/A
- Pooled multi-asset*	1.8	0.0	1.8	4.8%	N/A
	7.0	**0.0**	**7.0**	**4.8%**	**N/A**
TOTAL INVESTMENTS	**38.7**	**(6.3)**	**32.4**	**3.3%**	**0.11**

* The rates provided for pooled fund investments are reflective of annualised income returns over the year to 31 December 2022 based on the market value of investments 12 months earlier.

Treasury management position

	31/12/2022 Balance £m	31/12/2022 Rate %
External Borrowing		
- PWLB	(6.7)	4.7%
Investments		
- Total Investments	32.4	3.3%
NET INVESTMENTS	**25.7**	

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Capital and Investment Strategy 2023/24 to 2025/26

Contents

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 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 The estates capital programme includes significant investment through the Station Investment Programme (SIP). The Director of Corporate Services utilises project boards for the individual projects within the Station Investment Programme (SIP) as well as an overarching SIP programme board to manage the programme and associated risks. These boards include representatives from the finance team to ensure operational and financial aspects of the programme remain closely aligned.

2.5 Risk management is an integral part of determining and delivering a capital programme. Given the impact of high inflation alongside wider economic uncertainty within the UK a specific risk relating to pay and price inflation was added to the organisational risk register during 2022. Progress in mitigating this risk is reported to the Standards & Governance Committee. To help to mitigate risk, the February 2023 budget setting paper proposes that the Authority introduces a new Capital and Investment Risk Reserve. The Authority also reviewed and amended its capital programme plans during 2022 to ensure service delivery objectives could be met whilst also acting in a financially sustainable way.

2.6 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.

2.7 The Authority approved the Carbon Reduction Pathway in 2021, with a subsequent update provided to the Authority in December 2022 when additional funding was approved, primarily to focus on efficiency upgrades to buildings over a five-year period.

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)

	2022/23	**2023/24**	**2024/25**	**2025/26**	**Future years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Forecast Expenditure	18,705	35,660	22,359	6,845	2,854	86,423

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.

Capital financing

3.6 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 6 and forms part of its Treasury Management Strategy.

3.7 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

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Future years £'000
Prudential borrowing	6,749	19,269	9,566	1,241	0
Capital receipts	34	0	0	0	0
Contributions from other bodies	40	0	0	0	0
Use of capital payments reserve	11,882	16,391	12,793	5,604	2,854
Total resources	**18,705**	**35,660**	**22,359**	**6,845**	**2,854**

3.8 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 2022/23 (£1.096m) and 2023/24 (£0.221m). This is appropriate because the original source of funding for the capital payments reserve was revenue resources.

Asset management and disposal

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

3.10 The Asset Management Policy was presented to the Authority in July 2022. The Authority is required to discharge its responsibilities to safeguard public funds by correctly managing the lifecycle of assets under its stewardship. The policy sets out a whole life, whole asset approach to achieving this responsibility.

3.11 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.

3.12 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.

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

- Effectiveness
- Legislative compliance
- Value for money
- Stewardship

3.14 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.

3.15 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)

	31/03/23 Revised £M	31/03/24 Estimate £M	31/03/25 Estimate £M	31/03/26 Estimate £M
CFR	**16.9**	**35.6**	**44.7**	**44.9**
Debt				
Borrowing	5.9	21.1	37.7	39.9
Leases	0.0	0.0	0.4	0.4
Total Debt	**5.9**	**21.1**	**38.1**	**40.3**

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. 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 the most likely (i.e. 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 5: Affordable Borrowing Limits (Prudential Indicators 3 and 4)

	2022/23 Revised £M	**2023/24 Estimate £M**	**2024/25 Estimate £M**	**2025/26 Estimate £M**
Authorised Limit:				
Borrowing	27.3	46.0	54.7	54.9
Leases	5.0	5.0	5.4	5.4
Authorised Limit	**32.3**	**51.0**	**60.1**	**60.3**
Operational boundary:				
Borrowing	22.1	40.8	49.5	49.7
Leases	5.0	5.0	5.4	5.4
Operational Boundary	**27.1**	**45.8**	**54.9**	**55.1**

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)

	2022/23 Revised	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Ratio	0.9%	2.9%	3.5%	4.0%

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.

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. The Authority does not have any investments classified as commercial or service investments.

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

	2022/23 Revised	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Ratio	0.0%	0.0%	0.0%	0.0%

5. Minimum Revenue Provision (MRP) Statement

5.1 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. Until that is concluded, the relevant guidance is that issued by the (former) Ministry of Housing, Communities and Local Government in 2018.

5.2 The broad aim of the MHCLG 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.

5.3 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.

5.4 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

5.5 Options 1 and 2 may be used only for 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).

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

5.7 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.

5.8 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.

5.9 The adoption of the new accounting standard for leases (IFRS 16) when implemented 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.

5.10 Capital expenditure will not be subject to MRP charges until the year after the expenditure takes place.

5.11 Based on the Authority's latest estimate of its CFR on 31 March 2023, the budget for MRP has been set as follows:

Table 8: MRP Budget

	31/03/2023 Estimated CFR £'000	**2023/24 Estimated MRP £'000**
Supported Capital Expenditure	9,411	376
Unsupported Capital Expenditure After 31/03/2008	7,480	151
Leases	0	0
MRP budget for future capital expenditure	0	1,000
Total	**16,891**	**1,527**

6. Treasury Management

6.1. 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.

6.2. 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.

6.3. 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.

6.4. 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).

6.5. 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.

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

Treasury management borrowing strategy

6.7. 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

6.8. 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.

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

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

Table 9 – treasury management investments

	31/3/22 actual £m	31/3/23 forecast £m	31/3/24 forecast £m	31/3/25 forecast £m
Short term investments	24.2	10.3	3.0	3.0
Long term investments	1.0	0.0	0.0	0.0
Pooled fund investments	7.0	7.0	7.0	3.0
Total	**32.2**	**17.3**	**10.0**	**6.0**

Pooled fund investments

6.11. 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 has made investments totalling £7m into pooled property, equity and multi-asset funds.

6.12. 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.

6.13. The principal mitigation for risk is ensuring that investments in non-cash assets are held as long-term investments. This will enable the initial costs of any investment and any periods of falling capital values to be overcome. In order to be managed as long-term investments, the amounts invested need to be taken from the Authority's most stable cash balances. The allocation of £7m has been based on a prudent assessment of the Authority's investment balances and liquidity requirements,

6.14. 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. In setting the budget for 2023/24, it is proposed that a new Capital and Investment Risk Reserve is created. This reserve will in part be held to mitigate risks associated with investments held by the Authority. Further details are included in the February 2023 update to the Reserves Strategy.

6.15. The selection of investments to target higher yields is carefully managed with the assistance of Arlingclose, the Authority's treasury management advisor. Arlingclose recommends that the Authority diversifies its investments in pooled funds between asset classes. This is to mitigate the loss of capital value, so that there is no over exposure to an event that impacts the value of investments in a particular asset class, such as a fall in property prices.

6.16. 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.

7. Service and commercial investments

7.1. The Ministry of Housing, Communities and Local Government (MHCLG) 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.

7.2. The term ‘investments’ within the Prudential Code covers all financial investments of the authority as well as other assets held primarily for financial return, such as commercial property. The MHCLG definition goes slightly further in including all non-financial assets that the organisation holds primarily or partially to generate a profit. The MHCLG 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.

7.3. Investments are categorised in accordance with the primary purpose of the investment. All of the Authority’s investments are defined as **treasury management investments** and therefore covered by Section 6 of this document and the Treasury Management Strategy.

7.4. 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, as set out in Section 3. 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.

7.5. The Authority is also pursuing a number of opportunities either through its land holdings or through the relationship it has with partners or contractors to look at new and innovative ways of generating a financial return. To date, the Authority has formed partnerships with other emergency services by sharing buildings.

7.6. **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.

7.7. **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.

7.8. The Authority does not consider the use of its estate to constitute **commercial or service investments**. It has no assets classified on its balance sheet as investment properties and 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.

Investment indicators

7.9. In addition to setting Prudential Indicators required by the Prudential Code, the Authority has also set the following quantitative investment indicators in accordance with the requirements of the MHCLG investment guidance.

Table 10 – Total Investment Exposure (£m) and net rate of return (%)	**31.03.2022 Actual**		**31.03.2023 Forecast**		**31.03.2024 Forecast**	
	Invested £m	**Return %**	**Invested £m**	**Return %**	**Invested £m**	**Return %**
Treasury management	8.0	4.2	7.0	4.0	7.0	4.0
Service investments (loans)	0	n/a	0	n/a	0	n/a
Service investments (equity)	0	n/a	0	n/a	0	n/a
Commercial investments	0	n/a	0	n/a	0	n/a
Total investments	8.0	4.2	7.0	4.0	7.0	4.0

7.10. This shows that the Authority expects all of its investments to continue to be for treasury management purposes. If the Authority does plan to undertake any investments that would constitute commercial or service investments in future, the Capital and Investment Strategy will be updated and appropriate investment indicators introduced.

8. Knowledge and skills

8.1. 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.

8.2. 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.

8.3. 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.

8.4. 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.

8.5. 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 2022, which gave an update of treasury matters. A further Arlingclose workshop is planned for 2023.

Investment Advisers

8.6. 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 Director of Corporate Operations for Hampshire County Council, their staff, and Arlingclose. The Chief Financial Officer for the Authority also attends these meetings.

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

9.1. 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.

9.2. 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, 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.

9.3. 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 2023/24 and the capital programme.

10. Links to Statutory Guidance and Other Information

10.1. The Local Government Act 2003, Section 15(1) and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] require Local Authorities to have regard to the following guidance:

- Ministry of Housing, Communities & Local Government (MHCLG) – Statutory Guidance on Local Government Investments* MHCLG Investment.
- Ministry of Housing, Communities & Local Government (MHCLG) – Statutory Guidance on Minimum Revenue Provision (MRP)
- CIPFA's Prudential Code
- CIPFA's Treasury Management Code

(*Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, and a 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).

10.2. The Authority includes its non-treasury management Investment Strategy within this Capital Strategy. The TMS is a separate document reported to Authority (Appendix E).

10.3. The CIPFA Prudential Code was revised in December 2021 to reflect developments since it was last updated in 2017 and became applicable with immediate effect, however an exception was made to allow the deferral of revised reporting requirements until 2023/24. The revised reporting requirements relate to the capital strategy, prudential indicators and investment reporting. The Treasury Management Code was also revised at the same time.

10.4. The proposed Capital Programme is included at Appendix C within this report.

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, this report considers not only the short term position but also the position beyond 2023/24.

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 the budgets each year allowing for pay and price inflation and other marginal base changes in the cost or levels of service. For the 2023/24 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. These pressures are a mixture of strengthening resources in key areas and ensuring that reserve contributions are sufficient to allow for the timely refresh of assets.

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. The first phase of a two year efficiency programme is on course to deliver in 2022/23, with plans well developed to deliver the second phase during 2023/24, mainly from additional income and savings on non-pay spend.

The trend for increased inflation rates seen during budget setting for 2022/23 continued throughout the year, with some categories of spend such as energy costs increasing at unprecedented levels. It has been necessary to “bake in” these price rises to the budget as well as make assumptions about future inflation running at higher levels than we have become accustomed to in recent years. In addition, a general contingency has been included as a prudent measure given the high levels of economic uncertainty.

The final sign off of the 2021/22 accounts is expected imminently. The accounts process has been subject to delay, mainly as a result of issues with asset valuations. An unqualified opinion is expected.

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 2022. In recognition of the challenging financial position, the settlement included rises in grant income in line with inflation. Therefore, the position is better than forecast in the December Budget Update report.

   The settlement did not contain any information on Home Office grants, which tend to be announced after the budget has been set. Any reductions in these grants would need to be managed from contingencies or reserve balances. Apart from the uncertainty around Home Office grants, no further in-year grant changes are anticipated.

b) **Council Tax.** In recognition of the challenging economic climate, the Government has granted additional flexibilities to allow Fire Authorities to increase council tax by £5 (6.63%) for a Band D property. Alongside the inflationary grant increases and the services own efficiency measures, this increase allows the service to largely close the significant budget gap forecast in the Budget Update report. In addition, it allows the service to make a strategic investment in the on-call workforce, addressing the reality of steadily declining on-call availability.

   Were the opportunity to raise Council Tax by £5 not taken, the strategic investment in our on-call workforce would not be possible. In addition, there would be a significant budget gap in 2023/24 year, which would increase in future years of the Medium Term Financial Plan. The gap would exhaust the Budget Equalisation Reserve and would mean that contributions to committed reserves would need to be diverted in the short term to close the gap. It would be necessary to use reserves to close the gap in 2023/24 while options for savings, including service reductions, were explored.

c) **Pay and Price Risk.** This risk was moved on to the organisational risk register during the past financial year, reflecting the increasing challenge of pay and price inflation. Reasonable allowances for inflation have been built into the budget, plus one-off resources have been used to strengthen risk reserves as set out in the Reserves Strategy. The grey book pay increase from July 2022 is yet to be resolved although a new two year pay offer was made late in the budget setting process. Increases in line with the latest NJC offer have been built into the budget. Should the eventual staff or firefighter pay award be greater than the current offer, it will be necessary to use risk reserves to finance the award in the year. Similarly, were price inflation to exceed the allowances made in the budget, risk reserves would be used to address this.

In light of these mitigations, it would take a major departure from the Authority's assumptions to create a financial problem that we could not deal with in year.

d) **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.

   Rising interest rates have prompted a review of schemes within the Station Investment Programme and a revised plan was presented to the Authority in December 2022. This plan means that improvements will be delivered to a larger number of stations and the plan remains affordable, even with higher interest rates. Sufficient allowances for the costs of this additional borrowing have been built into the budget for the coming year. In addition, a specific reserve to mitigate financial risks to the capital programme has been created.

   On the investment side, the authority has a very prudent approach to forecasting its investment returns and they also represent a very small part of the overall funding for the budget. The investment strategy protects capital ahead of yield and most of the medium term investments are in projects that should return a stable income yield each year.

e) **Economic outlook.** Although the specific financial risk presented by the Covid-19 pandemic has passed, the longer term impacts of the pandemic on the economy as well as the war in Ukraine mean a challenging national economic outlook. In addition to pay, price and interest rate risks outlined above, a recession is likely to have a negative impact on council tax and business rate income to the Authority, as well as on overall Government tax yield. Although this is not likely to present a significant risk in year, it is an area of increasing concern for future years.

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 was increased significantly at the beginning of the period of austerity to reflect the potential volatility caused by grant reductions and the need to implement savings programmes. The projected level of general fund balances will be 2.7% of net expenditure at the beginning of 2023/24 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, 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 earmarked reserves remains high, although progress on the capital programme means that balances have reduced considerably this financial year. 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. Due to the significant impact of inflation, it has been necessary to inflate the contributions to these reserves to ensure that funding for asset replacement is sustainable.

The uncertain economic position means that prudent measures have been taken in respect of risk reserves. The first has been to re-designate the Grant Equalisation Reserve as a Budget Equalisation Reserve to broaden the use to include responding to budget shortfalls resulting from pay and price inflation. The implications of the late firefighter pay award mean that it has been necessary to balance the budget from the BER this year. The use of this reserve to balance the budget reduces a mitigation to financial risks. Should the latest offer be accepted however, the risk of unplanned pay inflation is reduced considerably for 2023/24.

In addition, a Capital and Investment Risk Reserve has been created from one-off resources. This reserve mitigates risks to the capital programme from increases in prices or interest rates.

Although the total balances of these risk reserves are relatively modest, 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 2022/23 – 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 2023/24.

The Position Beyond 2023/24

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.

There are a number of initiatives that may impact significantly on the Authority's finances, such as the proposed Fair Funding Review or any changes to Business Rates. Inflation and the impact of a recession on the service and the wider economy are significant unknowns.

The service continues to plan for and deliver cashable efficiencies and efficiencies for reinvestment as set out in the Efficiency Plan. These are necessary for ensuring the medium term sustainability and value for money of the service.

Whilst there are risks within the Medium Term Financial Plan these have been mitigated as far as possible and it would take a significant change in the funding regime to create a scenario which the Authority could not cope with.

Catherine Edgecombe
Chief Financial Officer
10 February 2023

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Hampshire and Isle of Wight Fire and Rescue Authority

Efficiency Plan 2023/24

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.

Both types of efficiencies are intended to achieve at least one of the following objectives:

- Deliver cashable savings that reduce the overall service spend
- Limit future cost increases
- Enable our people to support our communities more effectively.

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.

Efficiency Plan 2023/24

Non-pay efficiencies

What have we done	What are we planning to do
Our major procurement is supported by expert advice from our collaborated procurement team, including specialists in IT procurement as well as a focused blue light procurement team. Where appropriate frameworks exist and offer value for money, we take advantage of these. We have also, and continue to, run full procurement exercises as appropriate. In recent years we have delivered significant efficiencies from our procurement approach. For example, the procurement of our availability and competency management system delivered a cashable saving of £200,000 per annum compared to the cost of the legacy system, which we were able to reinvest in the resourcing of our ICT team. A considerable number of ICT savings have been delivered over recent years. For example, when the Wide Area Network contract was renegotiated, a saving of £89,000 per annum as well as an upgrade on our Wide Area Network was delivered. Efficiency is a key theme of our construction procurement. For example, we have delivered savings on professional fees from economies of scale by procuring our major capital schemes as single lots via a framework. We make efficient use of our estate by sharing space with partners. This approach allows us to make a significant contribution to our property overhead, reducing the cost of the estate to the Authority. It also provides an efficient accommodation option for partners and promotes collaborative working.	We will continue to take advantage of our collaborative procurement arrangements to seek the best procurement outcomes. We are currently working on a re-procurement of our critical control system. This is a collaborated procurement with 3 other services as part of our Networked Fire Services Partnership. This procurement is in the early stages, but it is anticipated to deliver significant efficiencies and performance benefits compared to an individual service approach. We will continue to explore options to reduce the net cost of our estate by working with partners and sharing space where this is mutually beneficial. Next year will see the first year of a five year programme of carbon reduction works. This investment will produce medium term efficiencies on our energy costs as well as being an important contribution to the Authority’s delivery of carbon reduction commitments. **A cashable efficiency of £562,000 will be delivered in 2023/24**, planned to be delivered mainly via non-pay spend and additional income. This is factored into our Medium Term Financial Plan (MTFP) and is closely monitored by the Service’s Executive Group. **As part of the Safety Plan Year 4 priorities, the service will deliver 3% efficiencies during the year across workforce and non-pay headings.**

Workforce efficiencies

What have we done	What are we planning to do
Our workforce is our most important asset, and we work hard to ensure that our workforce is efficient and productive. We are founding partners in the largest public sector shared services partnership. This partnership delivers efficiencies via access to technological expertise in our transactional finance and HR services, as well as wider benefits of resilience and broader expertise from the partnership. We continue to review the shared services provision to ensure that the partnership is delivering the anticipated benefits. Previous reviews have resulted in the realignment of some services. For example, the provision of facilities management services was reviewed and returned to in-house delivery, generating efficiencies on external spend. The efficiency of our firefighter workforce is central to the efficiency of the whole service. The service already uses a variety of crewing models, which improve the efficiency of the wholetime teams. Crewing model changes have delivered important cashable efficiencies, with £2.6m delivered in 2019/20. Approximately half of the service's firefighters are on-call firefighters. This is an extremely efficient system, providing rural response and service resilience for an extremely low financial outlay. The service delivers significant medical response including responding to 4,776 co-responder calls during 2021/22. Further support to health partners includes attending on average one confirmed cardiac arrest per day. This work is a significant contribution towards making life safer for the people of Hampshire and the Isle of Wight and demonstrates an efficient use of the existing workforce. £800,000 of cashable efficiencies have been delivered during 2022/23. These have been delivered through careful financial management across the Operations directorate, and by the deletion of an Assistant Chief Officer role.	We will continue to benefit from efficiencies through our shared services partnership and will continue to review and shape this partnership to deliver ongoing efficiencies. We will continue to ensure that we appropriately manage staff budgets and resources in delivering our Safety Plan objectives. We have established an Operations Change Board to support the delivery of cashable and non-cashable efficiencies within the Operations Directorate. The service is investing in support for our on-call workforce in the coming financial year to ensure that we are addressing issues with recruitment and retention which are impacting on the efficiency and effectiveness of some on-call stations. We will continue to support our health partners, making a significant contribution to public value and making life safer for the people of Hampshire and the Isle of Wight by demonstrating efficient use of the existing workforce and public money. **As part of the Safety Plan Year 4 priorities, the service will deliver 3% efficiencies during the year across workforce and non-pay headings.** These efficiencies will be used to reinvest in the service to deliver improved outcomes to our communities. Progress on the delivery of these efficiencies will be reported to the Fire Authority as part of the regular financial monitoring.

HIWFRA Full Authority

Purpose: Approval

Date: **21 February 2023**

Title: **Health, Safety and Wellbeing Statement of Intent 2023/24**

Report of Chief Fire Officer

SUMMARY

1. The Fire Authority is required by the Health and Safety Executive to have a Health and Safety (H&S) Statement of Intent. This statement should be an annual document covering the general policy on H&S at work, our aims and gives a commitment to managing H&S appropriately.

2. A draft statement for 2023/24 is included (Appendix A) for Fire Authority approval. The statement is heavily drawn from our existing statement covering 2022/23 with some very minor drafting amendments. We believe the statement appropriately covers the Fire Authority's commitment to H&S across the organisation.

BACKGROUND

3. The Health and Safety Executive guidance requires a Statement of Intent be produced to state your general policy on health and safety at work, including your commitment to managing health and safety and your aims. As the employer or most senior person in the company, you should sign it and review it regularly.

4. The Statement is the Fire Authority's pledge giving an ongoing and determined commitment to supporting and improving health, safety and wellbeing at work. It confirms we will continue to provide and implement a process of continual improvement to ensure a safe and healthy working environment. It will be prominently displayed within every workplace to demonstrate a service wide commitment to HSW leadership at our highest level.

5. The draft statement for 2023/24 is consistent with the statement agreed by the Fire Authority covering 2022/23. The statement should be signed by the Chair of the Fire Authority and the Chief Fire Officer.

6. Our overall intent is to put health, safety and wellbeing at the heart of everything we do and that we are committed to providing the highest level of support. The statement also provides several intentions including:

   - striving for the best possible health and safety standards
   - defining responsibilities and giving direction
   - providing required training and necessary equipment
   - giving a commitment to reporting and investigating incidents
   - placing an onus on preventing injuries
   - empowering our staff to carry out their work in a competent and diligent manner

7. The Service has strong health and safety arrangements and has structures in place to meet the requirements of the Statement. H&S is monitoring by Executive Group who will continue to oversee progress.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

8. The statement of intent and its supporting policies and procedures ensure that all staff are aware of and are committed to health, safety and wellbeing. It is directly linked to the delivery of our priorities, specifically supporting our people, and learning & improving and it also fits with our core values.

   - Our people: supports clear strategic intent to ensure we look after each other by creating great places to work and promoting the health, wellbeing and safety of our people.
   - High performance: provides clarity that our teams are skilled and feel equipped to deliver a leading fire and rescue service today and into the future.
   - Learning and improving: supports a learning culture of learning from ourselves and others.

CONSULTATION

9. Hampshire and Isle of Wight FRS encourages a culture of cooperation in its management of health and safety. The Service promotes the use of the guidance within the TUC Safety Representatives and Safety Committees Code of Practice (also referred to as the 'Brown Book') where appropriate.

10. Trade unions (representative bodies) have always played a vital role in ensuring that our people go home safe and well from their work. We continue to pro-actively consult with our trade union health and safety representatives whenever needed. Engaging representative bodies in decisions about health and safety provides opportunities to encourage a culture of good health, safety and welfare which is achieved through trust and consensus. This is also recognised by our health and safety laws which set down legal obligations on employers to work with recognised trade unions in the belief that this is the best way to develop a positive health and safety culture in the workplace.

11. HSW Statement of Intent has been shared with Representative Bodies through the Joint Trade Union meeting, chaired by Director POD.

COLLABORATION

12. As outlined above, the Service will be unable to meet the Statement of Intent in isolation and is dependent on the involvement of representative bodies and others. We will use our existing relationships to fulfil our requirements.

RESOURCE IMPLICATIONS

13. There are no specific financial implications from the contents of this paper, as HSW policies and procedures are already operating within our Service.

IMPACT ASSESSMENTS

14. There are no specific impact assessment implications from the contents of this report. As impact assessment should be completed for every new policy, procedure and guidance document, where new PPG with HSW implications is developed and/or reviewed a specific impact assessment for that PPG will take place.

LEGAL IMPLICATIONS

15. Approving this report will demonstrate compliance with Health and Safety Executive guidance on HSW Statement of Intent.

BENEFITS

16. The Statement of Intent will drive a pro-active and positive health and safety culture across the organisation, thereby supporting our People and our wider communities.

RISK ANALYSIS

17. There are no specific risk implications from the recommended option within this paper.

EVALUATION

18. HSW Statement of Intent will continue to be reviewed every year and updated based on new learning or any HSW legislative changes.

CONCLUSION

19. By approving the adoption of the revised HSW Statement of Intent, HIWFRA will comply with a Health and Safety Executive requirement. In addition, the Service will be able to continue developing our culture of accountability and engagement with respect to all Health, Safety and Wellbeing matters.

RECOMMENDATION

That the proposed Statement of Intent for 2023/24 be approved by the HIWFRA Full Authority.

APPENDICES ATTACHED

Appendix A: Health, Safety and Wellbeing Statement of Intent 2023/24

Contact: Steve Polly, Head of Policy and Risk, stephen.polly@hantsfire.gov.uk, 07919152068

Health, Safety and Wellbeing - Statement of Intent 2023/24

Hampshire & Isle of Wight Fire and Rescue Service (HIWFRS) and Hampshire & Isle of Wight Fire and Rescue Authority (HIWFRA) are committed to providing the highest level of Health, Safety and Wellbeing (HSW) for all employees and anyone who may be affected by our work activities, HSW is at the heart of everything we do.

We recognise that operational incidents present the highest risk encountered by our staff. Whilst there is a degree of risk foreseeability, each incident will have its own specific hazards and associated risk due to the different and unforeseeable environmental factors of them. To manage this risk to firefighters, the Service endorses and promotes the HSW Framework for the Operational Environment and the Safe Person principles contained within.

Our HSW Statement and Intentions

We have agreed key HSW Statements that explain the way in which we intend to approach HSW:

We will demonstrate the strategic importance of HSW by the provision of visible leadership and the empowerment of all staff across HIWFRS.

We recognise our moral and legal requirements and will always strive to achieve the best possible HSW standards.

We will define responsibilities at each organisational level, providing direction on how to manage HSW in our workplaces.

We will employ competent staff and provide training and support as necessary, including high-quality HSW advice, to enable them to work safely.

We will report and investigate all HSW events to identify and implement improvements and share this learning.

We understand that prevention of injury and illness is an indispensable part of our organisational culture.

Our staff are reminded that there is a legal requirement for them to co-operate and take care of their own HSW and that of others affected by their activities.

We will empower our staff to carry out their work in a competent and diligent manner, and to report - and where possible rectify - any unsafe act or condition

We will provide and maintain safe equipment, ensuring that we have competent staff to operate and maintain it.

We will set strategic HSW direction, providing systems to measure performance through review, inspection and audit.

Hampshire & Isle of Wight Fire and Rescue Authority has overall responsibility for the HSW of all Hampshire & Isle of Wight Fire and Rescue Service staff and others who may be affected by our activities.

Signed:

Chair of HIWFRA
Rhydian Vaughan
Date: March 2023
For and on behalf of HIWFRA

Signed:

Chief Fire Officer
Neil Odin
Date: March 2023
For and on behalf of HIWFRS

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HIWFRA Full Authority

Purpose: Approval

Date: **21 February 2023**

Title: **ANNUAL STATEMENT OF EQUALITY**

Report of Chief Fire Officer

SUMMARY

1. The Equality Act 2010 established general and specific duties for public sector bodies to improve their equality performance. In order to meet these duties, Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) must publish equality information on an annual basis and set equality objectives every four years. The published information must be accessible to employees and members of the public.

2. Our workforce demographic is a continued reminder of our need for action to improve our equality performance. Whilst there has been positive progress and impact, we know that it will take considerable time to be reflective of our communities, and therefore we must remain committed to positive action to drive improvements over the longer term.

3. This report provides an update on our workforce profile and highlights of some of the activity and actions taken within the last 12 months towards progressing the 2022-26 equality objectives.

BACKGROUND

4. The Equality Act 2010 established a general duty for the public sector which aims to ensure that people with protected characteristics are not excluded, discriminated, or otherwise treated less favourably than anyone else, due to their protected characteristics. The protected characteristics covered by the general equality duty are age (including children and young people), disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

5. In summary, organisations are required to comply with the general equality duty and must, in the exercise of their functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited under the Act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

6. The general duty is further supported by specific duties that are intended to help public bodies improve their equality performance by improving their focus and transparency. In summary, each public body is required to:

- Publish information to demonstrate its compliance with the general equality duty on an annual basis. This information must include information relating to people who share protected characteristics that are employees.
- Publish one of more objectives that it thinks it needs to achieve to further any of the aims of general equality duty. This must be done every four years.
- Publish both the equality information and the equality objectives in a manner that is accessible to the public.

ANNUAL EQUALITY INFORMATION

7. Our equality information at Appendix A provides a snapshot of the Service's workforce demographics as at 31 December 2022, based on information we currently collate in relation to gender and ethnicity.

8. As of 31 December 2022, 20% of HIWFRS' workforce was female. Most of our female employees work in support staff (green book) or control room roles. Nationally, the last review of gender in the fire and rescue sector was published in 2021 and found that 17.9% of all employees were female. Therefore, we are comparing favourably against other Services.

9. The 2021 national review of gender also found that 7.5% of operational employees were female. Combining our wholetime and on-call figures gives us a total of 7.9%, which means we are performing slightly higher than others in the sector. However, it is worth noting that those employees with multiple contracts have been excluded from the on-call data.

10. 9.5% of our wholetime workforce is female and 5.5% on-call. This is an increase of 1.5% and 0.5% respectively from 2021, which suggests that we are making some progress towards diversifying our workforce. However, the gender imbalance within the Service is still high and therefore it is imperative that we continue to use positive action to understand barriers and take action to address the imbalance.

11. We are confident in our use of positive action in increasing applications from and successful recruitment of females. One third of our most recent wholetime firefighter trainees were female. We have also seen our proportion of female on-call firefighters increase to 20% over the last 12 months. If we can maintain this standard of performance over the next few years, we will make a significant difference to our equality profile.

12. Our employment of non-White British personnel is at 5% which is in line with the national average in the fire sector. As most of our employment opportunities are limited to individuals who live within or close the county boundary, it is important to consider the diversity in the wider population. The 2021 census found that 7.1% of Hampshire and Isle of Wight's population was not White British. Therefore, while our significant increase from 2% to 5% over the last 12 months should be welcomed and brings us much closer to being representative of the community we serve, we still have further to improve in this area. In addition, for the first time, our green book and on-call figures exceed the national average at 7.25% and 6% respectively.

13. Our operational recruitment campaigns (both wholetime and on-call) achieved 5% of applications from non-white candidates. The lifting of Covid-19 regulations has provided far more opportunities to engage with different communities across Hampshire and Isle of Wight, but to continue our progress towards being more representative, we need to ensure we use these opportunities to understand the barriers these communities face and why they are not applying for firefighter roles.

14. In respect of the disability status of our workforce, we only capture this information when an employee chooses to make a disclosure using employee self serve (ESS). Currently we have 49 employees (3.5%) who have declared a disability. Therefore, it is important that we continue to encourage employees to feel confident about sharing this information with the Service.

<u>EQUALITY OBJECTIVES</u>

15. Public Authorities listed in Schedule 1 and 2 of the Equality Act 2010 (Specific Duties) Regulations 2011 must:

    - Prepare and publish one or more objectives that they think they should achieve to improve their quality performance.
    - Publish the objectives in such a manner that is accessible to the public.

16. The four equality objectives that HIWFRA approved for the period 2022-26 are listed below in paragraphs 17-20. The published and more accessible representation of these objectives is found at Appendix B in the document titled 'Our Inclusive Service'.

17. Objective 1 – Inclusive: We will create a great place to work for all. We will have a culture where we can be authentic, feel valued and supported to thrive. Our inclusive environment means we value each other's contributions and can attract, recruit and retain the most diverse range of thoughts, experiences, skills and talent.

18. Objective 2 – Representative: To become more representative, we will improve the quality of our equality information year on year. We will use data and insight to identify, understand and address disparities and under-representation to support our commitment to reflect the diversity of our community.

19. Objective 3 – Respectful: We will treat each other and those we work with outside our organisation with respect every day. Respect at work means taking personal responsibility for living our values and holding each other to account by having honest, respectful conversations when we do not role model our behaviours.

20. Objective 4 – Accessible: We will ensure our services are accessible to all parts of our community. We will engage with stakeholders and partners to understand different community needs to deliver accessible, local services.

PROGRESS TOWARDS ACHIEVEMENT OF EQUALITY OBJECTIVES

21. In the past 12 months, we have undertaken a range of activity to assist in our progress against the equality objectives. To quality assure our supporting strategic action plan, we have worked with independent experts and consultants such as Inclusive Employers. We have also reviewed our current performance in respect of Equality, Diversity and Inclusion (EDI) using the NFCC maturity modelling.

22. Key to our success over the last year is the drive, commitment and support from our network groups, and credit should be given to them for championing the EDI agenda and generating so much activity and progress throughout the year. The Chairs of the network groups are reverse mentoring Directors and other senior managers which is proving invaluable in raising awareness and understanding of the experiences of staff and the community represented by these groups.

23. A list of some of the activities undertaken this year can be found at Appendix C, but of note is our continued use of positive action to reinforce the message that being a firefighter is a job for all. This has supported an increase in the gender and ethnic minority profile across our workforce and delivered positive results in our recruitment activity.

24. We continue to work collaboratively with partners and this year has been no exception. We have formed a baby loss support group with Hampshire Constabulary and increased our understanding of the impact of domestic violence across Hampshire and Isle of Wight and how we can support victims in our own Service. We have also formed a blue light choir who performed at the Carol Concert at Winchester Cathedral.

25. Post Covid-19, we have also been able to participate in far more community events such as Eastleigh Mela, Southampton Pride, Black History Month and even a charity football event. These provide important opportunities to engage with different communities, share messages about the inclusiveness of our Service and seek to understand barriers that limit our ability to attract and recruit talent from a more diverse range of candidates.

26. Our values and behaviours, which were created by our workforce in 2019/20, have become central to everything we do. By including them in recruitment, promotion and appraisal processes, they define and reinforce who we are, what we stand for and how we act as an organisation. The peer to peer recognition scheme, which recognises our values champions, has gone from strength to strength over the last 12 months, and highlights how our values are truly being lived by our employees.

FOCUS FOR NEXT YEAR

27. We are confident that our Equality Objectives and our supporting EDI plans remain relevant and appropriate for our Service. However, it is important that our actions are shaped by national learning across the sector as well as our own experiences. Therefore, it has been critical that we reflect on and consider the recommendations from the Independent Culture Review into London Fire Brigade (LFB) and the concerns that have been raised about bullying, harassment and discrimination.

28. We are committed to being an inclusive Service which shows respect to our colleagues and communities, and where instances of bullying, harassment and discrimination are not tolerated. Our internal mechanisms and processes for raising issues of this nature do not indicate a problem with these behaviours in our culture. However, we know from our HMICFRS Inspection report that some staff reported having experienced bullying and discrimination within our Service.

29. Therefore, over the next 12 months will be particularly focussing on improving our understanding of this issue within our organisation, starting with an independent and anonymous survey and focus groups. We will also work with the NFCC and other Services to make sure we are doing all we can to treat every colleague with dignity and respect and to uphold our values.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

30. This paper supports the following priorities within the Safety Plan:

- Our communities – ensuring we improve our understanding of different community needs and using this insight to deliver accessible, local services.
- Our People – creating a great place to work for all through our inclusive and respectful culture, where our values are embedded.
- High performance – ensuring we are able to attract, recruit and retain the broadest range of talent by tackling any barriers to entry and taking positive action

RESOURCE IMPLICATIONS

31. There are no additional resource implications or requirements.

IMPACT ASSESSMENTS

32. This report details the positive impact we have already made to improve the diversity of our organisation and create an inclusive culture.

33. The proposals in this report are compatible with the provisions of the European Convention on Human Rights and the Human Rights Act 1998.

34. The equality information in Appendix A is anonymous and has been scrutinised to ensure that individuals cannot be identified.

35. There are no environmental or sustainability concerns.

LEGAL IMPLICATIONS

36. Hampshire and isle of Wight Fire and Rescue Service has a legal duty under:

- Section 149 of the Equality Act 2010 (public sector duty)
- The Equality Act 2010 (Specific Duties) Regulations 2011

to collate and publish equality information on an annual basis, as well as equality objectives at least every four years.

Publication of this report and its appendices ensures we meet these duties.

OPTIONS

37. Option A – HIWFRA to note the contents of this report and publish the updated equality information.

38. Option B – HIWFRA to not note the contents of this report and not publish the updated equality information.

RISK ANALYSIS

39. The Equality and Human Rights Commission has a statutory duty to enforce the general and specific duty. Failure to do so can result in a compliance notice being issued.

EVALUATION

40. Our progress will be monitored, evaluated and reported to Authority on an annual basis.

CONCLUSION

41. HIWFRS has a general and specific duty under The Equality Act 2010 to publish equality information on an annual basis.

RECOMMENDATION

42. That the Annual Statement of Equality be approved by Hampshire and Isle of Wight Fire and Rescue Authority.

APPENDICES ATTACHED

43. Appendix A - Workforce demographics for Hampshire and Isle of Wight Fire and Rescue Service as at 31 December 2022.

44. Appendix B – Our Inclusive Service.

45. Appendix C – Work undertaken by the Network Groups.

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

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Appendix A

Annual Statement of Equality

Workforce Demographics

Workforce by Employment Type

Employment Type	Headcount	Percentage of Workforce
Grey Book – WDS	696	47.5%
Grey Book – RDS	375*	25.5%
Grey Book – Control	40	3%
Green Book	354	24%
Total	**1465**	**100%**

*Employees with dual contracts, ie, WDS and RDS have only been counted once in their WDS employment

Workforce Gender Profile by Employment Type

Employment Type	Overall Headcount	Male Headcount	Percentage	Female Headcount	Percentage
Grey Book – WDS	696	631	90.5%	65	9.5%
Grey Book – RDS	375	355	94.5%	20	5.5%
Grey Book – Control	40	6	15%	34	85%
Green Book	354	179	50.5%	175	49.5%
Total	**1465**	**1171**	**80%**	**294**	**20%**

Male Workforce by Employment Type

Employment Type	Headcount	Percentage of Male Workforce
Grey Book – WDS	631	54%
Grey Book – RDS	355	30.5%
Grey Book – Control	6	0.5%
Green Book	179	15%
Total	**1171**	**100%**

Female Workforce by Employment Type

Employment Type	Headcount	Percentage of Female Workforce
Grey Book – WDS	65	22%
Grey Book – RDS	20	7%
Grey Book – Control	34	11.5%
Green Book	175	59.5%
Total	**294**	**100%**

Workforce Profile – Non-White British* by Employment Type

Employment Type	Headcount	Percentage
Grey Book – WDS	28	4.5%
Grey Book – RDS	19	6%
Grey Book – Control	1	2.5%
Green Book	23	7.25%
Total	**71**	**5%**

*Stats exclude those who have not given their ethnicity and includes: Black African & Caribbean, Asian Mixed & Other Asian, Chinese, Indian, Mixed Other, Mixed African & Caribbean, Gypsy or Irish Traveller, White Eastern European & Other Ethnicity

Breakdown by Ethnicity

Ethnicity Profile	Headcount	Percentage of Workforce
Arab	1	0.07%
Black African	1	0.07%
Black Caribbean	3	0.20%
Chinese	1	0.07%
Gypsy or Irish Traveller	3	0.20%
Indian	6	0.41%
Mixed Caribbean	2	0.14%
Mixed Other	10	0.68%
Other Asian	2	0.14%
Other Ethnicity	1	0.07%
Prefer not to say	162	11.06%
White British	1232	84.10%
White Eastern European	3	0.20%
White Irish	5	0.34%
White Other	33	2.25%
Total	**1465**	**100%**

Our Inclusive Service

HAMPSHIRE & ISLE OF WIGHT FIRE & RESCUE SERVICE

Welcome

Page 128

“I have great pleasure in introducing Our Inclusive Service. This guide describes our Equality Objectives, builds on the positive progress we have made towards creating an inclusive culture and our commitment to diversity and equality. Our objectives will be underpinned by action plans that shape how we continue to develop our Service and the service we provide to our communities.

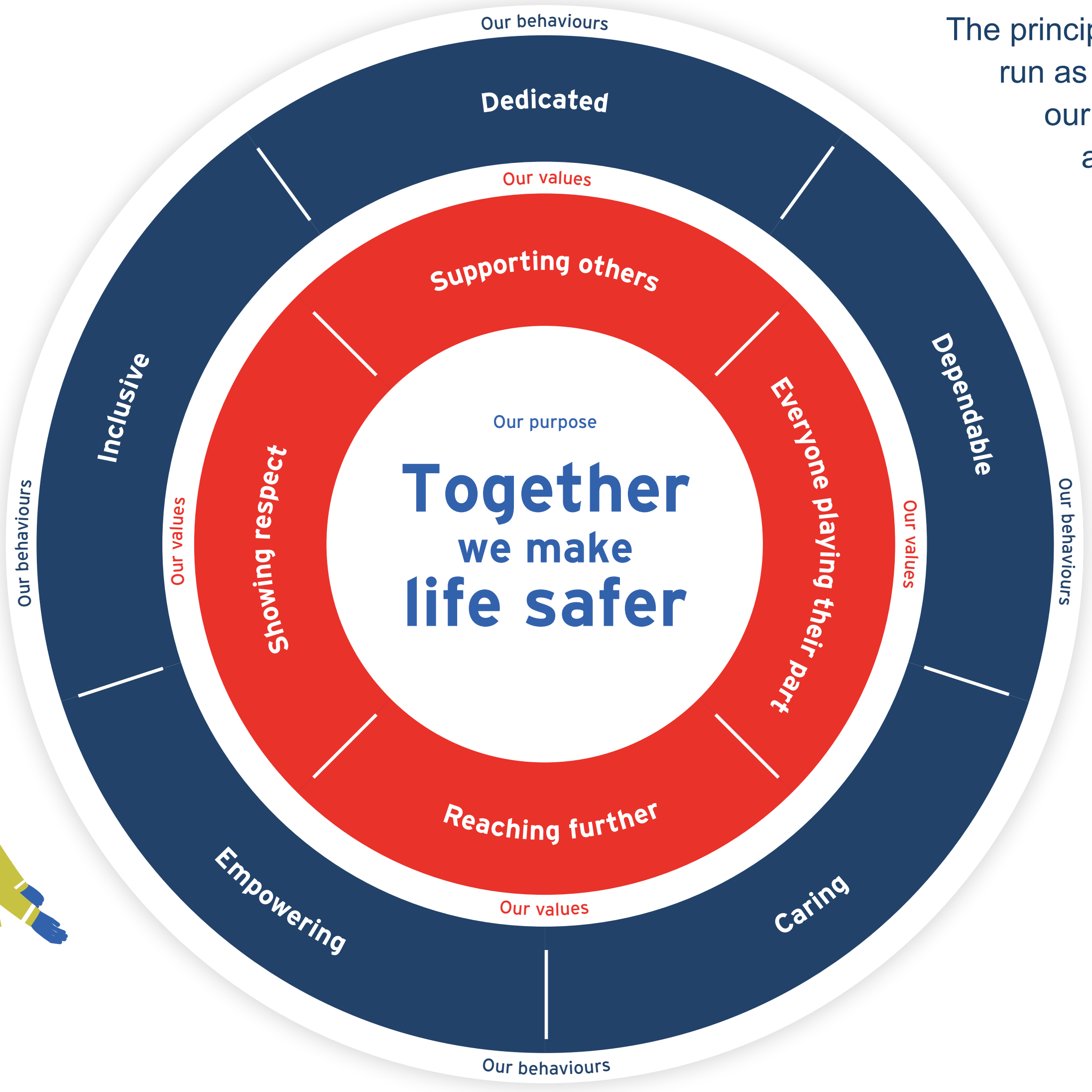
However, developing a thriving, inclusive culture requires everyone to play their part. Our Service values and behaviours have been developed by our employees, and through the support networks we continue to overcome barriers and make our service more accessible. We have also enhanced our range of wellbeing resources, but we know that there is still a lot of work to be done.

Although we have seen year-on-year improvements in the diversity and equality of our workforce due to our programme of positive action work, more needs to be done to ensure that our workforce represents the communities that we serve.

The future will continue to be exciting and evolving, but also challenging. The success of Our Inclusive Service relies on strong, effective relationships between employees and our communities to ensure both our organisation and the service we deliver is as inclusive as possible.”

Molly Rowland - Director of People and Organisational Development

The bigger picture



The principles of inclusion, diversity and equality run as a golden thread through our purpose, our priorities, our values and behaviours, and our plans

There are many things we can all do individually to demonstrate our commitment to inclusion. For example, attending employee support network groups, holding open days, completing People Impact Assessments (PIAs) for new activities, taking part in training sessions and using inclusive language.

These inclusive actions help to demonstrate the value diversity brings to our organisation. With an inclusive culture, diversity will increase, and our teams will be stronger and high performing.

Our objectives

Inclusive

We aspire to a culture where we can be authentic, feel valued and supported to thrive. Our inclusive environment means we value each other's contributions and can attract, recruit, and retain the most diverse range of thoughts, experiences, skills, and talent.

Some of the things we will be doing:

- Creating an inclusive culture, where colleagues have a greater sense of belonging within the organisation
- Building trust, confidence and understanding of our teams to share details of their protected characteristics
- Ensuring clear leadership of inclusion and diversity issues within HIWFRS

Representative

While we have made improvements in increasing the diversity of our workforce, we know that we must remain dedicated to representing the communities we serve. It is critical that we listen to our communities' voices and experiences to shape the services we provide and the decisions that we make.

Some of the things we will be doing:

- Using data and insight to identify, understand and address disparities and under-representation to support our commitment to reflect the diversity of our community
- Continuing to undertake positive action to encourage applications from under-represented groups
- Recruiting the best people for the job, allowing people to be themselves at work, and delivering excellent services to our communities

Respectful

Respect at work means taking personal responsibility for living our values and holding each other to account by having honest, respectful conversations. We will treat each other and those we work with outside our organisation with respect every day and role model our behaviours.

Some of the things we will be doing:

- Ensuring that colleagues have the confidence and mechanism to challenge unacceptable behaviour, outdated process or policy and unhelpful customs and culture
- Reviewing our reward and recognition processes to celebrate individual differences
- Embedding inclusive language into our policies, behaviours, communication and training

Accessible

Our services should be accessible to all parts of our communities so that people understand what we do and how they can keep themselves safe. We work with our partners to understand different community needs to deliver accessible, local services.

Some of the things we will be doing:

- Ensuring that we can communicate effectively with our communities, irrespective of any disability or language barriers
- Consulting meaningfully with our communities to understand their needs
- Working with members of our diverse communities to understand and reduce barriers to accessibility of services

Our network groups

Our networks provide peer support and bring individuals together from under-represented groups. These networks play a significant role in driving change within our organisation, raising awareness of different issues and helping us engage more effectively with our diverse communities.

fireINSPIRE

Supporting and promoting gender equality

fireOUT

Providing a friendly and safe forum for employees who identify as part of the LGBTQ+ community and their allies

fireABLE

Raising awareness and improving understanding of disabilities, visible or non-visible, including mental health and dyslexia

fireREACH

Focusing on religion, ethnicity, and cultural heritage to raise awareness and understanding of inclusivity

Hampshire & Isle of Wight

FIRE & RESCUE SERVICE

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Appendix C

Activity in Support of Equality Objectives during 2022/23

Objectives	Actions/Activities
Objective 1 – Inclusive: We will create a great place to work for all. We will have a culture where we can be authentic, feel valued and supported to thrive. Our inclusive environment means we value each other's contributions and can attract, recruit and retain the most diverse range of thoughts, experiences, skills and talent.	Development of the Personal Supportive Passport (PSP) app which enables provides a discreet way for staff with mental health, learning, or disability requirements to share the adjustments they need and describe their optimum working conditions. Enabled procurement of spiritual/religion specific uniform and PPE. For example for members of a faith that requires head coverings. Agreement to provide funding for all female employees required to participate in mandatory fitness tests towards cost of sports bras. Successful trial of text-to-speech scanning pens to assist individuals with dyslexia. These will begin to be made available in 2023. Range of webinars, panel discussions and guest speakers to celebrate International Women's Day and International Men's Day. Launched a campaign to promote greater Menopause Awareness which included educational webinars, a revised policy, and regular Menopause Café sessions. Development of a trans inclusion policy and range of associated webinars to support pronoun visibility. Development of a range of family friendly procedures to support those who are undergoing IVF or surrogacy or who experience miscarriage or baby loss.

Objective 2 – Representative: To become more representative, we will improve the quality of our equality information year on year. We will use data and insight to identify, understand and address disparities and under-representation to support our commitment to reflect the diversity of our community.	We created a targeted social media campaign featuring female and minority ethnic role models. We used positive action open days to increase applications from females and people from ethnic minorities. We used targeted fitness sessions to support under-represented candidates in meeting the required standard. Promoted use of employee self serve (ESS) for staff to provide information to enhance our equalities data. We have developed a dashboard to monitor progress against our IDE action plan, which is accessible via sharepoint.
Objective 3 – Respectful: We will treat each other and those we work with outside our organisation with respect every day. Respect at work means taking personal responsibility for living our values and holding each other to account by having honest, respectful conversations when we do not role model our behaviours.	Our values and behaviours have been embedded within all our recruitment, promotion and appraisal processes to ensure we all take responsibility got living our values. Our monthly Values Champion recognition scheme has been running for 12 months with over 200 nominations received. We have launched an internal campaign called Celebrating You which provides funding for teams to participate in a celebratory event as a thank you from the Service. This is an evolution of our previous annual recognition event Celebrating Success which couldn't happen during Covid-19. It is intended to be more inclusive and so far, 80+ teams and over 930 people have taken part. We delivered an Anti-Racism webinar to explore how our Service can become anti-racist. We developed support specifically focussed on the issue of Domestic Violence for victims and managers.

	Our Network Group Chairs have been reverse mentoring Directors and other senior managers to help hold us all to account through honest conversations. We supported 9 employees to attend the Women in the Fire Service Development Weekend at the Fire Service College. We have also the regional development even in partnership with neighbouring FRSs.
Objective 4 – Accessible: We will ensure our services are accessible to all parts of our community. We will engage with stakeholders and partners to understand different community needs to deliver accessible, local services.	Raised awareness of Neurodiversity through a range of webinars on autism, dyslexia and ADHD. Launched our Sensory Tent and Quiet Hour for station open days to support visitors with neurodiverse conditi9ns and disabilities. Attended: • Southampton, Isle of Wight and Eastleigh Prides • Chinese New Year Celebrations • Dragonboat festival • Big Platinum Festival • Eastleigh Mela • Unity 101 v HIWFRS Charity Football Match Established monthly meetings with the Business Disability Forum to continue to improve the accessibility of our services.

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HIWFRA Full Authority

Purpose: Approval

Date: **21 FEBRUARY 2023**

Title: **HIWFRA SAFETY PLAN: YEAR 4 REFRESH**

Report of Chief Fire Officer

SUMMARY

1. This report seeks approval for the Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) Safety Plan Year 4 activities (Appendix A), which have a strong focus on further investing in, and supporting, healthy workplaces and staff wellbeing.

2. The 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 (Community Risk Management Planning – Fire Standards Board).

3. Despite our Safety Plan covering five years, we conduct an annual planning process to ensure that the Safety Plan remains current. The output of this process is a list of activities that the Service will complete during that particular year to fulfil the Authority's strategic priorities. This report presents the fourth HIWFRA update of our proposed strategic activities intended to improve the services we provide to our communities, the support we provide our people and our organisation.

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:

   a) Our Communities
   b) Our People
   c) Public Value
   d) High Performance
   e) Learning and improving.

6. These priorities identify the strategic direction for our Service and are translated into specific actions against which the Service will be held to account. The specific actions are known as our annual Safety Plan improvement activities and progress against these is reviewed internally on an ongoing basis – with reporting into the Authority alongside the End of Year Performance Report.

7. Year 4 (2023/24) will be a significant year for the Service where we advance the next iteration of our Community Risk Management Plan, setting the foundation for the longer term, 2025-2030, and begin responding, where required, to the HMICFRS inspection report, as well as advancing various other improvements to support and complement Directorate Plans, all with the ultimate aim of further supporting Our People and Our Communities. Our organisational planning, to establish both the Year 4 Safety Plan improvements and Year 4 Directorate Plans, has given early consideration to the HMICFRS 2022 inspection findings and areas where we need to undertake improvement activity. More detail on the findings of inspection and our response will be provided to the Standards & Governance Committee in March 2023.

8. There is a high possibility that the Fire Sector will face industrial action during the year (at the time of writing this report, a ballot for strike action by the Fire Brigades Union is extant). This may impact what we can deliver depending on the nature and extent of this action. We will keep the Fire Authority informed of any barriers to our progress.

9. High priority activities are listed in the Safety Plan. Underpinning activities that contribute towards progression of the Safety Plan are recorded at Directorate Plan level. This report deliberately does not review the progression of our current Year 3 Safety Plan improvements, as this will be done through a separate performance and assurance report which will be presented alongside the End of Year Performance Report in June.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

10. The Safety Plan sets out the strategic direction for a five-year period under the five strategic priorities set by the FRA. The activities to deliver them are embedded within the Safety Plan as annual improvements.

11. 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

12. As a public body, in designing the original Safety Plan through the 2019 IRMP, we had both a legal and moral obligation to actively listen to the opinions of those whom we serve. We also believe that ongoing dialogue and consultation with our stakeholders will add considerable insight to our future direction, ultimately assuring the quality and suitability of our Safety Plan.

13. We consulted internally (e.g. with our teams) and externally (e.g. with the public, representative bodies and local partners). We used these findings to shape the Safety Plan. The Consultation Institute quality assured the process to ensure that every part of our formal consultation met best practice standards. Representative Bodies were engaged with throughout the Safety Plan development.

14. The Year 4 improvement activities have been developed within directorates and Chief Officers Group to inform dedicated Executive Group workshops. Each activity listed in the Safety Plan will involve collaboration with different stakeholders as part of its implementation.

RESOURCE IMPLICATIONS

15. Each proposed Year 4 activity is fully funded and will be included as part of the Fire Authority’s medium-term financial plan. Should anything change in year, we will seek Authority agreement in line with our standard clearance processes.

16. Some of these activities, for example, in terms of implementing our Carbon Reduction Strategy and various investment activity into our stations, have already been subject to Fire Authority scrutiny.

IMPACT ASSESSMENTS

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

18. There are no specific impact assessment implications from the contents of this report, as impact assessments will be separately completed for all Year 4 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

19. 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.

20. 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.

21. 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

22. There are no specific risk implications from the recommended option within this paper. There is a time bound risk of not accepting the recommended option as not clearly defining the areas of focus for year four and subsequently responding to them, may mean that inadequate focus is placed on the key areas of improvement.

23. Risks against delivery of all the Year 4 improvements will be recorded in directorate risk registers within the JCAD risk management system on an individual basis.

24. 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 Governance and Scrutiny Committee oversight.

EVALUATION

25. The successful delivery of the Safety Plan will be regularly monitored by the Chief Fire Officer, wider Executive Group and Chief Officer's Group for HIWFRS, as well as by the leads or managers of specific improvement activity. In year monitoring and assurance activity around the Year 4 improvements, as was done in previous years, will also be undertaken by the Service's Organisational Assurance team.

26. As with previous years, progress on Year 4 Safety Plan will be routinely reported to the HIWFRA to ensure appropriate accountability is maintained for the discharge of duties under the Safety Plan.

CONCLUSION

27. The report and appendix propose HIWFRA approval of the new Year 4 Safety Plan improvements to provide the Service's strategic direction for 2023/24.

RECOMMENDATION

28. That the Year 4 Safety Plan improvements be approved by the HIWFRA Full Authority.

APPENDICES ATTACHED

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

Contact: Alex Quick, Head of Performance, Alex.Quick@hantsfire.gov.uk, 07918 888146

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HIWFRA Safety Plan

Appendix A: List of Year 4 improvements

Improvement Activity	Risk mitigation rationale – why do we need to undertake this activity?
1. Enhance technology, processes, ways of working, and other areas to further improve support to our On Call staff.	On Call staff are a critical and vital part of our workforce. However, as illustrated in recent performance reporting into the Authority, there have been challenges around On Call availability. This activity includes various improvements to the technology, processes, ways of working, and support of our On Call firefighters to improve their availability, retention and engagement. Furthermore, following the combination of HIWFRS, there are two legacy contracts for On Call. We must develop a single set of terms and conditions. There are a number of contractual and ways of working differences, in addition to the ongoing challenge of maintaining an efficient and effective operational response.
2. Complete Phase 1 of the Community Risk Management Plan (identifying risks in our communities) and start Phase 2 (how we might mitigate those risks) to complete in Spring 2024.	The Fire and Rescue National Framework for England requires all Services to have a CRMP, therefore it is a statutory requirement. HIWFRS are adopting a two-phased approach (phase 1 – risk analysis; and phase 2 – risk mitigation), which has been agreed by Executive Group. Members are being updated separately on the CRMP, which will also include public engagement.
3. Continue to align to the sector's current approved codes of practice: strategic and tactical National Operational Guidance.	To ensure our compliance and sustainable approach in how we resource to National Operational Guidance (NOG). Members reviewed and approved a paper related to this in the December HIWFRA.
4. Delivery of three percent efficiencies across the Service during 2023/24.	The delivery of 3% efficiencies will allow the Service to challenge activities that are not delivering optimum public value. The efficiencies delivered will allow directorates to refocus this funding on improving service delivery and ensuring that our five strategic priorities are addressed.

5. Review of all services provided under the Shared Services Provision, which may require software solutions, notably around HR, Procurement and Facilities Management.	To ensure value for money and effective service delivery of our non-transactional services delivered through our Shared Services Partnership.
6. To identify any gaps or risks by undertaking assurance activity against, and respond as necessary to, external reviews and reports including: a) Grenfell Phase 2; b) Manchester Arena Inquiry; c) London Fire Brigade - Independent Culture Review; and d) HMICFRS report.	Various significant reports have been published. The Manchester Arena Enquiry Grenfell Phase 2 report, and the Independent Culture Review of LFB impact the whole fire and rescue sector, as does the national HMICFRS report. Our local 2022 HIWFRS inspection report has also been published. All these reports require subsequent assurance activity to identify any gaps or risks for HIWFRS, and any required mitigation actions.
7. Delivering the Station Improvement Plan (SIP) to create healthy workplaces for our staff.	Improve current facilities at the three stations and SHQ live fire – in line with previous papers that were presented to members in December 2022.
8. Continuing the Retrospective Design Principles works to improve healthy and inclusive facilities at existing fire station locations.	Improve current facilities all our stations in line with a previous paper that was presented to members in December 2022. Please refer to the exempt Estate Capital Programme paper from the 6 December 2022 HIWFRA meeting.
9. Improving the Service's health and safety function, including a specific focus on contaminants.	To meet the requirements of the Fire Authority's Health, Safety and Wellbeing Strategic Intent and enhance the safety and wellbeing of our staff; and a risk mitigation to compliment ongoing international research into the impacts of contaminates on the occupation of firefighting. The Service's response to the risk of contaminants will involve a wide range of activities from teams across the Service.
10. Deliver the second year of Carbon Improvement Works to help mitigate our impact on the environment.	To achieve deliverables set out in the paper to HIWFRA from December 2022.

HIWFRA Full Authority

Purpose: Approval

Date: **21 February 2023**

Title: **Community Risk Management Planning 2025-2030**

Report of Chief Fire Officer

SUMMARY

1. This report provides an update on the work underway to produce the Fire Authority's next Community Risk Management Plan (Safety Plan 2025-2030) for the Authority's approval. This includes:

   - the scope of the project including the differences between stages one and two

   - the progress made since the project began in September 2022

   - how our work will be evaluated

BACKGROUND

2. Fire and rescue services must understand the needs of their local communities. Every fire authority is required by the Fire and Rescue National Framework for England to ensure that they assess all foreseeable fire and rescue related risks within their area and implement plans to mitigate these risks. This is done by an Integrated Risk Management Plan (now commonly known as a Community Risk Management Plan - "CRMP"). Our Safety Plan fulfils this requirement.

3. In Summer 2022, the Executive Group (EG) agreed the Business Case to produce our next Safety Plan covering 2025–2030. This work began in September 2022.

4. To shape our work, we have sought advice from other fire services including Oxfordshire, West Midlands, Greater Manchester, Merseyside, and the Scottish principal officers responsible for the Highlands and Islands. We have also collaborated closely with the NFCC workstreams and subject matter experts (e.g. The Consultation Institute) and academia.

5. We therefore intend to carry out an innovative two stage approach to our strategic planning. Stage one will run until June 2023 (industrial action dependent). Stage one will give us a clear understanding of what risk we face in our communities. We are investing time to fully understanding all risks that affect our geography, from local issues to challenges that move across national or international boundaries, such as the economy and climate change. We are working with our communities, public sector partners and subject matter experts to listen to their experiences, understand their organisational needs and benefit from their expert knowledge. Through engagement with local partners, our operational teams, and the public, we are using both quantitative and qualitative data to build our risk profile. At the end of this analytical period, we will be well placed to design a fire and rescue service that mitigates risk in the current context of Hampshire and the Isle of Wight.

6. An important feature of stage one is that we are not identifying solutions to any the risks we identify (unless anything time critical is found). This enables us to make an objective measure of risk prior to developing mitigations. A thorough evaluation of stage one will be completed to ensure that we have captured any lessons learned and that we are appropriately planning and resourcing for stage two.

7. Stage two will begin shortly thereafter and will collaboratively develop options to meet the risks identified within stage one. Throughout this stage, we will identify clear work packages and areas of focus that will inform our priorities to be delivered throughout the lifecycle of the 2025-2030 Safety Plan. For each of the mitigations we identify, we will consult on options with partners, staff and the public.

8. The outcomes of stages one and two will underpin our next Safety Plan, setting our strategic intent between April 2025 to April 2030. These outcomes will be guided by our principles for CRMP of:

   - Following Community Risk Management Planning standard methodology (listed at Appendix A)
   - Developing a 360° view of external influences and local context
   - Analysis based on solid evidence
   - Analysis fully independent of proposals

- Communications, consultation, and engagement embedded throughout process

9. We will ensure that the Executive Group and the Fire Authority are involved and informed throughout the process.

10. The risk analysis undertaken within Stage 1 of the CRMP will be significantly aided by new and updated data released by the Office for National Statistics from the 2021 Census. This includes, but is not limited to, up to date data on population, ethnicity, sexual orientation, and other socio-demographic areas that will be analysed alongside other data sets.

<u>SUPPORTING OUR SAFETY PLAN AND PRIORITIES</u>

11. This project will ensure that our 2025-2030 Safety Plan is developed in line with national best practice aligned to the CRMP Fire Standard, and in doing so, ensuring we meet the requirements of the Fire and Rescue National Framework for England. This will enable us to identify our priorities against a clear understanding of community risk.

<u>CONSULTATION</u>

12. Consultation is a vital element of this project. We have worked closely with The Consultation Institute to produce our consultation plan, in doing so ensuring its inclusive, comprehensive and enabling us to reach our communities. We are giving particular focus to ensure we appropriately and effectively engage with underrepresented groups. Our approach has been shared with the Chief Officers Group (COG), Directors and representative bodies for consideration.

13. We are not statutorily required to formally consult in stage one. However, we intend to undertake informal consultation to shape a CRMP that is truly designed with communities' needs in mind and for us to fully understand:

    - the risks identified and strategic intentions of our local partners including other public services (including Hampshire and Isle of Wight Constabulary and our ambulance trusts) and neighbouring fire services

    - the issues that are of concern to the public, including utilising trusted organisational networks to access key groups that may have specific requirements, or have been traditionally under-represented through difficulties of access

    - what specific risks, and context our operational crews face

14. We will carry out this engagement in spring 2023. It is likely we will procure a third-party provider to carry out some of this work. We may need to delay this work should the sector take part in industrial action, not least as strike action may influence public opinion and so produce false results.

COLLABORATION

15. When designing our approach, the team met other fire services including Oxfordshire, West Yorkshire, West Midlands, Scotland, and Greater Manchester to understand their planning and approach within the CRMP framework. Our discussion with Scotland focused on their Highlands and Islands, in particular how they assess risk in their island communities (of which they have 900 islands). We have also spoken to the National Fire Chiefs Council's liaison team who are developing CRMP toolkits.

16. Learning from past experiences, there is great value in working closely with representative bodies (RBs) throughout a project such as this. We have begun this engagement and a schedule of regular informal meetings has been agreed, as well as having discussions through our formal Joint Trade Union structure. Feedback from the RBs has been positive.

17. Throughout this project, although especially in stage one, data is imperative. We will use our own data - including activity and demand - and that of our partners, including local authority and Health strategic assessments, and police crime data. These will be combined to build a model of geographical risk down to local level. We will sense check this data with RBs and our operational and specialist teams through our engagement process to ensure it is as accurate as possible. Should areas of work be identified through this process that lie outside our own internal capabilities, we will seek academic support from a network of universities. We have met with Professor Rowena Hill who is the fire sector's principal academic, to understand what academia could offer. She is willing to broker this involvement once we have defined our requirements.

18. While the CRMP core project team is based within the Policy, Planning and Assurance Directorate, for this work to be a success, it must be a whole Service endeavour. A stakeholder group has been formed of middle managers from every function across the service to provide challenge and assurance from all aspects of the organisation. We will also ensure that the Executive Group and Chief Officers Group are routinely sighted on the work, as well as engaging with the Operations Directorate's newly created Operations Change Board to ensure alignment of work.

RESOURCE IMPLICATIONS

19. In Summer 2022, Executive Group agreed the Business Case for stage one of this project and agreed in principle the approach for stage two, albeit stage two may need to change depending on the outcome of stage one. Funding was agreed for 2022/23 through existing Safety Plan funds. Funding for future years will be agreed through the routine annual budget setting process.

20. Costs relating to proposed mitigations as identified in Stage 2 will be discussed separately. Depending on the nature of the change, they may require further consultation, design work or legal advice.

IMPACT ASSESSMENTS

21. An impact assessment has been completed for stage 1 which didn't identify any areas of concern. That said, we will ensure our consultation is inclusive and covers as many groups as possible. In stage 2, each mitigation and bespoke project will require its own impact assessment. This will ensure the robust development of each work package.

22. Throughout stages 1 and 2 we will engage with our staff network groups (FireOUT, FireINSPIRE, FireREACH, FireABLE) as well as our representative bodies. This engagement is already underway.

LEGAL IMPLICATIONS

23. The Fire Authority is required by the Fire and Rescue National Framework for England to have a CRMP. This work will ensure the Fire Authority fulfils this requirement. We will ensure all our statutory duties, including relating to equality, are met during this project.

BENEFITS

24. Production of an approved Community Risk Management Plan will provide assurance that our resources and future improvement activity reflect the identified risk across all areas of Hampshire and Isle of Wight. This will enable an effective plan of improvement activity and provision of services to our communities. This will generate many benefits including:

- Ensuring our resources are most appropriately aligned to the risk our communities face, thereby enabling us to respond to the needs of our communities as best we can

- Contribute to our People Strategy, ensuring a safe and healthy workplace for HIWFRS personnel

- Evidencing ongoing management of risk and effective planning of improvement activity, demonstrating how we meet the CRMP Fire Standard, HMICFRS assessment of how we assess risk and requirements of the Fire and Rescue National Framework for England.

- Shaping the Service's approach to strategic assessment of risk, providing an opportunity for organisational learning and effective planning of improvement activity

RISK ANALYSIS

25. As the CRMP methodology is in its infancy there are limited tool kits available from NFCC. We are working with the NFCC's liaison team, other fire services, The Consultation Institute and academia to ensure we have access to experienced practitioners and knowledge. This approach will assure the FRA that this approach meets best practice and the requirements of the Fire Standard and National Framework.

26. Funding has not yet been identified for the duration of entire CRMP project as it spans multiple budget years. Funding has been secured for the first stage (understanding the risk). Because we cannot commit to mitigations until the latter stage of CRMP is complete (i.e. the configuration of the Service and services delivered to the public), financial decisions relating to mitigations cannot take place yet.

27. The fire sector now faces the real risk of national industrial action during 2023. Should industrial action take place following the strike ballot, the Service will move into business continuity arrangements; the CRMP project will be paused while staff are deployed elsewhere. It is proposed that the project is then re-started as soon as possible, albeit the timeline delayed for the period of the suspension. There remains enough time at the end of the project to act as a contingency. All project risks are recorded within the CRMP project risk register on JCAD.

EVALUATION

28. At the end of stage one a thorough evaluation will be completed to assess the following outputs. This will include:

- Engagement report from external provider articulating the response from our key stakeholder groups

- Mapping and data tool giving a geographical representation of risk to our communities

- Executive Group and FRA paper for awareness of stage one outcomes

- Evaluation of the team size and skill set for what will be needed in stage two

- Detail the stage two plan including timelines, activities, key deliverables, and formal consultation

- Public facing document showing our understanding of risk across our communities

- Definition and glossary of statutory and core activities that are undertaken by HIWFRS to help inform allocation of resources in stage two

CONCLUSION

29. The report provides an update on our work to produce our next Safety Plan. This includes our collaborative approach and methodology to meet the requirements of the CRMP Fire Standard and National Framework. By encompassing learning from within and outside of our sector, the HIWFRS Safety Plan will exceed the requirements of both the Fire Standard and the National Framework and enable us to clearly iterate our risk-based approach, setting the Service up for success so that we're aligned to risk and able to form our strategy priorities for 2025-30.

RECOMMENDATION

30. That our proposed approach to produce our next Safety Plan is approved by the HIWFRA Full Authority

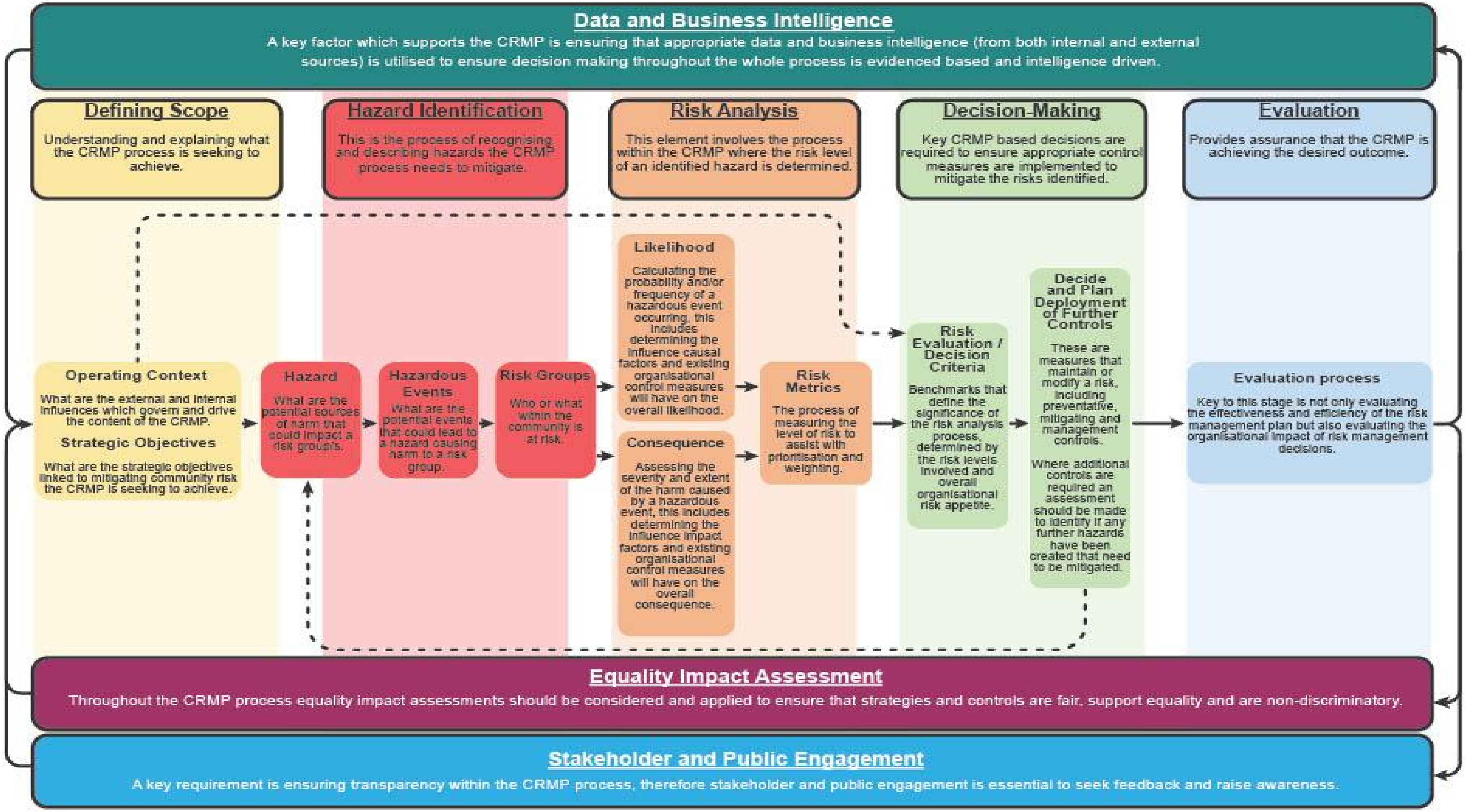
APPENDICES ATTACHED

Appendix A – Community Risk Management Planning Strategic Framework diagram / Community risk management planning strategic framework | NFCC CPO (ukfrs.com)

Contact: Steve Polly, Head of Policy and Risk, stephen.polly@hantsfire.gov.uk 07919 152068

Appendix A

Community Risk Management Planning Strategic Framework



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HIWFRA Full Authority

Purpose: Noted

Date: **21 February 2023**

Title: **PROPERTY MATTERS**

Report of Chief Fire Officer

SUMMARY

1. This report summarises property related matters where action has already been taken under delegated authority. These actions are reported in accordance with the Authority's Scheme of Delegation. The Authority are asked to note these actions.

BACKGROUND

2. The Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) Constitution states that HIWFRA must:

   (a) *'Consider and approve the sale and purchase of land or buildings with a value greater than £250,000, or the disposal of land or buildings by way of lease or licence for a period greater than 10 years or at a value greater than £100,000 per annum'.*

3. Any proposed property transactions falling within these parameters are reported to HIWFRA for approval to proceed.

4. Any property transactions which fall outside of these parameters are approved under the HIWFRA Scheme of Delegation and are included herein for information and noting by Members.

PROPERTY MATTERS

5. The following actions have been undertaken by Officers under delegated authority:

   (a) Hendy Garage Partnership has signed a license for parking allocation in Eastleigh Fire Station overflow car park for £12,960 per annum, with a 6-month break clause.

   (b) The HIWFRA have signed a tenancy agreement with the Forestry Commission (FC) for use of land adjacent to Lyndhurst Fire Station, which is essential for providing animal rescue training. The tenancy agreement is at peppercorn rent for 10 years, in return the FC have use of land adjacent to their building to park vehicles.

   (c) The lease with the Blue Lamp Trust at Service Headquarters was renewed for another 5 years at £1 per annum if demanded. The Trust will also pay a service charge that will recover costs incurred by HIWFRS through utilities usage. In addition, all legal charges incurred by HIWFRS being paid for by the Trust.

   (d) Land to the north of the current Cosham fire station, PCMI, was acquired by HIWFRA from Portsmouth City Council. The transaction completed on 29th September 2022 for £1.6m.

SAFETY PLAN AND PRIORITIES

6. One of the Authority's priorities is to manage assets, including buildings, land and equipment in a cost-effective way. The proposals and actions taken in this report support this.

7. The Safety Plan identifies Public Value as a key priority, our estates strategy supports this by maximising returns from property assets and making the best use of our estate. The proposals outlined within this report support this aim.

CONSULTATION

8. Consultation is necessary where there is a statutory duty to consult. It is also necessary where there is a significant decision and where we have said that we will have consulted on similar matters in the past.

9. For the property matters outlined within this report no public consultation has taken place since the activities are deemed as business as usual functions of effectively managing our property estate.

10. Consultation has taken place at all fire station premises with local teams and partners based there before any decision has been made in relation to extending or establishing a new lease/licence with a third party.

COLLABORATION

11. The granting of leases to partners to enable shared occupation of HIWFRA property supports and furthers our current collaborative partnerships.

RESOURCE IMPLICATIONS

12. All property related matters in this report are considered to be cost effective and are met from within existing resources.

13. The income from sharing premises will contribute to offset operating costs which would otherwise be a direct cost to the Authority.

IMPACT ASSESSMENTS

14. The contents in this report are considered compatible with the provisions of equality and human rights legislation.

15. Where there are local impacts, Impact Assessments have been undertaken in line with the Service Change Framework.

LEGAL IMPLICATIONS

16. There are no legal implications arising from the matters contained within this report. Legal advice is routinely sought for all lease and licence agreements.

BENEFITS

17. There are two benefits to the agreements set out in this report. Firstly, it allows the Service to recover costs which enables the organisation to more cost efficiently run a large estate. Secondly, it is a collaborative approach with our partners and allows closer operational working.

RISK ANALYSIS

18. There are no identified risks associated with the activities listed within this report.

EVALUATION

19. Co-location with partners is monitored through regular liaison meetings and formally reviewed in line with the timetable set out in each lease/licence.

CONCLUSION

20. The activities outlined within this report enable the Authority to manage assets, including buildings, land and equipment in a cost-effective way.

RECOMMENDATION

21. That the items set out in this report be noted by the HIWFRA Full Authority.

Contact: Matt Robertson, Director of Corporate Services,
matt.robertson@hantsfire.gov.uk, 07918 887532

AT A MEETING of the HIWFRA Standards and Governance Committee of HIWFRA Standards & Governance Committee held at Police & Fire HQ, Eastleigh on Monday 28th November, 2022

Chairman:
* Councillor Derek Mellor

* Councillor David Harrison
* Councillor Zoe Huggins
* Councillor Gary Hughes
Councillor Debbie Curnow-Ford

65. **APOLOGIES FOR ABSENCE**

Apologies were received from Cllr Cal Corkery.

66. **DECLARATIONS OF INTEREST**

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

67. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting were reviewed and agreed.

68. **DEPUTATIONS**

There were no deputations.

69. **CHAIRMAN'S ANNOUNCEMENTS**

There were no formal announcements.

70. **EXTERNAL AUDIT RESULTS 2021/22**

The Committee considered a report from the Chief Financial Officer (item number 6 in the minute book). The External Auditor reported that the work on the audit of the Authority's accounts was substantially complete and he was 'pretty confident' that there would be an unqualified audit opinion on the Statement of Accounts.

The External Auditor gave an update on the progress and reported that

- in respect to the Property, Plant and Equipment valuations, an adjustment to the balance sheet had been made of a reduction of £1.5m due to a discrepancy between the site plans provided at the time of audit and the centrally held one.

- there were two further outstanding questions which were not expected to have any material affect.

- In terms of the pension valuations – the Auditors were still awaiting a letter from the Hampshire Local Government pension Fund Auditor, with no expectations of a material effect on the accounts.

- All misstatements had been corrected and adjusted in the accounts.

Members asked whether there was an issue where the work was not fully complete against the deadline of 30 November and heard that there had been multiple issues across multiple authorities and that many were in the same position and that very few authorities would be complete by 30 November.

RESOLVED

The Committee received and noted the External Auditor's Audit Results Report for the year ended 31 March 2022.

71. **STATEMENT OF ACCOUNTS 2021/22**

The Committee considered a report from the Chief Financial Officer (item 7 in the minute book). A summary was provided of the following updates made to the accounts since they had been published on the Service's website.

- Update to collection fund entries, due to timing between the preparation of the draft accounts and the receipt of the finalised returns from the billing authorities. (£500k).

- Grant transferred from the Isle of Wight had been removed from the grants disclosure note. (£141k).

- Revision to the property valuation of Property, Plant and Equipment by a reduction of £1.5m (balance sheet), due to the external audit work as explained in the External Audit Results report.

- Short term creditors (increase of £3,211k).

- Long term borrowing (reduction of £1,088k).

- The usable reserves were unchanged.

- No change to the bottom line of the cash flow statement or the cost of services.

In response to a question from Members, the Committee heard that the pension reserve on page 101 of the reports pack is a notional accounting reserve and reflects the Authority's share of the scheme assets and liabilities and is not a 'cash' figure. This is subject to a revaluation every three years.

Members discussed the underspend from the financial year 2021/22 and asked about the Reserves Strategy, how this was decided and planned to be used in terms of capital and revenue spending. Members heard that the Capital Payments Reserve could be used by the Authority to determine what it could be spent on.

The Committee expressed concern that approximately 5% of the council tax precept had been added to reserves for capital spending and the impact upon council tax payers. They wished this to be noted.

Members heard that the maintenance of reserves had helped the Authority make strategic choices in the past and that the Community Risk Management Plan was informed by the 'bottom line'.

Members asked about the value in the ICT Reserve, the Equipment Replacement Reserve, the HQ Maintenance Reserve and the increase of £4.5m to the total value of Usable Reserve.

The officer explained that there was limited capital funding to Fire Authorities and therefore limited ways to fund capital expenditure. He explained that a vehicle replacement programme and projects such as the building of the new Bishops Waltham Fire Station.

Members heard that the Authority sets the Reserves Strategy and that a Budget Update Report would be presented to the Authority in December and then a Budget and Precept Report, including the Reserves Strategy in February.

RESOLVED

- The Statement of Accounts for 2021/22 (draft) at Appendix 1 was approved by the HIWFRA Standards and Governance Committee subject to any final amendments reported at the meeting including the changes outlined in paragraph 18, with the Chief Financial Officer given delegated authority to approve further minor amendments to the Statement of Accounts if required prior to publication.

- The Letter of Representations (draft) attached at Appendix 2 was approved and signed by the Chairman on behalf of the HIWFRA Standards and Governance Committee.

72. **INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report from the Chief Internal Auditor (minute book item number 8) and heard that good progress had been made on implementing the outstanding internal audit actions, with only three remaining overdue. There had been no audit reports with limited assurance issued since the last report to the Committee.

In response to a question about the internal audit actions relating to the Audit Review of Referral Pathways, the Committee was told that the actions would stay on the update report until all were cleared and there would be more detail in the next report.

RESOLVED

The progress in delivering the internal audit plan for 2021/22 and 2022/23 and the outcomes to date was noted by Hampshire and Isle of Wight Fire and Rescue Authority Standards and Governance Committee.

73. **INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT**

The Committee considered a report from the Chief Fire Officer (minute book number 9), which provided the latest update on the Internal Audit management actions not completed within their target date and status. The officer reported that the number of open management actions remained broadly similar to the last report and that all relating to the Audit Review of DBS checks had all been completed.

He explained that the action relating to the Gartan Management system was specific relating to qualification dates and that this information was currently held locally for protection and prevention staff and was about making the system more efficient and of low risk.

In response to a question from Members, the officer explained the internal governance and oversight processes in place to monitor and scrutinise the implementation of internal audit actions and their escalation where there was slippage in timeframes.

RESOLVED

The Standards and Governance Committee noted the progress made towards the implementation of the internal audit management actions and the delivery of the audit plan.

74. **ORGANISATIONAL RISK REGISTER UPDATE**

The Committee considered a report from the Chief Fire Officer, (item 10 in the minute book) providing an update on the Organisational Risk Register. The officer drew the Committee’s attention to the Heat Map in appendix A which showed the current risk scores. He explained that in respect to risk number ORG37,planning was underway within the Service to ensure that critical services can continue to be maintained.

The officer explained that there was a new risk management procedure which had been approved by the Executive Group.

Members asked about the impacts and reaction of the Service to the recently publicised London Fire Brigade Report and heard that duty officers had been available to staff and had visited fire stations to speak to people if they wished it. Communications had been made to staff to remind them about how they could report any concerns via safe mechanisms.

Members discussed possible impacts on the wellbeing of staff.

In response to questions from Members about 'enduring risks', it was confirmed that:

- a risk tolerance level had been introduced and was to be embedded in the process.
- Draft regulations in respect to the McCloud pension issue were due to be issues in October 2023 and would take a period of time to implement.

RESOLVED

The HIWFRS Organisational Risk Register status under the delegated management of the Chief Fire Officer was noted by the HIWFRA Standards and Governance Committee.

Chairman,

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

Agenda Item 16

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of the Local Government Act 1972.

Agenda Item 17

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