



NOTICE OF MEETING

<i>Meeting</i>	Hampshire & Isle of Wight Fire & Rescue Authority (Shadow Authority)	<i>Clerk to the Hampshire & Isle of Wight Fire and Rescue Authority (Shadow Authority)</i> John Coughlan CBE
<i>Date and Time</i>	Wednesday 10th February, 2021 11.30 am	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	Virtual Teams Meeting - Microsoft Teams	
<i>Enquiries to</i>	<u>members.services@hants.gov.uk</u>	

FILMING NOTIFICATION

This meeting will be recorded and broadcast on the HFRS YouTube channel.

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** (Pages 5 - 8)

To confirm the minutes of the previous meeting

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 Authority

7 **TRANSFER OF EXISTING APPROVED POLICIES** (Pages 9 - 14)

To consider a report of the Chief Fire Officer, which seeks approval for the existing approved Hampshire Fire and Rescue Authority (HFRA) policies to be transferred to the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) on 1 April 2021

8 **HEALTH, SAFETY AND WELLBEING STATEMENT OF INTENT**
(Pages 15 - 20)

To consider a report from the Chief Fire Officer, which seeks approval for the revised Health, Safety and Wellbeing (HSW) Statement of Intent for the HIWFRS on 1 April 2021.

9 **HAMPSHIRE AND ISLE OF WIGHT FIRE AND RESCUE SERVICE SAFETY PLAN YEAR 2 IMPROVEMENTS** (Pages 21 - 32)

To consider a report from the Chief Fire Officer, which seeks approval for the Hampshire and Isle of Wight Fire and Rescue Safety Plan Year 2 improvements.

10 **INTERNAL AUDIT CHARTER & INTERNAL AUDIT PLAN 2021-22**
(Pages 33 - 60)

To consider a report from the Chief Internal Auditor, which provides a copy of the Internal Audit Charter and the proposed 2021/22 internal audit plan for the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA).

11 **BUDGET AND PRECEPT REQUIREMENT 2021/22** (Pages 61 - 122)

To consider a report from the Treasurer, which presents the 2021/22 forward budget to the Hampshire and Isle of Wight Fire and Rescue Shadow Authority (HIWFRSA) for approval.

12 **TERMS OF REFERENCE FOR HIWFRA FIREFIGHTERS PENSION BOARD AND MEMBERSHIP OF THE BOARD** (Pages 123 - 136)

To consider a report from the Clerk of the Authority, which seeks approval for the Terms of Reference of the Firefighters' Pension Board for the new Combined Fire Authority of Hampshire and the Isle of Wight (HIWFRA) which will come into effect from the 1 April 2021.

13 **HIWFRA MEMBERS ALLOWANCES SCHEME 2021/22** (Pages 137 - 142)

To consider a report from the Clerk of the Authority, which seeks the approval of the Hampshire and Isle of Wight Fire and Rescue Shadow Authority to adopt the Member Allowance Scheme (“the Scheme”) set out at Appendix 1 with effect from 1 April 2021.

14 **HAMPSHIRE AND ISLE OF WIGHT FIRE AND RESCUE AUTHORITY STATUTORY OFFICER APPOINTMENTS** (Pages 143 - 148)

To consider a report from the Chief Fire Officer, which seeks approval from the Hampshire and Isle of Wight Fire and Rescue Shadow Authority to appoint the Chief Fire Officer (CFO) to ensure the general administration of the new combined Hampshire and Isle of Wight Fire & Rescue Authority (HIWFRA) from 1 April 2021.

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 1,2 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 **STATION INVESTMENT PROGRAMME (SIP) - RE-PROVISION OF COSHAM FIRE STATION** (Pages 149 - 232)

To consider an exempt report from the Chief Fire Officer regarding the Station Investment Programme (SIP).

17 **SERVICE HEADQUARTERS - FLEET MAINTENANCE CENTRE (FMC) SPRINKLER SYSTEM INSTALLATION** (Pages 233 - 238)

To consider an exempt report from the Chief Fire Officer regarding a sprinkler system installation at the Fleet Maintenance Centre.

18 **DEPUTY CHIEF FIRE OFFICER APPOINTMENT** (Pages 239 - 246)

To consider an exempt report from the Chief Fire Officer regarding the Deputy Chief Fire Officer appointment.

ABOUT THIS AGENDA:

This agenda is available through the Hampshire 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.

Agenda Item 3

AT A MEETING of the Hampshire & Isle of Wight Fire & Rescue Authority
(Shadow Authority) held virtually on Microsoft Teams on Wednesday, 9th
December, 2020

Chairman:

* Councillor Christopher Carter

* Councillor Roz Chadd
* Councillor Liz Fairhurst
* Councillor Jason Fazackarley
* Councillor Jonathan Glen
Councillor Geoffrey Hockley

* Councillor Sharon Mintoff
* Councillor Roger Price
* Councillor David Simpson
Councillor Rhydian Vaughan MBE

Also present with the agreement of the Chairman: Emeka Ibeh, Home Office

27. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Geoff Hockley and Councillor Rhydian Vaughan.

28. **DECLARATIONS OF INTEREST**

Members were mindful of their duty to disclose at the meeting any disclosable pecuniary interest they had in any matter on the agenda for the meeting, where that interest was not already entered in the Authority's register of interests, and their ability to disclose any other personal interests in any such matter that they might have wished to disclose.

29. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting were reviewed and agreed.

30. **DEPUTATIONS**

There were no deputations for the meeting.

31. **CHAIRMAN'S ANNOUNCEMENTS**

There were no Chairman's announcements.

32. **MEMBER DEVELOPMENTS**

There were no recent Member developments.

33. BUDGET UPDATE

The Shadow Authority considered a report from the Treasurer (item 7 in the minute book), which provided an update to members of the current financial position for the 2020/21 Hampshire FRA Revenue Budget and an update on the 2021/22 Hampshire and Isle of Wight FRA budget setting process.

Covid funding was highlighted in paragraph 7 of the report, including £670 million additional grant to help local authorities support the more than 4 million households that are least able to afford council tax payments.

The Spending Review was announced in November, but there was no detailed information on the likely grant settlement for Fire Authorities and little was known about the impact of Covid-19 on the budget going forward, but it was assumed that there would be need to be savings made in the budget from 2022/23 onwards.

The provisional local government finance settlement will not be available until Christmas and so more would be known then an enable more precise planning.

Councillor Dave Stewart thanked the Treasurer for the planned investment in the Isle of Wight.

RESOLVED

a) The Growth Pressures as set out in Appendix A were approved by the Shadow Authority for inclusion in the 2021/22 budget.

b) If necessary, the use of reserves to balance the 2021/22 budget was approved by the Shadow Authority.

c) The Shadow Authority noted that options for efficiencies and savings would be developed once the budget had been set in February 2021.

d) The mid-year review of treasury management activities was approved by the Shadow Authority

34. EXCLUSION OF PRESS AND PUBLIC

The exempt minutes were approved as part of item 3 on the agenda, and so the meeting did not move into exempt session.

35. EXEMPT MINUTES FROM PREVIOUS MEETING - 22 SEPTEMBER 2020

The exempt minutes from the 22 September 2020 meeting were approved.

Chairman,

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

Shadow Authority

Purpose: Approval

Date: **10 February 2021**

Title: **TRANSFER OF EXISTING APPROVED POLICIES**

Report of Chief Fire Officer

SUMMARY

1. This report seeks approval by the Shadow Authority for the existing approved Hampshire Fire and Rescue Authority (HFRA) policies to be transferred to the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) on 1 April 2021.
2. Hampshire Fire and Rescue Service (HFRS) and Isle of Wight Fire and Rescue Service (WFRS) operate within the Policy, Procedure and Guidance (PPGs) framework and, as part of the Combined Fire Authority (CFA) implementation programme, accountable owners have reviewed, adapted and, where possible, combined badged our current policies, procedures and guidance. Due to current IWFRS governance arrangements, some policies cannot be aligned until the establishment of the new CFA on 1 April 2021.
3. To follow good governance, Authority owned policies that have already been approved by the HFRA need to be transferred to the new HIWFRA.
4. This report seeks to ensure the completion of good governance for the transition to a new CFA for Hampshire and Isle of Wight Fire and Rescue Service (HIWFRS) and HIWFRA.

BACKGROUND

5. Policy, Procedure and Guidance (PPGs) are an essential part of our governance framework. They set expectations, ensure compliance with law, provide management accountability and provide guidance for decision making.

6. They are the set of documents which capture and define the way the organisation operates and delivers its services and functions. Policies are owned by the organisation and provide the overarching authority by which the organisation delivers their operations or services.
7. To ensure the correct level of governance and oversight, the PPGs are signed off through defined governance routes. The creation of a new policy or change to a policy is signed off at Executive level.
8. As part of the CFA programme, each accountable owner has reviewed, refined, adapted and aligned their respective policies.
9. Some policies are already in operation within both Services the remaining policies cannot be aligned until the combination date, due to existing governance accountabilities for IWFRS.
10. Authority owned policies that are part of the Authority's Policy Framework, that have already been approved by HFRA and need adopting by the new HIWFRA, are listed below:
 - Risk Management Policy approved by HFRA on 19 February 2020.
 - Sponsorship and Charity Support Position Policy approved by HFRA on 3 June 2020.
 - People and Organisational Development Policy approved by the Shadow Authority on 9 September 2020
 - Anti Theft, Fraud, Corruption and Bribery Policy approved by HFRA on 9 December 2020

These Policies are published on the Authority's webpages at <https://www.hantsfire.gov.uk/about-us/who-we-are/hampshire-fire-and-rescue-authority/constitution/>.

11. Authority approved Position Statements which are classed as policy, are listed below:
 - Fire Safety Advice Policy Position
 - International Search and Rescue Decision Policy
 - Firefighting at Sea Policy
 - Sprinkler Policy Position

The Position Statements are published on the Authority's webpages at <https://www.hantsfire.gov.uk/about-us/who-we-are/hampshire-fire-and-rescue-authority/constitution/>.

The HFRA also approved 5 design principles as part of the Service Improvement Plan (SIP) on 26 September 2018. It is recommended that the HIWFRA adopt the same design principles to ensure the continuation of the SIP.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

12. The HIWFRA policies provide a set of underpinning principles to enable our Service to ensure we deliver against our priorities:
13. Our communities – They direct and guide as to how we work together to understand our different community needs and deliver accessible, local services which build safer places.
14. Our people – They enable and set expectations as to how we look after each other by creating great places to work and promoting the health, wellbeing and safety of our people. Our policies are underpinned by impact assessments.
15. Public value – This report supports the Year 1 Safety Plan improvement activity, under Public Value to bring together HFRS and IWFRS to become one Combined Fire Authority.
16. High performance – Our policies enable our diverse teams to feel informed as to our strategic direction and able to perform their duties to their best.
17. Learning and improving – Our policies have the support of guidance and support our teams with the freedom to use discretion to do the right thing, learning from ourselves and others.

CONSULTATION

18. All PPGs must go through a consultation process before they are published. The content of the PPG determines what level of consultation is required and who should be consulted.
19. Consultation is an important phase of the process and allows our stakeholders to share their views and to influence the future direction of the organisation.
20. HR have engaged with Representative Bodies and Trade Unions to review and align (where legally and financially possible) the terms, conditions and policy provisions between the two existing Services.

RESOURCE IMPLICATIONS

21. There are no specific financial implications from the contents of this paper, as the policies are already operating within both Services or within HFRS.

IMPACT ASSESSMENTS

22. There are no specific impact assessment implications from the contents of this paper, as an impact assessment should be completed for all policy, procedure and guidance documents. This ensures that all policies will be compliant with legislative requirements (Health and Safety, People Impact Assessments [PIAs]) and aid informed cost benefit and environmental decision making.

LEGAL IMPLICATIONS

23. Following legal guidance, the application of the recommendation would negate any policy governance implications.

OPTIONS

24. Option 1 (Recommended) – That the existing approved HFRA Policies, Position Statements and the 5 Design Principles be transferred to the HIWFRA on 1 April 2021.
25. Option 2 – Not to approve the transfer of existing approved HFRA policies to the HIWFRA on 1 April 2021.
26. Option 1 enables the continuation of the already established PPG framework to operate with existing policies for the new HIWFRA. Option 2 will eradicate that policy governance for existing policies at the point of combination.

RISK ANALYSIS

27. There are no specific risk implications from the recommended option within this paper.
28. All policies must be reviewed at least every five years. This may be reduced depending on the subject matter or if there is a change to legislation or how we operate.

EVALUATION

29. There are no specific evaluation aspects from the recommended option within this paper as this will be captured as part of the CFA project evaluation mechanisms.

30. As part of improving and learning, all policies must be reviewed at least every five years. This may be reduced depending on the subject matter or if there is a change to legislation or how we operate.

CONCLUSION

31. To ensure the completion of the correct legal governance as part of the transition to a new Combined Fire Authority for Hampshire and Isle of Wight Fire and Rescue Service, Shadow Authority are required to approve the adoption of the existing approved combined badged (CFA) and HFRA policies into the HIWFRA.

RECOMMENDATIONS

32. That the Shadow Authority approve the transfer of approved HFRA policies, Position Statements and the 5 Design Principles to the HIWFRA commencing 1 April 2021.
33. That the Shadow Authority support the continued operation of the established PPG framework for the new CFA.

Contact: Steve Apter, Deputy Chief Fire Officer, steve.apter@hantsfire.gov.uk,
07918 888057

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

Shadow Authority

Purpose: Approval

Date: **10 February 2021**

Title: **HEALTH, SAFETY AND WELLBEING STATEMENT OF INTENT**

Report of Chief Fire Officer

SUMMARY

1. This report seeks approval by the Shadow Authority for the revised Health, Safety and Wellbeing (HSW) Statement of Intent for the HIWFRS on 1 April 2021.
2. The HSW Statement of Intent (Appendix A) is reviewed on an annual basis. The current Statement of Intent has been subject to a full review and illustrates our commitment to HSW, encouraging engagement and accountability.

BACKGROUND

3. The Health and Safety Executive guidance confirms that a Statement of Intent should 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 HSW Statement of Intent is the pledge of the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA), and it demonstrates an ongoing and determined commitment to 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.

5. Appendix A provides the first HSW Statement of Intent for the combined services and will be prominently displayed within every workplace to demonstrate a Service-wide commitment to HSW leadership at our highest level.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

6. The HIWFRA HSW Statement of Intent and supporting policies and procedures are provided to ensure that all staff are aware of and committed to Health, Safety and Wellbeing. It has a direct link to the delivery of our services within supporting our people and learning and improving, by fully engaging with our core values.
7. Our people – We look after each other by creating great places to work and promoting the health, wellbeing and safety of our people.
8. High performance – Our diverse teams are trusted, skilled and feel equipped to deliver a leading fire and rescue service today and into the future.
9. Learning and improving – We have the support of policy and guidance with the freedom to use our discretion to do the right thing, learning from ourselves and others.

CONSULTATION

10. All HSW policies and procedures have recently undertaken a consultation process (including with representative bodies) before they are republished, as part of the CFA project.
11. HSW Statement of Intent design has been assured and approved by HFRS Media and Communications team.

RESOURCE IMPLICATIONS

12. There are no specific financial implications from the contents of this paper, as the HSW policies and procedures are already operating within both Services as ongoing outcome of DDIP provisions.

IMPACT ASSESSMENTS

13. There are no specific impact assessment implications from the contents of this paper, as an impact assessment should be completed for all policy, procedure and guidance documents. This ensures that all policies will be compliant with legislative requirements including Health and Safety.

LEGAL IMPLICATIONS

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

OPTIONS

15. Option 1 (Recommended) – That HIWFRA approve the HSW Statement of Intent for display from 1 April 2021.
16. Option 2 – That HIWFRA do not approve the HSW Statement of Intent for display from 1 April 2021.

RISK ANALYSIS

17. Option 1 demonstrates compliance with Health and Safety Executive guidance on HSW Statement of Intent for the new CFA. Option 2 will remove that compliance with Health and Safety Executive guidance on HSW Statement of Intent at the point of combination.

EVALUATION

18. HSW Statement of Intent will continue to be reviewed every year.

CONCLUSION

19. To demonstrate compliance with Health and Safety Executive guidance on HSW Statement of Intent for the transition to a new Combined Fire Authority for Hampshire and Isle of Wight Fire and Rescue Service, requires the Shadow Authority to approve for the adoption of the revised HSW Statement of Intent.

RECOMMENDATION

20. That the HSW Statement of Intent is approved by the Shadow Authority for display from 1 April 2021.

APPENDICES ATTACHED

21. [Appendix A](#) - HIWFRA HSW Statement of Intent

Contact: Steve Apter, Deputy Chief Fire Officer, steve.apter@hantsfire.gov.uk,
07918 888057

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Health, Safety and Wellbeing - Statement of Intent

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 it is acknowledged that each incident will have its own specific hazards and associated risk due to unique and unforeseeable environmental factors. 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 to develop staff to enable them to work safely - and we will provide access to competent HSW Advice

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 plant and equipment, ensuring that we have competent staff to operate and maintain them.

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

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

Signed:

Chair of HIWFRA
Chris Carter
Date:
For and on behalf of HIWFRA



Signed:

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



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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

Shadow Authority

Purpose: Approval

Date: **10 February 2021**

Title: **HAMPSHIRE AND ISLE OF WIGHT FIRE AND RESCUE SERVICE
SAFETY PLAN YEAR 2 IMPROVEMENTS**

Report of Chief Fire Officer

SUMMARY

1. This report seeks approval for the Hampshire and Isle of Wight Fire and Rescue Safety Plan Year 2 improvements (Appendix A).
2. The Hampshire and Isle of Wight Fire and Rescue Service Safety Plan 2020-2025 discharges the HIWFRA statutory requirement to produce an integrated risk management plan.
3. This report presents the inaugural HIWFRA update of our Service annual cycle of continual strategic improvements.

BACKGROUND

4. Integrated Risk Management Plans (IRMP) are a statutory requirement and set out how the Fire Authority intends to identify, evaluate, assess and control foreseeable risks across the communities it serves.
5. The Safety Plan incorporates the IRMP requirement and the annual Service Plan into a single document which is updated annually. This approach to managing risk in our communities will ensure the Service is able to report on how effective its risk reduction activities are.
6. The Safety Plan outlines the activities the Service will undertake in support of the IRMP while also setting out how our teams will work via our values and deliver on our five strategic priorities; Our Communities, Our People, Public Value, High Performance and Learning and Improving.

7. These priorities identify the strategic direction for our Service and are translated into measurable actions against which the Service is measured and held to account. The measurable actions are known as our annual Safety Plan improvements.
8. The Year 2 improvements have been developed within Directorates and are presented in Appendix A.
9. This report deliberately does not review the progression of our current Year 1 Safety Plan improvements as this is undertaken via alternate performance and assurance reporting.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

10. The Safety Plan sets out the strategic direction for the next five years and establishes our priorities. The activities to deliver them are embedded within the Safety Plan as annual improvements.
11. This document ensures that the HFRA meets its statutory duty to have an IRMP in place which suitably addresses identified risks within the communities it serves.

CONSULTATION

12. As a public body, in designing the original Safety Plan we had both a legal and moral obligation to listen to the opinions of those whom we serve. We also believe that consultation with our stakeholders will add considerable value to our future direction, ultimately assuring the quality and suitability of our Safety Plan.
13. The findings from the consultation process were considered and influenced the content of 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. In the development of the Year 2 safety plan improvements, Directors have engaged their teams to inform a dedicated Executive Group workshop.

RESOURCE IMPLICATIONS

15. The Year 2 Safety Plan improvements are set out in detail in Appendix A, which includes information on any additional resources that Directors feel they will need to complete the activities outlined.

16. At this stage it is anticipated that the majority of the improvement priorities can be completed using existing resources, but there are two areas within the People and Organisational Development Directorate where additional resources may be required.
17. This report therefore seeks approval for one off funding of up to £205,000 in 2021/22, to be met from the Transformation Reserve which will be drawn down during the year if required.

IMPACT ASSESSMENTS

18. The Safety Plan was developed undertaking the following phases; Strategic Assessment of Risk, Co-production and Engagement, Development, Appraisal and Consultation.
19. There are no specific impact assessment implications from the contents of this paper, as an impact assessment should be completed for all Year 2 Safety Plan improvements. 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

20. Fire and Rescue Authorities have a legal obligation to produce an Integrated Risk Management Plan to ensure appropriate management of risk and discharge of their duties. The Safety Plan meets that duty.
21. 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.
22. The Safety Plan and annual improvement update is subject to the governance and approval arrangements of HIWFRA.

OPTIONS

23. Option 1 (Recommended) – That HIWFRA approve the Year 2 Safety Plan improvements. This will allow the improvements to go live from 1 April 2021 and set the strategic improvements for the new combined Service.
24. Option 2 – To not approve the Year 2 Safety Plan improvements. This would require a redesign of the Year 2 Safety Plan improvements, which would create a high risk of being unable to complete in advance of April 2021.

RISK ANALYSIS

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

EVALUATION

26. The successful delivery of the Safety Plan will be regularly monitored by the Chief Fire Officer and wider Executive Group for Hampshire and Isle of Wight Fire and Rescue Service.
27. As per Year 1, progress on Year 2 Safety Plan improvements will be routinely reported to the HIWFRA to ensure appropriate accountability is maintained for the discharge of duties under the Safety Plan.

CONCLUSION

28. The report and appendix propose HIWFRA approval of the new Year 2 Safety Plan improvements to provide the Service's strategic direction for 2021/22.

RECOMMENDATIONS

29. That HIWFRA approve the Year 2 Safety Plan improvements.
30. That HIWFRA approve one off funding of up to £205,000 for 2021/22 to be met from the Transformation Reserve.

APPENDICES ATTACHED

31. [Appendix A](#) - Hampshire and Isle of Wight Fire and Rescue Safety Plan 2020-25 year 2 improvements

Contact: Steve Apter, Deputy Chief Fire Officer, steve.apter@hantsfire.gov.uk,
07918 888057

Hampshire and Isle of Wight Fire and Rescue Service Safety Plan - Year 2 Improvements - April 2021 to March 2022

Policy, Planning and Assurance

Ref	Delivery activity We will...	What does this look like?	Link to Year 1?	Primary Director	Cross Directorate link	Rationale	Primary priority	Additional resources
1	Develop mechanisms to measure the effectiveness of PPG framework across HIWFRS.	Fully embedding our PPG Framework and driving a policy led culture.	Builds on new PPG Framework.	Steve Apter	All	Having designed and implemented a new policy, procedures and guidance framework which is ensuring we provide the support of policy to our organisation, we will now focus on ensuring this is fully embedded and driving a policy led culture.	L&I	From within existing resources.
2	Embed and evidence the impact of our Risk Management Framework.	Establish an assurance process to measure its effectiveness and to ensure our systems and processes are focussed.	Assurance for the risk-based approach set out in our Safety Plan.	Steve Apter	All	Having developed a new risk-based approach which is set out within our Safety Plan, we will establish an assurance process to measure its effectiveness and to ensure our systems and processes are focussed on making life safer.	OC	From within existing resources.
3	Conduct external H&S review, implement findings of review and evaluate impact.	An impartial assessment of H&S within our organisation.	Carry forward as due to C-19 an internal audit took place instead.	Steve Apter	All	Due to the impacts of COVID 19, we were unable to undertake an external review. We did ensure our H&S arrangements were audited internally, this audit will support our journey to a proactive Safety culture.	OP	From within existing resources.
4	Redesign directorate structures to align with strategy.	Our directorate structures will align with Service Priorities.	Public Value and High Performance, ensuring form following function with efficiency and effectiveness at its heart	Steve Apter	All	Having established our Safety Plan and integrated our operating model of Plan, Do and Review, we now have the opportunity to align our structures accordingly.	HP	From within existing resources.
5	Operational responsiveness policy setting for: <ul style="list-style-type: none"> • People (Prevention) • Buildings (Protection) • Emergencies (Response) Delivered with community.	Optimum resource policies for PPR: <ul style="list-style-type: none"> • July 2021 	Performance	Steve Apter	Policy/Risk and Ops	These policies will determine how we deal with the risk we find in our community. They will determine how much risk we will tolerate and how we will respond to that which is not tolerable. For example, how many high risk buildings will we inspect and within what timeframe.	HP	From within existing resources.
6	Risk Analysis for: <ul style="list-style-type: none"> • People (Prevention) • Buildings (Protection) • Emergencies (Response) 	Report from external supplier to EG: <ul style="list-style-type: none"> • September 2021 	Communities	Steve Apter	Policy/Risk and Ops	Engaging a risk modelling professional, we will run scenarios for our service delivery using data and information inclusive of prevention, protection and response. This	L&I	From within

						will provide base risk data to allow better future service delivery resourcing decisions.		existing resources.
7	Embed the identity of the new Combined organisation in our service and our communities.	New CFA brand to make the step from badge/logo to recognised identity that is fully aligned with Values and SP Priorities. Embedding brand within organisational identity, weaving together with Values and SP Priorities.	CFA programme	Shantha Dickinson	P&A	Natural step 'extension' from creation of CFA brand. Will enhance the gelling together of HFRS and IWFRS in the eyes of employees and the community. Embed values further. Creates an overarching approach to policy/ measuring performance, etc. Recognition amongst our communities of the changed identity of CFA but unchanged in our commitments to and for the communities we serve.	OP	From within existing resources.
8	Maximise the lessons and opportunities identified from the Pandemic across our organisation, specifically estates, technology, workforce and working with partners.	Transform employees lived experiences during Covid19 regarding working practices into enduring policy and practice. Capitalise on opportunities identified through the pandemic for better outcomes for our communities including, how we deliver services and work with partners.	Public Value/ People Wellbeing/ Communities	Shantha Dickinson	Corp Services, POD	Explicitly mentioned as a recommendation in the HMICFRS Covid 19 inspection letter. Links with employee wellbeing, may positively contribute to ? organisation's sustainability plan and reduce costs.	OP	From within existing resources.
9	Improve transparency and effectiveness of published information.	Improved Data Quality, greater availability of relevant and value added information that is published on the website, portal, etc. Access to performance metrics for public and Service. Our information is translated into a readily understandable narrative that is meaningful for the reader.	High Performance	Shantha Dickinson	P&A	Increased reputation and trust of organisation amongst partner agencies and public. Greater ability to be scrutinised, deeper understanding of how we are performing. Information that public and stakeholder groups can access and understand will assist us in gaining meaningful feedback from our communities and support us in further understanding communities' risks and needs.	HP	POD – approx £30k
10	Understand all the diverse elements within our communities and the various segmentation of risk. Improve the systems that enable us to gain insight.	Refine our approach to insight with a clearly articulated strategy on who are we most worried about and what are the barriers for those individuals accessing our services.	Communities	Shantha Dickinson	P&P	Being assured that all our activity is targeting those who will benefit most. We will refine our understanding of risk, vulnerability and ultimately tailor our services to serve our communities.	OC	From within existing resources.

11	Maturing our internal processes for learning and establishing national links.	Driving forward output from Organisational Learning and linking with NFCC work establishing the important connections.	Learning and Improving	Shantha Dickinson		Prove the benefit of linking assurance of delivery to a change for policy and/ or practice – learning moving from being logged to embedded in practice.	L&I	From within existing resources.
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Operations

Ref	Delivery activity We will...	What does this look like?	Link to Year 1?	Primary Director	Cross Directorate link	Rationale	Primary priority	Additional resources
12	Implementing ISO 17020, the Quality System for Fire Investigation.	Collaborative (Police) certificate to produce evidence in court; March 2022 for business case 2023 NFCC deadline.	Communities	Stew Adamson		With a quality assurance system we will be able to continue to provide high quality legal support to investigations.	HP	From within existing resources.
13	Review of Safe and Well to better target vulnerability.	Review of referral pathways. Review of process map (procedure). Review of stakeholders. Analysis of vulnerability factors. March 2022	Communities	Stew Adamson	Policy/Risk and Ops	A safe and well procedure that is efficient and effective at reducing risk.	OC	From within existing resources.
14	Connected technology within housing project.	Collaborative (FireAngel) project to utilise tech within smoke detectors. Output = pilot of P&R responses. March 2022 led by partner timelines.	Communities	Stew Adamson		Will give prevention and response data for better FRS resource decision making.	OC	From within existing resources.
15	Reviewing how we respond to Automatic Fire Alarms.	Analysis of AFA calls. Reviewing our PPR policies for AFA. Output = recommendations to OMB. December 2021.	Communities	Stew Adamson	Policy/Risk and Ops	Driving down the impact of excessive automatic fire alarms.	PV	From within existing resources.
16	Review and implementation of new FDS arrangements.	Risk analysis of FDS needs. Analysis of shift options. Analysis of provided vehicles. Staff consultation and report to POD and Ops boards. New policy to EG. March 2022.	People/ performance Yr 1 review of shifts	Stew Adamson	POD, Corp Serv, Policy/Risk and Ops	Ensuring we have the right number of skilled officers. Moving towards a modern and efficient system of working with officers having the assets they required.	PV	From within existing resources.
17	Specials Review Programme.	Define a programme. Savings plan – reduction or dual crewing. Narrative for each.	Public value	Stew Adamson	POD, Corp Serv, Policy/Risk and Ops	Ensuring an efficient and effective use of our 'specials' fleet.	PV	From within existing resources.

Corporate Services

Ref	Delivery activity We will...	What does this look like?	Link to Year 1?	Primary Director	Cross Directorate link	Rationale	Primary priority	Additional resources
18	Deliver options for investment for Fareham FS and Gosport FS as part of the SIP.	Fit for purpose operational buildings which support a diverse workforce for the next 40 years.	Yes, builds from SIP activities from Year 1 (Redbridge, Bishops Waltham and Cosham).	Matt Robertson	Ops	Increased organisational reputation, increased income generating opportunities, increased staff morale.	OP	Capital investment required, through Business Case.
19	Deliver a Business Case for the provision of future Live Fire Training facilities.	Fit for purpose operational training facilities which support realistic live fire training delivery.	Yes, builds from the Year 1 action to progress the Warsash live fire proposal which is no longer viable.	Matt Robertson	Ops	Increased organisational reputation, increased income generating opportunities, increased staff morale.	HP	Capital investment required, through Business Case.
20	Deliver year 1 maintenance programme for IoW estate, which adopts the five estate design principles.	Buildings which support our service delivery and provide safe places for people to work. Starts the process to bring Island in line with mainland estate.	Yes, builds from feasibility work on the Island and early CFA preparations.	Matt Robertson	Ops	Increased organisational reputation, increased income generating opportunities, increased staff morale.	OP	No, already funded.
21	Deliver year one carbon strategy objectives.	Systemic change to our approach to sustainability and climate change.	Yes, builds on the Year 1 action to establish an ambitious carbon reduction strategy. This will be the actions from this strategy.	Matt Robertson	Whole Service	Increased reputation of the organisation while reducing our impact on the environment and aligning with Gov targets.	OC	Yes, won't know details until report back from Carbon Trust at end of Jan.
22	Continued alignment of business processes and operating models under new CFA arrangements.			Matt Robertson		Natural step 'extension' from creation of CFA to continue to align as part of BAU activities.	OP	No
23	Deliver Availability and Competency Management System.	Integrated system for the management of staff competencies and availability, linking to C+C systems.		Matt Robertson	POD Ops	Staff deployments supported by integrated, robust and resilient systems and data.	HP	Wont know until end of Feb, but anticipated cost will be within

								existing budgets – depends on tender returns
24	Conduct a costed feasibility to retrospectively apply the Estate Design Principles across all sites.	Fit for purpose operational buildings which support a diverse workforce.		Matt Robertson	Ops	Increased organisational reputation, increased income generating opportunities, increased staff morale.	OP	Not initially. Capital investment required should we want to act on this initial review.
25	Roll out of ICT App Development Programme.	Driving efficiency through improved ICT use.	Yes.	Matt Robertson	Whole Service	Increased efficiency of processes.	HP	No.

People and Organisational Development

Ref	Delivery activity We will...	What does this look like?	Link to Year 1?	Primary Director	Cross Directorate link	Rationale	Primary priority	Additional resources
26	Management and leadership training from new Organisational Development function.	Development of new Organisational Development function and design and delivery of leadership and management development.	People, Performance, Learning and Improving – WFD Review	Molly Rowland	All	High performance priority - Driving high performance through effective leadership and management of teams.	HP	From within existing resources.
27	Alignment of on call T&C's (2022).	Negotiation of new terms and conditions, new ways of working, and issuing new contracts.	People	Molly Rowland	Ops	People priority – appropriate reward and recognitions (terms and conditions) to recruit and retain motivated workforce. Industrial and employee relations. Removal of 2 tier workforce.	OP	POD/Ops - £175k
28	Continue to embed our organisational values.	Board and steering group to replace working group and ensure strategic oversight. Further virtual workshops and engagement with staff	People – launch of values in year 1.	Molly Rowland	All	People priority – creating a great place to work for all.	OP	Yes, but covered from OD budget.
29	Employee wellbeing – focus on mental health.	Development of strategic approach to mental health plan through appropriate governance and development of plan based on insight from wellbeing survey and mental health absence data thereby better supporting the needs of our employees. .	Wellbeing survey. Review absences due to Mental health in year 1.	Molly Rowland	All	People priority – promoting the health and wellbeing of our employees.	OP	Yes, but covered by mental health budget
30	Review against the NFCC Maturity Model.	Self-assessment against maturity model Informal peer-review.		Molly Rowland	P&A	Learning and Improving priority. Enable us to understand our performance and maturity and consider improvements.	L&I	From within existing resources.

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

Shadow Authority

Purpose: Approval

Date: 10 February 2021

Title: **INTERNAL AUDIT CHARTER & INTERNAL AUDIT PLAN 2021/22**

Report of the Chief Internal Auditor

SUMMARY

1. The purpose of this paper is to provide a copy of the Internal Audit Charter and the proposed 2021/22 internal audit plan for the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA). These are attached as appendices.

BACKGROUND

2. Section 151 of the Local Government Act 1972 requires that authorities 'make arrangements for the proper administration of their financial affairs'. The Accounts and Audit (England) Regulation 2015 require an authority to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
3. Internal audit is also a key part of the control mechanism established by management and an essential part of good governance in the public sector and provides evidence to support the Annual Governance Statement.
4. Southern Internal Audit Partnership (SIAP) are the appointed internal audit provider for the HIWFRA.

INTERNAL AUDIT CHARTER

5. The Public Sector Internal Audit Standards require that an Internal Audit Charter be developed and regularly reviewed and approved.

6. The proposed Internal Audit Charter for 2021/22 is attached as appendix A for consideration. The Internal Audit Charter will be reviewed on an annual basis and presented with the Internal Audit Plan for approval each year.

INTERNAL AUDIT PLAN

7. The internal audit plan for 2021/22, which has been prepared in accordance with the Internal Audit Charter and discussed at liaison meetings with management and officers, is attached at appendix B for consideration. The Shared Services aspects of the Internal Audit Plan are yet to be confirmed and are agreed separately through Shared Services governance mechanisms. Progress against the audit plan, including the Shared Services aspects of the plan, will, however, be provided through the regular progress updates to the Standards and Governance Committee.
8. The plan will remain flexible during the year to ensure that planned reviews continue to reflect the risk profile of HIWFRA and to enable coverage of emerging risks as required.
9. HFRA entered into shared service arrangements with Hampshire County Council, Hampshire Constabulary and the Police and Crime Commissioner in 2014 and since that time, arrangements for obtaining assurance around these services have evolved. Initially this was through a shared internal audit plan, delivered by SIAP, for the four organisations.
10. Since April 2019, however, that has changed. The Shared Services - International Standard on Assurance Engagements ISAE 3402 was developed to provide an international assurance standard for allowing public bodies to issue a report for use by user organisations and their auditors (user auditors) on the controls at a service organisation that are likely to impact or be a part of the user organisation's system of internal control over financial reporting. This Standard provides assurance over many of the areas previously included in the internal audit plan. Assurance against the international standard is provided by Ernst & Young.
11. The SIAP will continue to provide assurance to the HIWFRA and partner organisations for those systems and process outside of the scope of the ISAE 3402 through the shared internal audit plan. All partner organisations contribute audit days to this plan. At the time of writing this report, the shared internal audit plan is in development. An internal audit protocol for this work has been agreed with partner and shared services management.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

12. The Internal Audit Plan is designed to validate the assurance and control framework which exists in the HIWFRA and across the Service. Secure management processes including risk and performance management are important in ensuring that the Authority's plans are achieved. The audit

plan also supports various Safety Plan priorities – including but not limited to high performance; and learning and improving.

COLLABORATION

13. As indicated above, a shared internal audit plan is in the process of being developed to provide assurance to HIWFRA, Hampshire County Council, Hampshire Constabulary and the Hampshire Police and Crime Commissioner on areas of shared services that fall outside the scope of the ISAE3402 assurance work.

RESOURCE IMPLICATIONS

14. The cost of internal audit services is reflected in the Authority's budget, based on an average of 185 days per year. Total days for 2021/22 currently stand at 200 days, based on the risks identified and the impact of the transition to the new Combined Fire Authority. The impact on the average days will continue to be monitored over a three-year rolling basis.
15. The audit plan will remain fluid to enable us to react to the changing needs of HIWFRA.

IMPACT ASSESSMENTS

16. Impact assessments have not been required for this report as the production of the report will not result in the implementation of a new change activity, and/or introducing, or amending, a Service Policy.

LEGAL IMPLICATIONS

17. The requirement for internal audit for local authorities is set out in the Local Government Act 1972 and the Accounts and Audit Regulations 2015. There are no legal implications arising from this report.

OPTIONS

18. To approve or not approve the Internal Audit Charter and the 2021/22 internal audit plan for HIWFRA.
19. Approving the Charter and internal audit plan will ensure that HIWFRA receives assurance on the Service's key business risks and will enable the Authority to provide scrutiny through audit review findings (and progress against associated management actions) and the annual assurance opinion.

RISK ANALYSIS

20. The risk-based approach to internal audit planning and reviews aims to ensure that internal audit resource focuses on key business risks and as

such feedback from risk management discussions and risk registers have been used to inform the planning process and ensure that key risks are reflected in planned work.

EVALUATION

21. Internal audit activity provides the Authority with an assurance mechanism to evaluate the effectiveness of the Service's risk management, control and governance processes.
22. Management actions identified and agreed as a result of internal audit review will assist the HIWFRA in securing continuous improvement within governance, risk management and control processes. Progress against these management actions is monitored by both SIAP and the Service – with separate reporting into the Standards and Governance Committee.

CONCLUSION

23. The risk-based approach to internal audit planning and reviews is a crucial assurance mechanism for both the HIWFRA and the Service. The proposed audit plan has been developed in collaboration and consultation with management and officers and covers a range of areas across the Service's directorates.

RECOMMENDATION

24. That the Internal Audit Charter and Internal Audit Plan for 2021/22 be approved by the Shadow Authority

APPENDICES ATTACHED

Appendix A – Internal Audit Charter 2021/22.

Appendix B – Internal Audit Plan 2021/22.

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

**Southern Internal
Audit Partnership**

Hampshire & Isle of Wight Fire and Rescue Authority

Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards, which took effect from the 1 April 2013, provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance, and transparency.

The 'Standards' form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit; and Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority, and responsibility.

Hampshire & Isle of Wight Fire & Rescue Authority (HIWFRA) assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission, requiring that the internal audit function:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.

- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

Authority

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 which were updated in 2017 [the Standards].

Purpose

HIWFRA is responsible for establishing and maintaining appropriate arrangements for:

- risk and performance management;
- assurance and control frameworks including anti-fraud and whistleblowing;
- financial management;
- achieving effectiveness and securing value for money; and
- governance.

The purpose of internal audit is to provide reasonable assurance to HIWFRA that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

Internal Audit activity should support HIWFRA in maintaining and improving the overall control / assurance framework, to assist with the achievement of the organisation’s vision, service plan, and intention to be the best.

It will do this through:

- Assurance work - which involves assessing how well the systems and processes are designed and working.
- Consulting activities - available to help to improve those systems and processes where necessary.
- Adding value - by sharing learning opportunities and improvements based on knowledge of best practice across the public sector.

The role of Internal Audit is best summarised through its definition within the Standards, as an:

‘independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes’.

Definitions

In this charter the following definitions apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment, and the integrity of financial reporting. For HIWFRA this is the Standards and Governance Committee.

Senior Management – those responsible for the leadership and direction of Hampshire & Isle of Wight Fire and Rescue Service. This is the Executive Group.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within HIWFRA lies with the Authority's Finance Director (S151 Officer).

The Authority and its Members must also be satisfied about the adequacy of the advice and support it receives.

For HIWFRA, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Deputy Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the '*Mission*', '*Core Principles*', '*Definition of Internal Auditing*', the '*Code of Ethics*' and '*the Standards*'.

Senior management is responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the delivery of the vision and service plan objectives agreed for HIWFRA.

Accountability for responding to internal audit's advice lies with senior management, who either accept and implement the advice, or formally reject it. Audit advice is without prejudice to the right of internal audit to review the policies, procedures, and operations at a later date.

The Chief Internal Auditor must be satisfied that senior management accept accountability for, and provide an adequate response to, issues raised through internal audit's work. When the Chief Internal Auditor is not satisfied, the matter will be escalated to: the audit sponsor; the Finance Director; the Director of Performance, Assurance and Communications; Chief Officer, or Standards and Governance Committee, as appropriate.

More detailed roles and responsibilities (for both SIAP and the Service), as well as audit processes, are outlined in a separate Memorandum of Understanding between SIAP and the Service.

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Finance Director who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of HIWFRA's affairs.

The Chief Internal Auditor has direct access to the Chief Officer who carries the responsibility for the proper management of Hampshire & Isle of Wight Fire & Rescue Service and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to HIWFRA's Monitoring Officer where matters arise relating to the Chief Officer's responsibility, legality, and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of HIWFRA and in particular those who serve on committees charged with governance (i.e. the Standards and Governance Committee).

The Chief Internal Auditor will meet regularly with the external auditors to consult on audit plans, discuss matters of mutual interest and to seek opportunities for cooperation in the conduct of audit work. The external auditors will have the opportunity to take account of the work of internal audit where appropriate.

Quarterly liaison meetings are held with the Finance Director, Director of Performance and Assurance and Head of Performance to facilitate discussion of key risks to ensure that internal audit plans continue to meet the needs of HIWFRA and to review the delivery of the plan and any issues arising from the reviews. Additional monthly liaison meetings are also held with the Head of Performance and Organisational Assurance Manager to discuss and oversee the progress of the audit plan and management actions.

Internal audit resources

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB, or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Finance Director will provide the Chief Internal Auditor with the resources necessary to fulfil HIWFRA's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications, and experience required to deliver the audit strategy and operational audit plan.

The annual operational internal audit plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

Senior Management and the Board will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational internal audit plan will be submitted to senior management and the Board, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of HIWFRA.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed, and reported to senior management and the Board.

If the Chief Internal Auditor, the Board, or Senior Management considers that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Finance Director, accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased, and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to senior management and the Board;
- reports functionally to the Board;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team;
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- ensures the planning process recognises and addresses potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to Senior Management and the Board. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence, and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge, and judgement based on appropriate training, ability, integrity, objectivity, and respect.

Internal auditors will apprise themselves of the *'Mission'*, *'Core Principles'*, *'Definition of Internal Auditing'*, the *'Code of Ethics'* and the *'Standards'* and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption, or improper conduct are promptly reported to the Chief Internal Auditor in accordance with laid down procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to affect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to HIWFRA or its key delivery partner organisations, where appropriate authority has been provided in the relevant agreements.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand, in a timely fashion, and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by HIWFRA to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control.

A range of internal audit services are provided (Annex 2) to form the annual opinion. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Additionally, proactive fraud reviews will be incorporated within the plan to deter and detect fraud, covering known areas of high risk.

Managers are required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor so that they can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. Internal audit will not carry out investigations unless commissioned to do so and where this is the case, the Chief Internal Auditor will ensure that investigators are fully trained in carrying out their responsibilities.

Internal audit also facilitate HIWFRA's participation in the National Fraud Initiative (NFI) in which data from HIWFRA's main systems are matched with data supplied from other Local Authorities and external agencies to detect potentially fraudulent activity.

Where appropriate Internal audit will also use their experience of working with other public sector clients to identify areas of best practice and learning opportunities that may assist HIWFRA review and improve the efficiency of their own processes and control framework.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and control.

The annual report will incorporate as a minimum:

- The opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of Hampshire & Isle of Wight Fire & Rescue Service it is imperative that the Executive Group is engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk-based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Standards and Governance Committee (The Board)

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit budget and resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and

- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

Quality assurance and performance monitoring

The internal audit team will work to the Public Sector Internal Audit Standards to maintain consistency in service provision. This requirement will be enforced through appropriate supervision and supervisory/management review of all audit working papers, action plans and audit reports.

An annual satisfaction survey will be conducted with key stakeholders to assess the value of the service and to seek suggestions for improvement.

In addition, in line with the Standards:

- an annual self assessment will be completed by internal audit against the Standards;
- an external assessment of internal audit will also be conducted at least once every five years by an external, qualified, independent assessor or assessment team; and
- to enable senior management and the Standards and Governance Committee to formally monitor the performance of the internal audit service, a set of key performance indicators will be agreed. Details of actual delivery against these targets will be reported to senior management and the Standards and Governance Committee.

Ownership of documentation

Internal audit files and working papers, which address compliance with the Standards, are the property of HIWFRA.

Internal audit's data retention policy on the archiving and secure destruction of audit files requires that all audit files are retained for a period of four years (three plus the current) except for those papers used in the course of a fraud investigation which will be retained for a period of seven years. An annual programme is in place for the secure destruction of files once these time frames have elapsed.

Indemnity and Insurance

Internal Audit's professional indemnity cover is provided through a third-party insurer and is sufficient to meet all eventualities in respect of external contract arrangements up to the sum of £5 million. Southern Internal Audit Partnership will indemnify HIWFRA against claims and costs arising from its negligence or wilful breach of any obligation under this agreement provided that its maximum liability shall not exceed £5 million.

Fees

The fees for internal audit work will be agreed in advance of each financial year to reflect the number and mix of days required and movements in cost base.

If specific assignments are requested in addition to the annual plan, fees will be agreed in advance based on the staff mix required.

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to Senior Management and the Board for approval.

Annex 1

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Hampshire Fire & Rescue Authority Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority
	Further Education Institutions Eastleigh College Highbury College Isle of Wight College Portsmouth College

Annex 2

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.

Where appropriate, internal audit will also use their experience of working with other public sector clients to identify areas of best practice and learning opportunities that may assist HFRA review and improve the efficiency of their own processes and control framework.

- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Service's Anti-theft, Fraud, Bribery and Corruption Policy and associated procedures.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management, and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.
- **Third party assurance:** the availability of objective assurance from other assurance providers will be considered in determining audit needs. Where internal audit needs to work with the internal auditors of other organisations, a practice which is expanding with the development of more organisational strategic partnerships, the roles and responsibilities of each party, as well as billing arrangements, will be clearly defined, agreed and documented prior to the commencement of work. Internal audit will also ensure awareness of and seek to place reliance on the work of other review bodies, such as HMICFRS and HMRC etc.

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Internal Audit Strategy and Plan - 2021-22
Hampshire & Isle of Wight Fire & Rescue
Authority



**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

Hampshire & Isle of Wight Fire & Rescue Authority (HIWFRA) is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising HIWFRA that these arrangements are in place and operating effectively.

HIWFRA's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business, activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the organisation's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Organisation. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of HIWFRA and reported to the Standards and Governance Committee through regular progress reports.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Karen Shaw, Deputy Head of Southern Internal Audit Partnership, supported by Beverly Davies, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2020, the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessment team concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

Organisation Risk

HIWFRA have recently reviewed their framework and approach to risk management and risk registers have been updated. The strategic risks assessed by the organisation are a key focus of our planning for the year to ensure the internal audit plan meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the Service's Risk Register developments closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

Developing the internal audit plan 2021/22

We have used various sources of information and discussed priorities for internal audit with the following people:

- Rob Carr, Finance Director
- ACO Shantha Dickinson, Director of Performance and Assurance
- ACO Stew Adamson – Director of Operations
- Matt Robertson – Director of Corporate Services
- Tony Oliver – Head of ICT
- Molly Rowland – Head of People and Organisational Development
- Alex Quick, Head of Performance (who has also engaged more widely across the Service, including with DCFO Steve Apter and other members of the Chief Officer's Group, including various Assistant Directors, to feed into these discussions)

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the organisation the Southern Internal Audit Partnership have developed an annual audit plan for the coming year.

HIWFRA are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will, however, continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Shared Services

Services provided under the shared service arrangements with Hampshire County Council, Hampshire Constabulary and the Police and Crime Commissioner for Hampshire continue to be reviewed via a joint internal audit plan that provides assurance to all parties to avoid duplication of effort, however changes to this approach took effect from 2019/20 for some areas as outlined below. All four organisations contribute audit days to this plan. An internal audit protocol for this work has been agreed with partner and shared services management.

Shared Services - International Standard on Assurance Engagements No. 3402

ISAE 3402 has been developed to provide an international assurance standard for allowing public bodies to issue a report for use by user organisations and their auditors (user auditors) on the controls at a service organisation that are likely to impact or be a part of the user organisation's system of internal control over financial reporting.

The Integrated Business Centre (IBC) is a shared service function hosted by Hampshire County Council, delivering transactional processing and business support services to a growing number of public sector bodies. Such services include general ledger; Order to Cash; Purchase and Payables; Cash & Bank; Payroll; and Information Systems.

Due to the significance of the business processes provided on behalf of partner organisations it is appropriate for Hampshire County Council to provide assurance on its service through compliance with such international standard requirements.

Historically the Southern Internal Audit Partnership have provided assurance to partnering organisations through their audit coverage and subsequent year end assurance on the framework of governance, risk and control. Assurance against the international standard is now provided by Ernst & Young.

The SIAP will continue to provide assurance to the HIWFRA and partner organisations for those systems and process outside of the scope of the ISAE 3402 through the shared internal audit plan outlined below and subsequent annual report and opinion. At the time of writing this report the shared services internal audit plan is still being developed and will be reported in due course.

HIWFRA Internal Audit Plan 2021-22

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing	Indicative days
HIWFRA audit plan					
Referral pathways	Director of Operations	This audit will review the internal management arrangements and procedures (and compliance against them) around referral pathways for Prevention activities.		Q1	10
Compliant management of the fleet	Director of Corporate Services	This audit will provide assurance that the documented elements and processes required to ensure a managed and compliant fleet are in place; are supported by robust data and are consistently applied and managed efficiently within the organisation.		Q1	12
Maintenance of competency – Prevention and Protection	Director of Operations	This audit will focus on how, through the appropriate governance and processes, the Service carries out succession and resource planning (and resource management) in	1, 4	Q2	12

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing	Indicative days
		Prevention and Protection teams. There will be a particular focus on how – through the appropriate governance and processes – the Service has sufficient capacity and skills, aligned with the national standards and competency framework, to meet internal and external demands.			
GDPR and data protection compliance	Director of Corporate Services	This review, a follow-up to a 2018/19 audit, will review the approach, policy and documentation to ensure that HIWFRA are compliant with the requirements within GDPR and associated Data Protection legislation.		Q2	10
ICT project management	Director of Corporate Services	This audit will review the ICT project management approach and processes, with a specific focus on project governance, documentation and reporting (for example through project dashboards and KPIs).		Q2	10
Risk management	Director of Policy and Planning	This audit will be a follow-up to the light-touch position statement audit that was carried out in 2019/20. It will review the approach to risk management, to ascertain the extent to which the refreshed approach (as outlined in the risk management procedure) has been embedded across the organisation.		Q3	10

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing	Indicative days
Disaster recovery and business continuity	Director of Policy and Planning	This audit will be a follow-up to the position statement audit that was carried out in 2019/20. It will review the robustness of the updated arrangements and processes in place for disaster recovery / business continuity.		Q3	10
Data quality	Director of Performance, Assurance and Communications	This audit will review whether the Service have appropriate procedures and guidance in place to ensure robust data quality across different Directorate systems and processes.		Q3	12
DBS checks	Head of People and Organisational Development	This audit will review the internal management and procedures in place to ensure compliance with Disclosure and Barring Service (DBS) requirements, and that the necessary DBS checks have been carried out where appropriate.		Q4	10
Property and facilities – statutory compliance works	Director of Corporate Services	This audit will review arrangements and processes in place to ensure that the shared service Term Maintenance Contract (TMC) partnership completes all statutory certification works on behalf of the Service by the due dates. The scope of the review will include respective roles and responsibilities of Shared Service and HIWFRS and arrangements for ensuring all required		Q4	10

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing	Indicative days
		checks are identified, assigned and completed.			
Pay claims	Head of People and Organisational Development	<p>This audit will follow on from our 2018/19 review and the preparations and activity in this area in advance of, and following, the new combined fire authority.</p> <p>The audit will review the arrangements in place to ensure that the criteria for all allowance types have been documented, and that all allowances are appropriately authorised and regularly reviewed to ensure ongoing relevance in accordance with business need.</p>		Q4	12
IT - Change management	Director of Corporate Services	The review will seek to provide assurance that standardised methods and procedures are used for the efficient and effective handling of all changes, to minimise the impact of change-related incidents upon service quality, and consequently improve the day-to-day operations of the organisation.		Q3	10
Cyber Security - patch management	Director of Corporate Services	The focus of the review will be to ensure that patches are identified and applied promptly and in a controlled manner to maintain security.	3	Q1	10

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing	Indicative days
IT User access	Director of Corporate Services	To review the arrangements for granting, amending or removing access for starters, movers and leavers to the organisation to ensure access is appropriate and in line with business need.	3	Q4	10
NFI	Director of Performance, Assurance and Communications	Statutory requirement for data matching.		Q1-4	3
Follow up	Various	To assess progress in implementing management actions for reviews carried out during 2020/21.		Q4	5
Other audit activities		This includes preparation of the audit plan, annual internal audit report, advice and attending management and committee meetings.		Q1-4	24
Contribution to Shared Services Plan (see below)					20
TOTAL DAYS (average annual plan to date is 185 days)					200

Shared Services Internal Audit Plan 2021-22

The Shared Services aspects of the Internal Audit Plan are yet to be confirmed and are agreed separately through Shared Services governance mechanisms. Progress against the audit plan, including the Shared Services aspects of the plan, will, however, be provided through the regular progress updates to the Standards and Governance Committee.



**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

Shadow Authority

Purpose: Approval

Date: **10th February 2021**

Title: **BUDGET and PRECEPT REQUIREMENT 2021/22**

Report of Treasurer

SUMMARY

1. This report presents the 2021/22 forward budget to the Hampshire and Isle of Wight Fire and Rescue Shadow Authority (HIWFRSA) for approval. The baselines of the 2020/21 budget for both the Hampshire and Isle of Wight Fire and Rescue Services have been used as the starting point, to which changes agreed in the December 2020 Budget Update report have been incorporated.
2. Within the original business case for the Combined Fire Authority, figures were presented which were based on expected costs and future funding. Significant detailed work has been undertaken on the budget required to provide services to the new Combined Fire Authority area, together with what income is expected to be received from Government and through Council Tax. There have been some growth and increases in costs as set out in the previous reports to the Shadow Authority and income from council tax is less than anticipated due to the impact of Covid-19 on the council tax base in particular.
3. These costs and income losses have been partially offset by additional Government council tax support grant and the expectation that public sector pay will be frozen in 2021/22. Overall, the net impact of all these changes is that there is now expected to be a shortfall of £1.244m, based on a 1.99% increase in council tax, which will need to be covered from reserves in 2021/22, with a savings plan being required after that point.
4. **Please note that given the complexities of Covid-19 and the various grant and business rate schemes put in place by the Government, the figures in this report are not final and an updated budget position will be provided at the Shadow Authority meeting.**

5. The HFRA budget monitoring as at Q3 of 2020/21 is contained within this report and shows that a net underspend of £1.242m is predicted by the end of the year, although some of this relates to unspent Government grant in respect of Covid-19 support.
6. This report sets out details of the precept increase, showing the level of precept and increase for each council tax band. As part of the provisional settlement figures, the Government have announced that the referendum limit for Fire Authorities will be set at 2%. It is recommended that due to the uncertainties surrounding local government finance and the expected funding pressures over future years, the council tax is increased by the maximum level of 1.99% for 2021/22.
7. It had been expected that 2021/22 would be the first of a three-year funding settlement, however due to Covid-19 and the current economic uncertainties, this has been postponed by a further year and is not expected to be announced until the autumn of 2021.
8. Due to this uncertainty around future levels of government grant and precept, no Medium Term Financial Plan (MTFP) will be presented at this time. It is hoped that sufficient information will be available for this to be included within the September 2021 report or by February 2022 at the latest.
9. The capital programme for 2021/22 onwards and the funding of this are set out in this report, with details at **Appendix C**, and are recommended for approval.
10. 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.

BACKGROUND

11. 2021/22 will be the first budget for the HIWFRA and there are therefore no prior year comparisons for the overall budget.
12. In July 2020, a report was approved by both the HIWFRSA and the IoW Council, approving the Alternative Notional Amount for Council Tax setting. This was submitted to the Secretary of State for formal approval and notification was received from him in December that the proposed level (subject to public consultation on the provisional settlement) for the notional 2020/21 HIWFRA council tax will be the current level within HFRA (£69.06). The figures within this report are therefore calculated from that notional baseline.

2020/21 BUDGET MONITORING – QUARTER 3

13. The forecast position for 2020/21 is showing a surplus of £1.2m, which is higher than that reported to the Authority in December 2021.
14. The table below shows the budget monitoring for 2020/21 as at 31st December 2020.

	2020/21 Current Budget	2020/21 Forecast as at end Quarter 3	Variance (Underspend) / Overspend
Employee Costs	53,882	53,726	(156)
Premises	6,259	6,316	57
Transport	1,544	1,572	28
Supplies & Services	9,479	9,705	226
Third Party Payments	4,302	4,355	53
Expenditure	75,466	75,674	208
Income	(3,990)	(3,779)	211
Net Current Expenditure	71,476	71,895	419
Funded By:	(71,476)	(73,137)	(1,661)
(Surplus) / Deficit	0	(1,242)	(1,242)

15. The overall position is a net underspend of £1.2m. The position for 2020/21 is obviously complicated by the additional costs relating to Covid-19 offset by the receipt of grant from the Government.
16. By the end of the year it is anticipated that there may be a small element of the grant that is unspent, but that this will be carried forward into next year to help with any further Covid-19 support in that year. In addition there are other savings across the service mostly in staff savings that contribute to the overall net saving position.

2021/22 BUDGET AND PRECEPT

Council Tax

17. The Budget Update report to the December 2020 HIWFRSA explained that although in previous years the council tax base has always increased, due to the current global pandemic and resultant economic crisis, the baseline was expected to reduce.
18. The council tax base figures have now been finalised and included with the proposed budget at Appendix A. The base is much higher than had been anticipated at one stage and has only reduced by a marginal amount of 0.02% compared to the 2020/21 base. Whilst this is very positive this does still represent a reduction against the minimum of 1% growth that we normally expect every year. To compensate authorities for this loss of income the Government have announced a council tax support grant for 2021/22 and HIWFRA's share of this is £695,000. It is not yet clear if this grant will continue beyond 2021/22 but our current planning assumption is that it is one off for 2021/22.
19. In the Budget Update report of December 2020 to the HIWFRSA, it was agreed that due to the continuing uncertainty from a one year settlement and the expected loss of funding through the council tax base, council tax would be set at the maximum allowed within the referendum limit. Whilst the position is better than expected, we are still facing a deficit of £1.244m, and there is still significant uncertainty about future funding settlements, particularly against a backdrop of Government borrowing to support the economy during Covid-19 which is now likely to continue into 2021/22 given the spike in cases in the early part of this year.
20. Furthermore, it has been highlighted previously that even with a 1.99% increase in council tax together with a real terms increase in grant funding, this does not create enough funding to cover anticipated increases in costs due to pay and inflation on an ongoing basis. Given this position a maximum council tax increase within the referendum limit is proposed for 2021/22.
21. The referendum limit for Fire Authorities has been confirmed by the Government at 2% and a 1.99% increase in council tax has therefore been incorporated into the proposed budget funding figures in Appendix A. This equates to an increase of £1.37 for a Band D property. All figures in this report assume that this level of increase is applied.
22. The figures overleaf show the council tax rates for the year beginning 1st April 2021 for the properties in each band, based on a 1.99% increase:

Band A:	£46.95	Band E:	£86.08
Band B:	£54.78	Band F:	£101.73
Band C:	£62.60	Band G:	£117.38
Band D:	£70.43	Band H:	£140.86

23. 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 2021/22.

Basingstoke and Deane Borough Council	£4,692,554
East Hampshire District Council	£3,620,600
Eastleigh Borough Council	£3,364,749
Fareham Borough Council	£3,085,151
Gosport Borough Council	£1,882,087
Hart District Council	£2,891,518
Havant Borough Council	£2,919,184
Isle of Wight	£3,752,482
New Forest District Council	£5,038,471
Portsmouth City Council	£3,978,443
Rushmoor Borough Council	£2,275,529
Southampton City Council	£4,534,917
Test Valley Borough Council	£3,543,756
Winchester City Council	£3,578,581
Total	£49,158,022

24. In previous years, the Council Tax Collection Fund has usually been in surplus, providing additional funding in the following year. Due to the current economic situation, with increasing numbers becoming unemployed and therefore eligible for council tax support, the collection fund is in deficit for 2020/21 and would normally need to be recovered in 2021/22.
25. The Government had previously announced that due to the unprecedented situation, with some authorities facing significant funding shortfalls, that any deficit could be repaid over three years. This has been confirmed as part of the Spending Review, alongside a one-off grant that will meet 75% of the deficit, albeit this only applies to some of the elements of losses compared to what we originally anticipated.

26. There is no option other than to spread the deficit arising from losses in 2020/21 over the three years. Due to the complexities surrounding the 75% grant reimbursement it has not been possible to get a final figure from billing authorities. At this stage therefore we have used a net figure of one third of the losses from 2020/21 less the surpluses that have accrued from previous years. This gives an overall deficit of £59,000 which should be reduced slightly by Government grant receipts once final figures have been confirmed at the Authority meeting.

Business Rates

27. The Authority receives a top up grant in respect of business rates from the Government, together with a proportion of retained business rates collected by District and Unitary Councils in the County. 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.
28. The top up grant does not always increase, however for 2021/22 it has been set at £9.043M, which represents an increase of £264,000 or 3% over the combined figure for HFRA and IWFRS in 2020/21.
29. The level of locally retained business rates for 2021/22 is expected to be lower than in 2020/21, due to the continuing economic situation. In recent years, this funding has increased year on year and for 2021/22 a 1% increase would have represented a £71,700 increase.
30. Billing authorities are struggling to provide any sensible estimates for retained business rates for next year given the impact of Covid-19 and complexities around the business rates reliefs provided by Government. At the time of writing this report a number of billing authorities had been unable to provide any estimates at all and therefore a reduction of 5% has been assumed in the latest budget figures representing a loss of £381,000.
31. Section 31 grant compensates authorities for lost income as a result of Government reliefs. At this stage we are assuming we will get the same level of grant as per 2020/21 amounting to £1.282m. Since these figures are also impacted by assumptions on the levels of business rates, this will also need to be updated at the budget setting meeting.
32. The business rates collection fund position relating to 2020/21 is also not complete at this point in time and based on the figures received to date a forecast deficit of £180,000 has been included, but as with council tax, this does not include the impact of Government grants and will be updated at the meeting.

Government Grant

33. The previous budget update reports to the Shadow Authority assumed that Revenue Support Grant (RSG) would stay at the same levels as for 2020/21. The combined RSG totals for HFRA and IWFRS are £8.23m for 2020/21.
34. The provisional local government finance settlement assumes an RSG figure for the new CFA of £8.275m so very close to what had been assumed. Whilst the Spending Review said there would be real terms increases for Fire Authorities this must be measured against both Business Rate Top Up Grant and RSG and taking these together there has been an overall increase in funding of 1.8%.

Growth Pressures

35. As part of the annual budget setting process, a number of growth pressures were identified. These were presented to the HIWFRSA in the December Budget Update report and were agreed to be included within the budget.
36. The pressures fall into two main categories, those specifically relating to the Combination and those required for other reasons. An overview of these increases is below and these amounts are now incorporated within the proposed budget for 2021/22.
 - (a) CFA Related - £726,500
These costs relate to IT, premises, fleet and equipment. They are required to align standards and processes across the new CFA and ensure that the combined Service is able to function as one.
 - (b) Non-CFA Specific - £227,300
There are a number of items required to maintain current standards and progress improvements in priority areas.

Overall 2021/22 Budget Position

37. **Appendix A** outlines the base budget for 2021/22 by cost type taking into account all of the changes that have taken place since the September and December updates reported to the Shadow Authority.
38. A comparison against the December figures has been provided which shows that the forecast deficit has reduced by £711,000 to £1.244m. Explanations for the key changes are outlined below but some of the movement between headings is as a result of taking back workforce development and facilities management services from Hampshire County

(which shows as a reduction in Third Party Payments, offset by increases in other areas) :

	£'000
Reduced provision for pay award following the Government's announcement of a pay freeze for next year	(1,112)
Net impact of grant, council tax and business rate changes as outlined above	(372)
Reduced supplies and service costs as a result of the Combination and lower inflation levels across non-staff areas	(174)
Reduction in income as a result of DDiP changes and re-classification of grant income	288
Increased capital financing costs for the Station Investment Programme	150
Recommended contingency level	525
Other net changes	(16)
Total	<u>(711)</u>

39. Given the uncertainties over business rate income, the position on pay increases for the low paid and the first of year of the new CFA itself there are still risks within the budget. It is therefore recommended that a contingency of £525,000 be included in the budget in addition to the other changes highlighted above. Should this not be required then it could be made available to fund some of the growth proposals that were postponed during this year's budget process.
40. The changes highlighted above have resulted in a net deficit of £1.244m which is significantly better than the December position and a very long way from the position we could have been facing if collection fund losses and council tax base reductions were at the worse case scenario levels previously reported.
41. In the absence of a multi-year settlement, the interim Medium Term Financial Plan assumes that any deficit for 2021/22 will be met from reserves in order to provide the time and capacity to consider what savings may need to be put in place over the medium term.
42. In order to protect the proposed contributions to capital spend and to other critical reserves, it is recommended that the contribution to the Grant Equalisation Reserve (GER) be stopped for 2021/22 and that £619,000 of the GER set aside in the current year is used to balance the budget.

43. Appendix B shows the balanced budget position on the assumption that the Shadow Authority agrees this recommendation. It also provides a breakdown of the Budget Requirement by objective headings across the Service.

Capital Programme

44. The proposed capital programme for 2020/21 to 2025/26, including spend to date and the proposed financing, is set out at **Appendix C** of this report.
45. The Vehicle Replacement Programme (VRP) includes the requirements across Hampshire and the Isle of Wight. During 2020/21 there have been some supply issues due to COVID-19 and therefore some of the vehicles which had been expected to be purchased during the year will not be available until 2021/22, which is reflected in the profile.
46. The figure for next year also includes an increase of £100,000 to purchase Co-Responding vehicles, the cost of which will be recovered from South Central Ambulance Service over the life of the asset. For the purposes of funding the programme the contribution from SCAS is shown in full in the same year as the purchase.
47. The Programme also includes the addition of Cosham Fire Station as part of the Station Investment Programme (to be funded by prudential borrowing) and a scheme for installing sprinklers within the Fleet Maintenance Centre, on the assumption that both of these are approved by the Shadow Authority at this meeting.
48. The redevelopment of Redbridge Fire Station was approved by the HFRA at the September 2020 meeting. This included authorisation to borrow up to £24.1m to cover the cost of this project, however as some of these costs will be classed as revenue, which cannot be funded through borrowing, a proportion of the costs will need to be funded from reserves.
49. The expected cost of the revenue elements is £1.877m, but this is only an estimate at this stage, therefore approval is sought for up to £2m to be funded from the Capital Payments Reserve, providing the overall total cost remains within the £24.1m overall approval limit. The intention is still to borrow for the full £24.1m but the equivalent value of revenue for the Redbridge Scheme will be swapped to fund capital spending in a different scheme that was due to be met from the Capital Payments Reserve. This swap will protect the value of funds in reserves.

Reserves

50. The Authority holds specific reserves to provide for future spending as part of its medium term financial planning.

51. An 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 2020/21 to 2024/25 are set out within the appendix.
52. A contribution from the Isle of Wight Council reserves will be made following the closure of accounts for the current financial year. At this stage, nothing has been included for this contribution given the uncertainties over costs and funding due to the Covid-19 pandemic throughout this year.

TREASURY MANAGEMENT STRATEGY AND INVESTMENT STRATEGY

53. The Treasury Management Strategy and Investment Strategy are attached at **Appendix E** and require approval on an annual basis. This document includes the Prudential Indicators and statement on Minimum Revenue Provision.
54. The Treasury Management Strategy and Investment Strategy for 2021/22 takes into account the requirements of the current Prudential and Treasury Management Codes.
55. The report recommends that the following be approved:
 - That the Treasury Management Strategy (TMS), including the Annual Investment Strategy for 2021/22, (and the remainder of 2020/21) is approved; and
 - That authority is delegated to the Chief Finance Officer to manage the Authority's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.
56. 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.

CAPITAL AND INVESTMENT STRATEGY

57. A new reporting requirement was introduced for the 2019/20 budget in respect of a Capital and Investment Strategy. This has been updated for 2021/22 and is included as **Appendix F** to this report. The appendix provides information about the Authority's strategy regarding use of assets and how they help to support the overall financial position. Some of these elements were previously included within the Treasury Management Strategy and have been split out into this separate document to ensure that we comply with the code.

SECTION 25 REPORT

58. 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. In previous years this has been covered within the body of the budget report but given the enhanced focus on financial management within the public sector, it has been included separately as **Appendix G** of this budget report.
59. The Authority is required to take this report into account in setting the budget and council tax for 2021/22.

MEDIUM TERM FINANCIAL PLANNING

60. Members will be acutely aware that since 2019/20 we have not had the benefit of a multi-year settlement to inform our medium term financial planning. Since 2019/20 this has been less of an issue for HFRA as we have also not been subject to grant reductions during this time.
61. Nevertheless, the further delay in the full Comprehensive Spending Review until later this year means that we still have no information beyond 2021/22 on which to base our medium term financial planning and whilst we are hopeful that there may be information available to inform an update of the MTFP in September, it is possible that we will have to wait until December 2021 before we have the necessary level of detail.
62. At this stage therefore, in the absence of any further information we have to plan as a minimum on the basis of being able to meet the estimated deficit for next year of £1.244m. Some allowance also needs to be made of the potential for future budget deficits together with the increased prudential borrowing costs arising from the Station Investment Programme.
63. Given the uncertainty, it is not proposed to set a hard and fast target at this stage, but to instead positively engage with the organisation in considering what savings and efficiencies could be made to deliver £1m, £2m or £3m worth of savings and what steps would be necessary to achieve those and what would the impact be.
64. This would provide the new CFA with a range of options that can be prioritised as appropriate and depending on the complexity and impact could be pursued during 2021/22 to start to create savings for the 2022/23 budget setting process.
65. This early planning is vital to ensure that we do not get 'behind the curve' in delivering savings, but we plan ahead and deliver them in sensible

timeframes, which the Authority has been very successful in doing in the past.

INSURANCE STRATEGY

66. 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.
67. There has been an increase in our 2020/21 contribution of 15%. It was expected that FRIC's Liability and Property costs would rise quite significantly due to claims experience, emerging risks and other external factors. However, a large contributing factor is the increase in liabilities cover, generally, and from reinsurance aspects. The global insurance market is hardening as a result of lots of political and economic issues including Covid which is affecting the stability of the insurance market, however, the FRIC model does help protect Members from these external cost issues.
68. The average price increase for the other Members ranged from 15 – 21% on last year's total invoice.
69. 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 assets numbers on the engineering aspect and increase in payroll for the additional covers.
70. We are currently in the process of preparing data from the Isle of Wight Fire Service so that cover is in place for Hampshire & Isle of Wight Fire Authority from 1 April 2021.
71. The charges to date are shown in the table below:

Contribution/Premium	2016/17	2017/18	2018/19	2019/20	2020/21
FRIC Contribution	£522,066	£500,667	£516,402 (£14,089 Non-FRIC Covers)	£541,826 (£12,558 Non-FRIC Covers)	£615,738 (£15,877.94 Non-FRIC Covers)
Additional Covers	£92,867	£96,088	£76,035	£80,473	£80,958

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

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

CONSULTATION

73. A major consultation process was undertaken as part of the decision making process for the new Combined Fire Authority. This included information about future funding levels and sought residents and stakeholders' views. Previous consultations have revealed that the majority of respondents are happy to see a rise in council tax in order to protect services provided by the Authority.
74. 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

75. The report covers the overall financial position for 2021/22 for revenue spending and seeks approval to the budget and council tax levels, it also provides an update on the capital programme and reserves. It requests the one-off use of reserves for the Redbridge Redevelopment project, which was initially approved to be fully funded by borrowing. This is a technical issue and does not impact on the overall financial position.

IMPACT ASSESSMENTS

76. 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

77. 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.

OPTIONS

78. There are no options for consideration within the report, although budget setting and forecasting by its very nature mean that assumptions are made around several variables that can change over time.

RISK ANALYSIS

79. The Authority has an established process for planning ahead to meet financial targets. This has helped considerably in managing the reductions in government grant which have affected the available funding over the past 10 years.
80. The absence of any settlement information beyond 2021/22 represents a significant risk to the Authority. However, planning will commence shortly to prioritise spending and define options for efficiency savings to ensure a balanced budget can be set in future years.

EVALUATION

81. It is a legal requirement that a balanced budget is approved by the Authority before 1st March 2021. Due to increased costs partly as a result of the move to a new CFA and reduced funding levels due to the current economic situation caused by COVID-19, reserve funding has been required to cover this shortfall for 2021/22.
82. Efficiency savings are expected to be required for future years, however that had already been anticipated from 2022/23 and plans are therefore being formulated to manage that situation.

CONCLUSION

83. It is recommended that the Authority approve the proposals made within this report, including a 1.99% increase in the precept for 2021/22.

RECOMMENDATION

The Shadow Authority is recommended to approve:

84. The use of the Grant Equalisation Reserve to balance the budget for 2021/22.
85. The Revenue Budget, as set out in Appendix B.
86. The Capital Programme and funding as set out in Appendix C including the addition of £100,000 to purchase new co-responding vehicles.
87. Funding of up to £2m from the Capital Payments Reserve for the redevelopment of Redbridge Fire Station, to replace prudential borrowing which will be swapped to fund other capital schemes.

88. The Reserves Strategy as set out in Appendix D.
89. The Treasury Management Strategy as set out in Appendix E, including the Annual Investment Strategy for 2021/22, (and the remainder of 2020/21).
90. 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.
91. The Capital and Investment Strategy as set out in Appendix F for 2021/22, (and the remainder of 2020/21).
92. The Section 25 Report as set out in Appendix G which should be taken into account by the Shadow Authority in agreeing the budget and council tax.
93. The council tax requirement for the Authority for the year beginning 1st April 2021 of £49,158,022.
94. That the Authority's tax be increased by 1.99% for the year beginning 1st April 2021 and for the properties in each band, as set out in para 18 of this report:
- | | | | |
|---------|--------|---------|---------|
| Band A: | £46.95 | Band E: | £86.08 |
| Band B: | £54.78 | Band F: | £101.73 |
| Band C: | £62.60 | Band G: | £117.38 |
| Band D: | £70.43 | Band H: | £140.86 |
95. That the precepts set out in para 24 of this report, totalling £49,158,022 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

96. Appendix A – 2021/22 updated budget in subjective format
97. Appendix B – 2021/22 balanced budget in subjective and objective format
98. Appendix C – Proposed Capital Programme and Funding
99. Appendix D – Reserves Strategy
100. Appendix E – Treasury Management Strategy & Investment Strategy
2020/21 – 2021/22
101. Appendix F – Capital and Investment Strategy 2020/21 - 2023/24
102. Appendix G – Section 25 Report Section of the Chief Financial Officer

Contact:

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Appendix A

Outline Budget 2021/22 - Subjective

	September Position £'000	Growth £'000	December Position £'000	2021/22 Proposed Budget £'000	Variation £'000
Whole Time Firefighters	36,616		36,616	35,918	(698)
Retained Firefighters	8,108		8,108	7,890	(218)
Staff	12,926	214	13,140	13,254	114
Net cost of pensions	1,537		1,537	1,500	(37)
Other Employee Costs	839		839	742	(97)
	60,026	214	60,240	59,304	(936)
Premises	5,720	449	6,169	6,199	30
Transport	1,706	56	1,762	1,702	(60)
Supplies & Services	7,407	(27)	7,380	7,452	72
Third Party Payments	2,724	62	2,786	2,378	(408)
Contingencies	0		0	525	525
	17,557	540	18,097	18,256	159
Income	(3,021)		(3,021)	(2,733)	288
	(3,021)	0	(3,021)	(2,733)	288
Revenue contributions to capital	3,965		3,965	3,965	0
Equipment reserve	750	200	950	950	0
Grant equalisation reserve - contribution to / (from)	625		625	625	0
Transformation reserve	250		250	250	0
ICT reserve	500		500	500	0
	6,090	200	6,290	6,290	0
Net Cost of Service	80,652	954	81,606	81,117	(489)
Capital Financing	799		799	949	150
Investment income	(210)		(210)	(210)	0
Budget Requirement	81,241	954	82,195	81,856	(339)
Precept	(49,170)		(49,170)	(49,158)	12
Revenue Support Grant	(8,230)		(8,230)	(8,275)	(45)
Business Rates Top-Up Grant	(8,779)		(8,779)	(9,043)	(264)
Locally Retained Business Rates	(7,624)		(7,624)	(7,243)	381
Pension grant	(3,771)		(3,771)	(3,771)	0
New Dimensions	(974)		(974)	(974)	0
Firelink	(399)		(399)	(399)	0
S31 Business rates	(1,282)		(1,282)	(1,282)	0
Bikeability	(11)		(11)	(11)	0
Council Tax Support Grant	0		0	(695)	(695)
CT Collection Fund Balance	0		0	59	59
BR Collection Fund Balance	0		0	180	180
Funding Gap / (Surplus)	1,001	954	1,955	1,244	(711)

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Budget 2021/22 - Subjective

	2021/22 Proposed Budget £'000
Whole Time Firefighters	35,918
Retained Firefighters	7,890
Staff	13,254
Net cost of pensions	1,500
Other Employee Costs	742
	59,304
Premises	6,199
Transport	1,702
Supplies & Services	7,452
Third Party Payments	2,378
Contingencies	525
	18,256
Income	(2,733)
	(2,733)
Revenue contributions to capital	3,965
Equipment reserve	950
Grant equalisation reserve - contribution to / (from)	(619)
Transformation reserve	250
ICT reserve	500
	5,046
Net Cost of Service	79,873
Investment income	-210
Capital Financing	949
Budget Requirement	80,612
Precept	(49,158)
Revenue Support Grant	(8,275)
Business Rates Top-Up Grant	(9,043)
Locally Retained Business Rates	(7,243)
Pension grant	(3,771)
New Dimensions	(974)
Firelink	(399)
S31 Business rates	(1,282)
Bikeability	(11)
Council Tax Support Grant	(695)
CT Collection Fund Balance	59
BR Collection Fund Balance	180
Funding Gap / (Surplus)	0

Budget 2021/22 - Objective

	2021/22 Proposed Budget £'000
People and Organisational Development	4,288
Risk and Strategy	1,095
Operations	44,291
Performance and Assurance	1,592
Enabling	21,535
Finance	2,025
	74,827
Revenue contributions to capital	3,965
Equipment reserve	950
Grant equalisation reserve - contribution to / (from)	(619)
Transformation reserve	250
ICT reserve	500
	5,046
Net Cost of Service	79,873
Investment income	-210
Capital Financing	949
Budget Requirement	80,612

Appendix C – Proposed Capital Programme and Funding

<i>Project Details</i>	Approved Spend	Previous Years' Spend	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Latest Estimate	Balance Over / Under (-)
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Basingstoke Fire Station	6,955	6,644	310						6,954	-1
Fire control system - (FGP 4/12) NFCSP	729	671	58						729	0
Solar photovoltaic panels	1,076	1,059	17						1,076	0
Estates Transformation -HQ Phase 2	4,660	4,509	153						4,662	2
Estates Transformation -HQ Phase 1 £260K F&E	260	260							260	0
Vehicles	36,753	3,654	1,362	9,771	8,298	6,688	3,181	3,899	36,853	100
Replacement Fire Training Facility	3,500			1,750	1,750				3,500	0
Fleet Maintenance Centre - Sprinkler Installation	0			400					400	400
Cosham (SIP)	200			4,206	9,293	5,113	1,846		20,458	20,258
Gosport Land Purchase (SIP)	200			200					200	0
Bishops Waltham Station (SIP)	3,180		100	1,540	1,540				3,180	0
Redbridge Station (SIP)	22,223		282	2,193	5,116	10,735	3,897		22,223	0
Total Programme Cost	79,736	16,797	2,282	20,060	25,997	22,536	8,924	3,899	100,495	20,759
Financed by:										
Capital payments reserve		14,673	1,942	13,561	11,588	6,688	3,181	3,899	55,532	
Prudential Borrowing			282	6,399	14,409	15,848	5,393	0	42,331	
Revenue Grant unapplied reserve			58						58	
Capital receipts		1,624					350		1,974	
Capital Grant									0	
Partner contributions		500		100					600	
Total financing		16,797	2,282	20,060	25,997	22,536	8,924	3,899	100,495	

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Hampshire and Isle of Wight Fire and Rescue Authority Reserves Strategy

1. Introduction and Background

- 1.1 Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, precepting authorities should have regard to 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.
- 1.2 Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances'. This was issued in July 2014, but since then many references have been made to the scale of public sector reserves by various parties. In contrast to this the Covid-19 pandemic experienced this year starkly highlights why a prudent approach to reserves is needed in order to deal with unexpected financial shocks.
- 1.3 In May 2018 the Government published the New Fire and Rescue Services Framework which introduces a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website and outlined the detail which should be included. The Reserves Strategy can form part of the Medium Term Financial Plan (MTFP) or be a stand-alone document.

2. Strategic Context

- 2.1 There are a number of reasons why Authorities might hold reserves, these include to:
 - a) Mitigate potential future risks such as increased demand and costs;
 - b) Help provide for the costs of future liabilities;
 - c) Temporarily plug a funding gap should resources be reduced suddenly or as part of an agreed medium term financial strategy;
 - d) Enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax;
 - e) Spread the cost of large scale projects which span a number of years.
- 2.2 Reserves only provide one-off funding so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term financial plan.
- 2.3 Long-Term Sustainability - Reserves are an essential tool to ensure long term budget stability particularly at a time when the Authority has been facing significant year on year reductions in grant funding and uncertainty over the medium term. Due to the fact that funding for future capital projects is held as an earmarked reserve, the overall level of reserves held by the Authority is currently still relatively high but will reduce as the capital programme progresses.

- 2.4 Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget and capital programme and provide an adequate contingency for financial risks.
- 2.5 There are two different types of reserve, and these are:

Earmarked Reserves – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

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 retained pay costs. Generally, this is deemed to be a reserve of 'last resort' and the Authority has never been required to use its General Reserve.

3. Determine the Adequacy of the General Reserve

- 3.1 A well-managed Fire Authority will strive to maintain as low a level of General Reserve as possible, whilst still covering its financial risks. As a single-purpose authority, HIWFRA has no opportunity to use cross-service subsidies to meet unanticipated expenditure and so, proportionally, its General Reserve may be slightly higher than for a multi-purpose authority.
- 3.2 The Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of influence that third parties, such as the Local Government Employers and Government departments have on its income and expenditure, there is always a risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for.
- 3.3 A number of years ago, the Authority agreed to increase the General Reserve to £2.5m to reflect the increased risk in the budget as a result of the period of austerity and year on year grant reductions. At the same time the Authority was also receiving 4 year grant settlements which significantly helped in planning for future financial sustainability, even during a period of grant reductions. The continuing uncertainty over public sector finances and the lack of a multi-year settlement would indicate that keeping the General Reserve at the same level is sensible at this time.
- 3.4 At the start of 2021-22, the General Reserve will represent around 3% of the Authority's net revenue budget, which is considered adequate to mitigate the risks that it faces. Whilst this may be below the percentage level of General Fund Reserves of other Authorities, this also takes into account the fact that the base revenue budget has nearly £6.3m a year for contributions to reserves built in (equivalent to 7.7% of the net revenue budget) and this therefore offers a very significant mitigation to any potential unexpected spending before use of the General Reserve is required.

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

4. Earmarked Reserves

- 4.1 The Authority has a number of earmarked reserves which have been established for specific purposes where there have been emerging risks, future cost pressures or as part of sensible medium term financial planning.
- 4.2 The relevance of, and balance in, each of these is reviewed annually as part of the update of the MTFP and the Authority is informed of the latest plans for the balances held in such reserves over the medium term via the Reserves Strategy.
- 4.3 The Earmarked Reserves for the Authority are presented and analysed as outlined below.

5. Transformation Reserve

- 5.1 This is used to help deliver value for money improvements, implement change programmes and to 'pump-prime' environmental improvement initiatives. Any budget surpluses or underspends achieved at the end of the year are generally transferred to this reserve in order to maintain its level and provide funding for further improvements or change programmes as they arise.

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Opening Balance	-2,243	-183	-376	-606	-856
Draws	3,346	57	20	0	110
Contributions	-1,286	-250	-250	-250	-250
Closing Balance	-183	-376	-606	-856	-996

- 5.2 The majority of commitments against this reserve currently relate to the Combined Fire Authority (CFA) Project and various ICT projects. Funding for future years is currently limited to the annual contribution but may be supplemented by any underspend for the current financial year.

6. Capital Payments Reserve

- 6.1 This provides an essential resource for the capital programme and helps to reduce the need for borrowing. This is essential as no capital grant is now received from government and no recent bidding processes for capital have been announced.

Regular contributions are now made to the reserve from the base budget, set at the amount required to fund the vehicle replacement programme and a contribution to retained station replacements.

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Opening Balance	-22,981	-20,605	-12,245	-5,615	-2,832
Draws	6,341	12,325	10,595	6,688	3,181
Contributions	-3,965	-3,965	-3,965	-3,905	-3,905
Closing Balance	-20,605	-12,245	-5,615	-2,832	-3,556

6.2 Vehicle purchases had been expected to be higher for 2020/21, however unavoidable delays have been encountered due to COVID-19 issues resulting in manufacturers not being able to supply in line with their original timescales. In addition, reserve funding has been approved for the rebuild of Bishop's Waltham Fire Station, which was reviewed as part of the Station Investment Programme. Most costs for redevelopment of other stations will be funded through Prudential Borrowing.

6.3 Over the period of the Programme all of the available funding in the Capital Payments Reserve is used up, which limits the flexibility available to commit to new capital investment priorities.

7. Equipment and ICT Reserves

7.1 Information and Communications Technology (ICT) and other equipment purchases are not often 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	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Opening Balance	-344	-650	-1242	-478	-1151
Draws	644	358	1714	277	1151
Contributions	-950	-950	-950	-950	-950
Closing Balance	-650	-1242	-478	-1151	-950

ICT	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Opening Balance	-75	0	0	0	0
Draws	575	500	500	500	500
Contributions	-500	-500	-500	-500	-500
Closing Balance	0	0	0	0	0

8. Grant Equalisation Reserve

- 8.1 In October 2019 the results of the Hampshire Local Government Pension Scheme (LGPS) revaluation and de-grouping exercise were announced. The revaluation has indicated that the scheme is now almost 100% funded and therefore the annual deficit contribution is no longer required. Against this, there has been a small increase in the future service contribution rate for HFRS, leaving a net saving of around £625,000.
- 8.2 Given the uncertainty around all pension schemes and the fluctuating nature of all changes of this type, it was agreed at the December 2019 HFRA meeting that this saving should be transferred to reserves in the interim 3 year period to provide funding to protect against unexpected grant changes in the future. This retains the provision within the budget which will be reviewed once the results of the 2022 valuation are known and could be used at that point to protect against future swings in the pension scheme charges.
- 8.3 Due to the shortfall in funding for 2021/22, this reserve will be needed to balance the budget in the short term, to allow time for efficiencies to be identified and implemented.

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Opening Balance	0	-625	-6	-631	-631
Draws	0	619	0	0	0
Contributions	-625	0	-625	0	0
Closing Balance	-625	-6	-631	-631	-631

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Treasury Management Strategy and Investment Strategy 2021/22 to 2023/24

1. Summary

- 1.1. The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (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 Fire and Rescue Authority adopted the CIPFA Treasury Management Code at its meeting in February 2012. 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 2021/22, (and the remainder of 2020/21) is approved; and**
- 1.5. **That authority is delegated to the Chief Finance 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 impact of the coronavirus pandemic and the UK's exit from the European Union will continue to be a major influence on the Fire & Rescue Authority's treasury management strategy for 2021/22.

- 3.3. The Bank of England's (BoE) Monetary Policy Committee (MPC) met in December 2020 and voted unanimously to hold Bank Rate at 0.10% and to maintain its Quantitative Easing asset purchase programme at £895m. The MPC identified that the successful trialling of some Covid-19 vaccines was likely to reduce the downside risks to the economic outlook, but that economic activity had been affected by the increase in Covid-19 cases and reimposition of restrictions resulting in an unusually uncertain outlook for the economy, an outlook that will have been further affected by the subsequent national lockdown in January 2021.
- 3.4. Gross Domestic Product (GDP) grew by 16.0% in Quarter 3 after suffering a fall of 18.8% in the previous quarter, reflecting the easing of restrictions throughout the summer of 2020, although this had already slowed to 1.1% in September and 0.4% in October, leaving it 8% below its level in Quarter 4 of 2019.
- 3.5. UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month and well below the BoE's target of 2%.
- 3.6. The most recent labour market data for the three months to October 2020 showed the unemployment rate was 4.9%, up 0.7% on the previous quarter. The government's employment support schemes may limit near term rises in unemployment, but the BoE predicts a substantial further increase is still likely. The employment rate fell to 72.5% in October and the 3-month average annual growth rate for wages was 2.1% for regular pay in real terms.

Credit outlook

- 3.7. After spiking in late March 2020 due to the onset of the global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Bank profitability in 2020 is likely to be significantly lower than in previous years as a result of significant provisions for potential losses resulting from the pandemic.
- 3.8. The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
- 3.9. Looking forward, there remains the potential risk for bank losses to be greater than expected when government and central bank support starts to be removed and Arlingclose therefore advises a cautious approach to bank deposits in 2021/22.

Interest rate forecast

- 3.10. The Fire & Rescue Authority's treasury management adviser, Arlingclose, is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. Downside risks remain, however, and may be heightened in the short term as the UK reacts to the escalation in coronavirus infection rates and the end of the Brexit transition period, therefore further cuts to 0% or even into negative territory cannot be completely ruled out.
- 3.11. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.

4. Balance Sheet Summary and Forecast

- 4.1. On 31 December 2020, the Fire & Rescue Authority held £8.1m of borrowing and £29.8m of investments. This is set out in further detail at Annex B.
- 4.2. Forecast annual changes in these sums are shown in the balance sheet analysis in Table 1.

Table 1: Balance sheet summary and forecast

	31/03/20	31/03/21	31/03/22	31/03/23	31/03/24
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Capital Funding Requirement	10.8	10.6	16.6	30.5	45.5
Less: External borrowing					
- Public Works Loan Board *	(8.3)	(7.1)	(6.7)	(5.9)	(5.6)
- New borrowing	-	(0.3)	(6.4)	(14.4)	(15.8)
Total external borrowing	(8.3)	(7.4)	(13.1)	(20.3)	(21.4)
Internal (over) borrowing	2.5	3.2	3.5	10.2	24.1
Less: Working capital	4.4	7.1	5.8	4.5	4.5
Less: Usable reserves	(31.3)	(25.2)	(18.1)	(11.6)	(9.7)
New borrowing or (investments)	(24.4)	(14.9)	(8.8)	3.1	18.9

* 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 underlying levels to fund the capital programme.
- 4.4. The Fire & Rescue Authority has an increasing CFR due to increased spending on the capital programme, but 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 capital funding requirement is predominantly for major building works associated with the Station Investment Programme, as well as an on-going requirement for vehicles and other equipment that will need to be replaced over the coming years. Reserves as well as increased external borrowing will be used to fund the Capital Programme.
- 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 2021/22.

5. Borrowing Strategy

- 5.1. The Fire & Rescue Authority currently holds £8.1m of loans, which is £0.2m lower than the previous year, as part of its strategy for funding previous years' capital programmes. The reduction in borrowing balances of £200,000 reflects the repayment of maturing 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 2021/22 to fund capital programme requirements. The Fire & Rescue Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £24.0m.

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 2021/22 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 Public Works Loan Board (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 2021/22, 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 (see below)
 - 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.

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 £19.5m and £38.5m, however it is planned that balances will fall between now and 31 March 2022 as shown in Table 1.
- 6.2. The reduction in investment balances predicted are as a result of the planned funding of the transformation 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. The reduction in balances will be lower than it otherwise would have been, as employer's LGPS pension contributions were paid in advance for the period to March 2023 by the Fire and Rescue Authority in April 2020.

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.

Negative interest rates

- 6.4. The Covid-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options, and in some instances negative interest rates are already being seen. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

- 6.5. 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.
- 6.6. Approximately 69% of the Fire & Rescue Authority's cash as at 31 December 2020 was invested so that it was not subject to bail-in risk, as it was invested in local authorities, pooled property, equity and multi-asset funds, and secured bank bonds. Whilst the remaining 31% of cash subject to bail-in risk at 31 December 2020, 60% was held in overnight money market funds which are subject to a reduced risk of bail-in, 18% was held in overnight bank call accounts for liquidity purposes, and 21% was held in short term bank notice accounts providing a comparatively favourable rate of interest in exchange for a short notice period within the 35-day maximum recommended by Arlingclose. Further detail is provided at Annex B. This diversification represents a continuation of the strategy adopted in 2015/16.

Business models

- 6.7. 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

- 6.8. The Fire & Rescue Authority also invests in pooled property, equity and multi-asset funds, which allow diversification into asset classes other than cash without the need to own and manage the underlying investments. 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.
- 6.9. Table 2 shows the market value of the Fire and Rescue Authority's investments in pooled funds at 31 December 2020, with valuations continuing to be impacted by the ongoing volatility in markets as a result of the coronavirus pandemic.

Table 2: Higher yielding investments capital value

	Principal invested	Market value 31/12/2020	Capital yield in 2020
	£m	£m	%
Pooled Property Funds	3.25	3.08	(6.07)
Pooled Equity Funds	2.00	2.07	(8.90)
Multi-Asset Funds	1.75	1.71	(6.15)
Total	7.00	6.86	(6.95)

- 6.10. 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 crystallise capital losses.
- 6.11. Changes to International Financial Reporting Standards mean that even if investments are not sold, unrealised capital gains and losses on these investments need to be reflected in the revenue account on an annual basis. There is, however, currently a statutory override in place for local authorities that exempts them from complying with this requirement for the next 3 years meaning that any changes in value continue to be accounted for through an unusable reserve.
- 6.12. 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. As shown in Table 3, without the allocation to pooled funds the weighted average return of the Fire & Rescue Authority's cash investments would have been 0.21%. By investing in pooled funds, the weighted average return at 31 December 2020 was 1.13%, meaning the allocation to higher yielding investments has added 0.92% to the average interest rate earned by the remainder of the portfolio.

6.13. This benefit to the revenue budget is demonstrated indicatively in Table 3, using cash balances and average returns at 31 December 2020. 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 actual returns will form part of the outturn report at the conclusion of the financial year and will likely be lower than those shown in the table. This is because the annualised pooled fund returns for the 12 months to 31 December 2020 include the period prior to the start of the coronavirus pandemic. The Fire and Rescue Authority has taken a prudent approach in forecasting its income from pooled funds for 2020/21 and has been advised by Arlingclose on this.

Table 3: Estimated annual income returns

	Cash balance at 31/12/2020	Weighted average return	Estimated annual income return
	£m	%	£m
Short-term and long-term cash investments	22.81	0.21	0.05
Investments targeting higher yields	7.00	4.12	0.29
Total	29.81	1.13	0.34

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

Investment limits

6.15. The maximum that will be lent to any one organisation (other than the UK Government) will be £4m. 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 4.

Table 4: Investment limits

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

Approved counterparties

6.16. The Fire & Rescue Authority may invest its surplus funds with any of the counterparty types in Table 5, subject to the limits shown.

Table 5: Sector and counterparty limits

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

This table must be read in conjunction with the notes below

*** Minimum credit rating**

- 6.17. 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.
- 6.18. For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

Government

- 6.19. 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

- 6.20. 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)

- 6.21. 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)

- 6.22. 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

- 6.23. 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

- 6.24. 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)

- 6.25. 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

- 6.26. 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

- 6.27. The Fire & Rescue Authority may incur operational exposures, for example through 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

- 6.28. Credit ratings 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.
- 6.29. 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

- 6.30. 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.

- 6.31. 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

- 6.32. 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.
- 6.33. 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 6: Interest rate risk indicator

	31 December 2020 £m	Impact of +/-1% interest rate change £m
Sums subject to variable interest rates		
Investment	29.8	+/-0.3
Borrowing	(0.0)	+/-0.0

Maturity structure of borrowing

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

Table 7: 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 8: Price risk indicator

	2021/22	2022/23	2023/24
Limit on principal invested beyond a year	£10m	£10m	£10m

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 Advisors

- 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 Deputy Chief Executive and Director of Corporate Resources' 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, 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 Finance Officer believes this to be the most appropriate status.

Appendix A – Arlingclose Economic & Interest Rate Forecast - December 2020**Underlying assumptions:**

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market r.													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
1yr money market rate													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
5yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Annex B - Existing Investment & Debt Portfolio Position at 31 December 2020

Investment Position (Treasury Investments)

Investments	30/09/2020 Balance £m	Movement £m	31/12/2020 Balance £m	31/12/2020 Rate %	31/12/2020 WAM* years
Short term investments					
- Banks and Building Societies					
- Unsecured	3.20	0.48	3.68	0.06	0.06
- Money Market Funds	14.80	(9.17)	5.63	0.01	0.01
- Local Authorities	9.50	3.00	12.50	0.33	0.32
	27.50	(5.69)	21.81	0.20	0.19
Long term investments					
- Banks and Building Societies					
- Secured	1.00	-	1.00	0.47	2.29
	1.00	-	1.00	0.47	2.29
High yield investments					
- Pooled Property Funds**	3.25	-	3.25	4.08	N/A
- Pooled Equity Funds**	2.00	-	2.00	4.49	N/A
- Multi-Asset Funds**	1.75	-	1.75	3.77	N/A
	7.00	-	7.00	4.12	N/A
TOTAL INVESTMENTS	35.50	(5.69)	29.81	1.13	0.28

* Weighted average maturity

** The rates provided for pooled fund investments are reflective of the average dividend return over the last 12 months.

Treasury Management position

	31/12/2020 Balance £m	31/12/2020 Rate %
External Borrowing		
- PWLB	(8.10)	(4.71)
Investments		
- Total Investments	29.81	1.13
NET INVESTMENTS	21.71	

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Capital and Investment Strategy 2020/21 to 2023/24

1 Introduction

1.1 This report gives a high-level overview of how capital expenditure, capital financing and treasury management 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. Hampshire Fire and Rescue Authority (HFRA) has previously reported these matters in separate reports of the revenue budget, capital programme and the medium term financial plan (MTFP). In line with the latest statutory guidance, these inter-related issues are brought together in this one Capital and Investment Strategy.

1.2 This strategy covers:

- Governance arrangements for capital investment;
- Capital expenditure forecasts and financing;
- Prudential indicators;
- Minimum revenue provision;
- Treasury Management definition and governance arrangements;
- Investments for service purposes, linked to the Authority's commercial strategy;
- Links to the statutory guidance and other information.

2 Governance

2.1 The Authority's Medium Term Financial Plan (MTFP) ensures that we continue to invest wisely in our existing assets and deliver a programme of new ones, in line with overall priorities and need. This is kept under review by the Authority, with updates being provided on an annual basis for the MTFP.

2.2 The final capital programme is presented to the Authority in February each year. Any in year changes must be reported to the Authority and approval obtained for any increases to the plans.

3 Capital expenditure and financing

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

- 3.2 The estimated level of capital expenditure (or ‘payment’) flows each year, together with forecasts of financing resources, are two of the factors taken into account in determining the funding available within the capital programme.
- 3.3 Capital expenditure may be funded directly from revenue, with a regular, annual contribution to capital currently being made from the revenue budget. However, the general pressures on the Authority’s revenue budget and council tax levels, limit the extent to which this may be exercised as a source of capital funding in future.
- 3.4 Prudential borrowing does provide an option for funding additional capital development, but one which then results in costs that have to be funded each year from within the revenue budget or from generating additional ongoing income streams.
- 3.5 Given the pressure on the Authority’s revenue budget in future years, prudent use could be made of this discretion to progress schemes in cases where there are clear Service or financial benefits, as demonstrated through the Station Investment Programme. Such schemes focus on clear priorities for investment in new or existing assets, and those that generate revenue benefits in future financial years, in the form of clear and measurable revenue savings or longer term income generation either directly or through council tax or business rate yield.
- 3.6 Expenditure flows in 2020/21 and the following three years will result from works in progress (schemes started in 2020/21 and earlier years) plus those arising from the proposed programme for 2021/22 to 2023/24, as Table 1 below shows.

Table 1 – Forecast capital expenditure flows

	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Works in progress at 31 March 2020 and schemes starting in 2020/21	2,282	3,733	6,656	10,735
Programmes starting in 2021/22, 2022/23 and 2023/24		16,327	19,341	11,801
Total expenditure flows	2,282	20,060	25,997	22,536

- 3.7 In practice, expenditure flows in the years after 2020/21 may vary from those shown in Table 1 if further external contributions become available to fund additional capital schemes, or when prudential borrowing is used to fund the Station Investment Programme.

Table 2 - Resources to fund capital expenditure

	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Contributions from other bodies including developers	0	100	0	0
Capital receipts	0	0	0	0
Prudential borrowing	282	6,399	14,409	15,848
Revenue grants unapplied reserve	58	0	0	0
New resources in the year	340	6,499	14,409	15,848
Use of the capital reserve: added to the reserve (-), or taken from the reserve (+)	1,942	13,561	11,588	6,688
Total resources available	2,282	20,060	25,997	22,536

4 Prudential Indicators

- 4.1 Prudential borrowing is being used to fund the Station Investment Programme. As the loan repayments and interest charges have to be financed by the Authority from its own resources, it is important that the use of prudential borrowing is very closely controlled and monitored. Any decision to take out any new borrowing to fund capital expenditure is considered and approved by the full Authority and includes an assessment of the impact and affordability on the revenue budget.
- 4.2 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). In order to ensure that, over the medium term, debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year, plus the estimates of any additional CFR for the current and next two financial years. This is a key indicator of prudence.

Table 3 – Ensuring borrowing is only for capital purposes

	31/03/21 Revised	31/03/22 Estimate	31/03/23 Estimate	31/03/24 Estimate
	£m	£m	£m	£m
CFR	10.6	16.6	30.5	45.5
Total External borrowing	7.4	13.1	20.3	21.4

4.3 Total debt is expected to remain below the CFR during the forecast period.

Affordable borrowing limit

4.4 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 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 capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.

Table 4 – Affordable borrowing limits

	2020/21 Revised	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£m	£m	£m	£m
Authorised Limit for Borrowing	18.0	24.0	37.9	52.9
Authorised Limit for Other Long-term Liabilities	5.0	5.0	5.0	5.0
Authorised Limit for External Debt	23.0	29.0	42.9	57.9
Operational Boundary for Borrowing	14.3	20.3	34.2	49.2
Operational Boundary for Other Long-term Liabilities	5.0	5.0	5.0	5.0
Operational Boundary for External Debt	19.3	25.3	39.2	54.2

Ratio of Financing Costs to Net Revenue Stream

- 4.5 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Table 5 – Ratio of Financing costs to Revenue Budget Requirement

	2020/21 Revised	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	%	%	%	%
Ratio	0.62	0.92	1.24	1.99

Incremental Impact of Capital Investment Decisions

- 4.6 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed for the next three years.

Table 6 - Incremental Impact of Capital Investment Decisions

	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£	£	£
General Fund - increase in annual band D Authority Tax	0.22	0.40	0.91

5 Minimum Revenue Provision for debt repayment

- 5.1 Where the Fire and Rescue Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Fire and Rescue Authority to have regard to guidance issued by the Ministry of Housing, Communities and Local Government on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2017.
- 5.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

5.3 The MHCLG Guidance requires the Fire and Rescue Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The four MRP options available are:

- Option 1: Regulatory Method;
- Option 2: CFR Method;
- Option 3: Asset Life Method;
- Option 4: Depreciation Method.

6 MRP in 2021/22

6.1 Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) capital expenditure funded from borrowing. Methods of making prudent provision for unsupported capital expenditure include Options 3 and 4 (which may also be used for unsupported capital expenditure if the Fire and Rescue Authority chooses).

6.2 The Fire and Rescue Authority will apply Option 1/Option 2 in respect of supported capital expenditure funded from borrowing and Option 3/Option 4 in respect of unsupported capital expenditure funded from borrowing.

6.3 MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

6.4 Capital expenditure incurred during 2021/22 will not be subject to an MRP charge until 2022/23.

6.5 Based on the latest estimate of its Capital Financing Requirement on 31st March 2021, the budget for MRP has been set as follows:

	31.03.2021 Estimated CFR £'000	2021/22 Estimated MRP £'000
Supported capital expenditure before 01.04.2008	10,212	408
Unsupported capital expenditure after 31.03.2008	407	9
Total General Fund	10,619	417

7 Treasury Management

7.1 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. 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.

- 7.2 The Authority's Treasury Management Strategy (contained at **Appendix E** of this report) is scrutinised and approved by the Authority each year. Actual performance is reviewed by the Authority on a six monthly basis.

8 Investments for Service Purposes

Utilising Property Assets

- 8.1 The Authority's Strategic Property & Estates Plan (SPEP) was approved by the Finance & General Purposes Committee of Hampshire Fire Authority in November 2016. The document sets the strategic direction for the estate until 2020. The strategy sets out seven core principles which are used to govern the management of the estate.

- 8.2 The principles are:

1. All our properties are recognised as HFRS corporate assets. This approach allows decisions to be made centrally with strategic overview.
2. The prime 'customer' of our properties are our operational and support teams which deliver our services. As far as possible, decisions are made recognising these primary users of our buildings.
3. We have a strategy to retain the current service provision across Hampshire. This may result in retaining and/or re-providing fire stations to meet the changing needs of the organisation and of the communities we service.
4. We will seek to wholly own our estate.
5. We will ensure our estate remains fit for the organisation's purposes, through continued investment in maintenance, improvements and replacement where this is deemed necessary.
6. The estate needs to work harder for the Service and be cost effective to maintain and operate. Where possible, we should maximise the potential use of land and buildings, generating income and implementing cost recovery.
7. Our environmental and energy strategies will set out approach to reduce risks, increase resilience and take advantage of opportunities presented by a changing climate in Hampshire.

- 8.3 These principles aim to ensure that a fit for purpose estate is maintained at all times in the most cost-effective way. Principles 4 and 6 specifically relate

to the Capital and Investment Strategy, with the aim of using assets to reduce the annual revenue cost of the estate and to maximise the potential for income generation, where appropriate.

- 8.4 This is a deliberate outcome of the overall strategy and has been achieved through the pursuit of a range of initiatives targeting increased income generation. However, without over exposing the Authority to excessive risk or considering radical changes that take the Authority into areas that are not its core business, or indeed pursuing more niche opportunities that simply do not offer with any confidence anything like the scale of income to merit the effort and upfront investment.

Pooled Funds

- 8.5 Higher yields can be accessed through investments in assets other than cash, such as equities and property. The Fire and Rescue Authority has made investments in pooled property, equity, and multi-asset funds.
- 8.6 The principle 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 Fire and Rescue Authority's most stable cash balances, and the allocation of £7.0m forms part of the Fire and Rescue Authority's forecast future minimum balance.
- 8.7 The selection of investments to target higher yields is carefully managed with the assistance of Arlingclose, the Fire and Rescue Authority's treasury management advisor, who recommend that the Fire and Rescue Authority diversifies its investments targeting a higher return between asset classes. This is in order 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.
- 8.8 The Fire and Rescue 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 the particular investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building.

Developing joint ventures that yield additional income or generate a return

- 8.9 The Authority is pursuing a number of opportunities either through its land holdings or through the relationship it has with partners or contractors that look at new and innovative ways of generating a financial return. To date the Authority has formed partnerships with other emergency services, both by sharing building space and through operational changes.

9 Knowledge and skills

- 9.1 Through the Hampshire Shared Services Partnership, the Authority is advised by professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions in accordance with the approved strategies. 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.
- 9.2 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.
- 9.3 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 December 2020, which gave an update of treasury matters. A further Arlingclose workshop will be planned for late in 2021.

Investment Advisers

- 9.4 As part of the Hampshire Shared Services Partnership, the 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 County Council's Deputy Chief Executive and Director of Corporate Resources, her staff and Arlingclose.

10 Chief Finance Officers conclusion on the affordability and risk associated with the Capital and Investment Strategy

- 10.1 This Capital and Investment Strategy has been developed alongside the Treasury Management Strategy (Appendix E) and the Reserves forecast (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.
- 11 The forward planning of capital 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, forms an important part of the assurance around the forward capital programme. Of particular note in this strategy is the revenue impact of the Station Investment Programme, which significantly increases prudential borrowing over the next few years.

12 The Authority and the Service are aware of the impact of this new borrowing and the fact that it will need to be taken into account in setting the Medium Term Financial Plan in due course and is likely to require savings to fund the extra borrowing costs. In addition, however, the Authority will lobby Government to consider greater flexibility for council tax rises and to seek new funding for capital investment which will further mitigate these risks if successful. However in the context of the overall revenue budget and the planning over the medium term, this provides assurance to the Chief Financial Officer that the proposed capital programme is prudent, affordable and sustainable.

13 Links to statutory guidance and other information

13.1 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:

- MHCLG - Local Government Investment* [MHCLG Investment](#)
- CIPFA's Prudential Code 2017
- CIPFA's Treasury Management Code 2017

* Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, a Treasury Management Strategy in line with the requirements of the Treasury Management Code, the Investment Strategy can be published in those documents instead of a separate document.

13.2 The Authority's Strategic Property & Estates Plan can be found at the following the link [Full SPEP](#).

13.3 Details of the 7 Core Principles can be found at [Core Principles](#) .

13.4 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 significance of the previous funding reductions announced to the end of the decade and the delay in the next Comprehensive Spending Review (CSR), this report considers not only the short term position but also the position beyond 2021/22.

Robustness of Estimates in the Budget

The budget setting process within the Hampshire Fire and Rescue Authority (HFRA) has been operating effectively for many years and is based on increasing the budgets each year allowing for pay and price inflation and other marginal base changes in the cost or levels of service.

This year's process has been complicated by the move to a new Combined Fire Authority (CFA) that includes the Isle of Wight and required a slightly different approach for setting the budget.

The first stage took the detailed service budgets and grant and council tax income and combined these into an initial 'base' position for 2020/21. Provisions for pay and inflation increases were applied to this in the usual way together with the impact of past budget decisions that had previously been taken by HFRA. This produced a net budget deficit of £1.001m.

The provisions for pay and price inflation are included within each successive MTFP and these are then refined by the Chief Financial Officer in rolling forward the detailed budget for the next financial year.

In general terms, forecasting is undertaken on a very prudent basis, particularly in respect of allowances for pay and price inflation and increases in the council tax base and business rate income.

Growth pressures are considered corporately and agreed by the Authority and are factored into future budgets on a recurring basis and this process was followed for the new CFA and included some items relating to the combination which were identified in the business case submitted to Government and related to providing adequate resources in the base budget for property maintenance. Other growth pressures around IT and Vehicles were also identified in order to ensure that standards of equipment were consistent across the new CFA.

These growth items added a further £954,000 to the budget and whilst this has had the impact of increasing the deficit it does indicate that a thorough piece of work has been carried out in preparing the estimates for next year.

This work builds on the budgets for the current year and despite Covid-19 budget management within the Authority remains strong as demonstrated by the outturn position each year since funding reductions began and as reflected in the annual opinion of the External Auditors who has in the past given an unqualified opinion on the annual accounts and in securing value for money / financial resilience.

At the end of January 2021 we received the formal audit opinion for 2019/20, which gave an unqualified opinion for the accounts and a positive conclusion for the value for money assessment.

As Chief Financial Officer for the Authority I have a close involvement with the budget setting process, which has been increased this year given the move to the new CFA and I am content that the estimates are robust based on the knowledge we have available to us at this time.

Risks in the Budget 2021/22

In some respects, the significant changes to local government finance since 2010 have changed the profile of risk faced by most public sector organisations. In reality, the biggest financial risks now relate purely to reductions in government funding and government policy. As a Fire and Rescue Authority we do not face demand pressures in the same way as those with social care responsibilities and therefore key cost risks tend to be around pay and price inflation and the impact of pensions. Clearly the current financial year has provided significant financial concerns in terms of the impact of Covid-19 and these items together with other traditional risks are outlined below:

- a) **Covid-19** – The impact of Covid-19 on Fire and Rescue Services has obviously been significant from a response point of view, with the Service and key personnel taking an active role in the command structure for the Local Resilience Forum. Whilst the impact on services has been significant, the additional costs and income losses for Fire and Rescue Services has not been to the same level and current predictions are that the financial impact in the current year will be covered in full by the Covid grant received from the Government. However, at the time of writing this report activity and response levels are at the highest point they have been during the pandemic and costs associated with testing and support to health may mean the grant level is exceeded. It may be possible to bid for additional Government contingency funding to mitigate this risk.

Of greater concern was the potential impact on council tax and business rate income levels going forward, which could have had a major impact on budget setting for next year. Given the unprecedented position presented by the pandemic, billing authorities have not been able to provide any forecasts of collection fund deficits or council tax base estimates until very late in the process.

Thankfully, council tax base figures have unexpectedly shown a very small increase compared to last year and there is Government grant to compensate authorities for the fact that they would have normally expected a bigger increase. Furthermore, following the announcement of additional Government support for council tax and business rates losses, the impact of collection fund deficits on the budget setting position for 2021/22 is much less than might have been expected, but are less clear at the time of writing this report than would normally be at this point in the process.

Looking forward, this still could be an area of concern as Government support for individuals and businesses starts to fall out and the full economic impact of the

pandemic is felt, but this will be reflected in the preparations for the budget in future years.

- b) **Government Funding and Policy** – The provisional local government settlement announced in December last year included a real terms increase in funding for Fire Authorities and this is reflected in the estimates in this budget setting report and was slightly better than had been included in the forecasts to the Shadow Authority.

Any other significant changes to funding or policy during the year would have to be covered by contingencies or general balances, but generally once grant levels have been set in the final settlement due in January they do not change, so this is not really an area of concern at this stage.

- c) **Council Tax** – The Government have granted additional flexibilities in relation to council tax that allow local authorities with responsibility for adult social care to raise the social care precept by up to 3% on top of referendum limit of 2% for 2021/22.

Despite lobbying from the sector the Government did not grant Fire Authorities the ability to set a £5 council tax increase (as is the case with Districts) which is disappointing as this would have made a significant difference the finances of the authority going forward.

Increases in council tax form a key part of closing the predicted budget deficits over time and this report therefore recommends that an increase of 1.99% is applied in 2021/22 in line with the assumptions in the interim MTFP. This increase is recommended as there is still a deficit in the budget for 2021/22 and given the uncertainty of the funding position for future years.

- d) **Pay and Price Risk** – The rolled forward budget presented to the Shadow Authority in December contained provision of 2.5% for increases in fire fighter pay together with the full year impact of last year's pay award. Similarly a figure of 2% was included for green book staff.

Following the Government's announcement that there should be a public sector pay freeze for 2021/22, the provisions for the pay awards have been removed apart from an allowance to cover the proposed pay award for the low paid.

Should a pay award be granted by the relevant pay bodies (as the Government does not set pay for Firefighters or green book staff) then this will have a negative impact on the budget. This is clearly a risk and any award would need to be met from reserves in the first instance and included in forecasts for the budget in 2022/23 and beyond.

The impact of price inflation has been considered in setting the budget and it would take a major departure from the Authority's assumptions to create a financial problem that we could not deal with.

- e) **Employers Pension Risk** – This was highlighted as major risk in the budget in previous years following a significant increase in employers pension contributions which has been met annually by a Government Grant.

However, the Government have never confirmed that this grant would be ongoing, instead agreeing the grant on a one-off basis in each budget setting round.

The provisional local government settlement confirmed the grant once again for 2021/22 and during December a letter was received confirming that this amount will

be baselined into future settlements, which is positive news and removes this as a major risk going forward.

- f) **Treasury Risk** – The Authority has limited exposure to interest rate risk as most long term borrowing is undertaken on a fixed rate. For many years, the Authority has not been undertaking any new long term borrowing as the capital programme does not require it. However, approvals relating to the funding for the Station Investment Programme require significant prudential borrowing starting from next year and decisions on when best to take out this borrowing will need to be considered to limit the ongoing revenue liabilities that this will create.

At this stage a prudent approach to the speed of delivery of the programme has been taken and allowances for debt costs have been built in on the same basis but have a limited impact next year. This is therefore a small risk in the budget for next year but will increase as the programme progresses should interest rates start to move.

On the investments 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 products that should return a stable income yield each year.

There is a further risk relating to the fact that negative interest rates are now a feature of the financial markets, but the Treasury Management Strategy has been amended to cover this risk. In any event the relative level of investment returns compared to the overall budget make this a very minimal risk in any case.

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 3.06% of net expenditure at the beginning of 2021/22 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.

The Authority has two key earmarked reserves that it uses to effectively manage its medium term financial position. The Capital Payments Reserve receives contributions each year and is the major source of funding for the capital programme. The balance on the account mainly reflects the timing differences between planning for capital spend and the profile of capital spend which can be over several years for major projects.

The Transformation Reserve receives regular one off contributions from underspends in the year as well as a regular contribution built into the base budget and is used to pay for transformational change that achieves further savings.

The Authority does however need to be cognisant of the rate of spend on transformation programmes and the extent to which these could be resourced by existing capacity rather than through additional new spending. This is particularly important as the level of the reserve will be greatly reduced by the end of this year.

More recently, the authority has also set up reserves in respect of equipment and ICT replacement in order to provide funding for and to smooth the impact of high cost replacements and refresh in these areas. This change only further strengthens the Authority's financial resilience.

Similarly, following savings arising from the pension contributions towards past deficits in the Hampshire LGPS Pension Fund, a contribution of £625,000 per annum (at least for three years) is being put into a Grant Equalisation Reserve (GER) which is not only being used to balance the budget next year but going forward will help to mitigate some of the risks as outlined above.

As pointed out within the interim MTFP, despite the uncertainty of funding beyond 2021/22, the new CFA is well placed to mitigate the risks that this creates due to the high level of revenue contributions to reserves contained within the base budget (currently nearly £6.3m).

Budget 2021/22 – Conclusion

Given the details outlined above, provided that the Authority considers the above factors and accepts the budget recommendations, including the level of earmarked reserves and balances, a positive opinion can be given under Section 25 on the robustness of the estimates and level of reserves for 2021/22.

The Position Beyond 2021/22

Given the announcement of a one year Spending Round for 2021/22, the Authority is still in the position of not knowing what its financial prospects are beyond a one year planning horizon.

Once the next Comprehensive Spending Review takes place, it is likely that local government and Fire Authority finances will be impacted over this period due to the impact of Covid-19 on Government borrowing and the general economic conditions.

We still await the outcome of the Fair Funding Review and the extension of Business Rate Retention, on which consultation papers have previously been published and it is not known what the impact of this might be on resource levels and distribution methodologies going forward. By December 2021 it is hoped that a multi-year position for funding will be known and a more robust plan can be put in place.

However, given the deficit in the budget for 2021/22 savings plans need to be developed now for implementation before or during 2022/23 and the Chief Fire Officer intends to engage with the new combined service to consider what options might be available for savings, efficiencies and income generation going forward.

Whilst there are risks with the Interim 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 and such a change would have a significantly greater impact on the rest of the sector whose financial position is not as stable as the new CFAs.

Rob Carr
Chief Financial Officer
25 January 2021

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

SHADOW AUTHORITY

Purpose: Approval

Date: 10 February 2021

Title: **TERMS OF REFERENCE FOR HIWFRA FIREFIGHTERS' PENSION BOARD AND MEMBERSHIP OF THE BOARD**

Report of Clerk of the Authority

SUMMARY

1. This report seeks approval for the Terms of Reference of the Firefighters' Pension Board for the new Combined Fire Authority of Hampshire and the Isle of Wight (HIWFRA) which will come into effect from the 1 April 2021.
2. This report also seeks approval of the membership of the HIWFRA Firefighters' Pension Board from the 1 April 2021 and for appropriate appointments to be made.
3. The HFRA Firefighters' Pension Board received this report and the proposed Terms of Reference on the 27 January 2021 to note, and the Pension Board supported the recommendations as set out at paragraphs 11-12.

BACKGROUND

4. Firefighters' Pensions Boards became mandatory from April 2015, and as such both Hampshire Fire and Rescue Authority and Isle of Wight Fire and Rescue Authority took steps to establish a local Pension Board in respect of the Firefighters Pension Scheme. Under combination there is the requirement to have one Pension Board for the new combined authority from 1 April 2021.

5. There is a requirement that the HIWFRA Firefighters' Pension Board has a Terms of Reference, and the proposed Terms of Reference for the HIWFRA Firefighters' Pension Board are attached at Appendix A. Approval is sought from the Shadow Authority for these proposed Terms of Reference.

6. In relation to membership of the HIWFRA Firefighters' Pension Board, a number of different options were reviewed and brought to the 8 October 2020 HFRA Firefighters' Pension Board for consideration with a view to incorporating Isle of Wight representation in the HIWFRA Firefighters' Pension Board. HFRA currently has six Pension Board Members, three Employer Representatives, and three Scheme Member Representatives. (There is a requirement in the legislation to have an equal number of employer and scheme member representatives).

7. The Isle of Wight Fire and Rescue Authority currently has four Board Members, the two Employer Representatives are Elected Members, and the two Scheme Member Representatives are serving firefighters. It was felt that the best way forward would be to contact both of the Scheme Member Representatives to see if one of them would be willing to become an Employer Representative as both wished to continue serving on the Pension Board. This approach was endorsed by the HFRA Firefighters' Pension Board and approval is sought from the Shadow Authority to enable the necessary appointments to be made as follows for a four-year term and in accordance with the proposed Terms of Reference (Appendix A):

Employer Representatives:	Scheme Member Representatives:
Stew Adamson*	Richard North*
Cllr Roger Price*	Richard Scarth*
Dan Tasker*	Mark Hilton*
Sean Harrison**	Ross Singleton**

* *current Hampshire Fire and Rescue Authority Firefighters' Pension Board Member*

** *current Isle of Wight Fire and Rescue Authority Firefighters' Pension Board Member*

LEGAL IMPLICATIONS

8. It is a requirement to have a local Pension Board of the HIWFRA.

PEOPLE IMPACT ASSESSMENT

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

OPTIONS

10. The Shadow Authority is asked to approve the proposed Terms of Reference and make the appointments for the reasons outlined in the report above.

RECOMMENDATIONS

11. That the Shadow Authority approve the proposed Terms of Reference for the HIWFRA Firefighters' Pension Board as set out at Appendix A.
12. That the Shadow Authority approve the membership of the HIWFRA Firefighters' Pension Board as set out in paragraphs 6 - 7 of the report, and appoint the representatives set out in paragraph 7 above for 4-year terms, to take effect from the 1 April 2021 in accordance with the HIWFRA Firefighters' Pension Board Terms of Reference as set out at Appendix A.

APPENDICES ATTACHED

13. **Appendix A – proposed Terms of Reference**

Contact:

Paul Hodgson, on behalf of the Clerk to the Authority,

paul.hodgson@hants.gov.uk

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Terms of Reference for the Pension Board of the Hampshire and Isle of Wight Firefighter's Pension Scheme

1 Introduction

- 1.1. Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) has established a Pension Board in accordance with the requirements of the Public Service Pension Act 2013.

2 Role and Powers of the Hampshire and Isle of Wight Firefighter's Pension Board

- 2.1. The role of the Board is to:
- Assist HIWFRA as the administering authority of the Hampshire and Isle of Wight Firefighter's Pension Scheme (HIWFFPS):
 - to secure compliance with the Firefighter's Pension Scheme (FFPS) Regulations and any other legislation relating to the governance and administration of the FFPS.
 - to secure compliance with requirements imposed in relation to the FFPS by the Pensions Regulator.
 - To ensure the effective and efficient governance and administration of the HIWFFPS by the Authority.
 - To consider how discretionary and other pension related issues are being addressed from an operational viewpoint.
 - To present an annual report to the Authority on the exercise of its functions.
- 2.2. The Board shall have the power to do anything which is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.

3 Members of the Hampshire and Isle of Wight Firefighter's Pension Board

- 3.1. The Board shall initially consist of 8 members and be constituted as follows:
- 4 employer representatives;
 - 4 scheme member representatives;
- 3.2. The Chairman of the Board will be elected by the Board, from amongst its number at the first meeting of the Board following the Annual General Meeting (AGM) of the HIWFRA in each year. Should the Board meet prior to the AGM in 2021, the Chairman will be elected by the Board, from amongst its number at its inaugural meeting, until the first meeting of the Board after the AGM in 2021.

- 3.3. With regard to 3.4, the Vice Chairman of the Board will be elected by the Board from amongst its number at the first meeting of the Board following the Annual General Meeting (AGM) of the HIWFRA in each year. Should the Board meet prior to the AGM in 2021, the Vice-Chairman will be elected by the Board, from amongst its number at its inaugural meeting, until the first meeting of the Board after the AGM in 2021.
- 3.4. If the Chairman is a scheme member representative then the Vice Chairman will be an employer representative and vice versa.
- 3.5. The employer representatives will be appointed by the Authority at any time during the year.
- 3.6. Scheme member representatives will be appointed by the Authority, at any time during the year, in accordance with the recruitment policy agreed by the relevant Committee with responsibility for Scheme Management. They must be active, deferred or pensioner members of the FFPS. Where possible, and subject to suitable applications being received, scheme members will be appointed from both the Hampshire and Isle of Wight geographical areas.
- 3.7. The term of office of the Chairman and Vice Chairman will be one year, but either can be re-elected by the Board up to a maximum of four years.
- 3.8. Each employer representative and scheme member representative so appointed shall serve for a fixed four-year period which can be extended for a further period of four years.
- 3.9. Employer representatives and scheme member representatives will remain as members of the Board during their appointed term of office unless they become incapable of acting, cease to represent their constituency, resign by giving written notice to the Chairman of the HIWFRA or are removed from the Board pursuant to Paragraph 4 of the Board's Code of Conduct.
- 3.10. Employer representatives and scheme member representatives may also be removed from office during their term of appointment by a majority decision of a quorate meeting of the HIWFFPS Board if they do not comply with the requirements of paragraph 3.9. The removal of any Board member also requires the agreement of the HIWFRA.
- 3.11. Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least half of the meetings held in each year.

4 Quorum

- 4.1. Half of the members of the Board will represent a quorum for Board Meetings.
- 4.2. In the absence of both the Chairman and the Vice-Chairman the members of the Board shall appoint a Chairman for that meeting who shall while presiding have any power or duty of the Chairman in relation to the conduct of the meeting.

5 Advisers to the Board

- 5.1. The Board will be supported in its role and responsibilities by officers of the HIWFRA and it will consult with such officers to help better perform its duties.

In the event that specialist professional advice is not available from the officers of the HIWFRA then the Board may ask the Chief of Staff to seek independent professional advice through the appointment of advisers on their behalf, subject to financial and legal considerations.

6 Knowledge and Skills

- 6.1. A member of the Board must be conversant with:
- The legislation and associated guidance of the FFPS.
 - Any document recording policy about the administration of the FFPS which is for the time being adopted by the HIWFRA.
- 6.2. A member of the Board must have knowledge and understanding of:
- The law relating to pensions, and
 - Any other matters which are prescribed in regulations.
- 6.3. A member of the Board representing employers or scheme members must have the relevant experience and capacity to represent employer and scheme members respectively on the Board.
- 6.4. Notwithstanding the requirements set out above, it is anticipated that training will be given to Board Members to help them fulfil their role and to keep them updated on changes in the FFPS.

7 Board Meetings

- 7.1. Meetings of the Board will be conducted in accordance with the Standing Orders of the HIWFRA and for all purpose including but not limited to notice of meetings, publication of agendas and reports, recording and publication of minutes of meetings and consideration of urgent items meetings of the Board shall be treated as if they were a meeting of a Committee of the HIWFRA.
- 7.2. There will be a minimum of two Board meetings a year and the Chairman of the Board, with the consent of the Board may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone or video conferencing and e-mails.

8 Voting

- 8.1. Each member of the Board will have an individual vote and items will be decided by a simple majority of members attending the meeting but it is expected the Board will as far as possible reach a consensus. The Chairman shall determine when consensus has been reached.
- 8.2. Where consensus is not achieved, this should be recorded by the Chairman who shall then have a casting vote.
- 8.3. In support of its core functions, the Board may make a request for information from the Scheme Manager, with regard to any aspect of the scheme manager's function. Any such request should be reasonable complied with in both scope and timing.

- 8.4. In support of its core functions the Board may make recommendations to the Scheme Manager which should be considered and a response made to the Board on the outcome within a reasonable period of time.

9 Standards of Conduct

- 9.1. The role of Board members requires the highest standards of conduct and therefore the 'seven principles of public life' apply to all Board members, these are:

Selflessness
Integrity
Objectivity
Accountability
Openness
Honesty
Leadership

- 9.2. The Code of Conduct for Board Members set out in Annex A shall apply to all members of the Board. Members of the Board who are also a member of other authorities also remain bound by the Member's Code of Conduct of their own authority.

10 Publication of Pension Board Information

- 10.1. Up to date information will be posted on the Authority's website showing:

- The names and information of the Board members.
- How the scheme members are represented on the Board.
- The responsibilities of the Board as a whole.
- The full terms of reference and policies of the Board and how they operate.
- The Board appointment process.
- Who each individual Board member represents.
- Any specific roles and responsibilities of individual Board members.

11 Accountability

- 11.1. The Board will be collectively and individually accountable to the relevant Committee with responsibility for Scheme Management and the Authority.

12 Reporting Breaches

- 12.1. Any potential or actual Breach that comes to the attention of the Board shall be dealt with in accordance with the Protocol for Reporting Breaches agreed from time to time between the Board and the Authority.

13 Expense Reimbursement

- 13.1. No basic allowance is payable to Board members although employer and scheme member representatives shall be entitled to claim Travelling

Allowances on the terms set out in the then current Member's Allowance scheme, or HFRS employees scheme as appropriate.

14 Definitions

14.1. The undernoted terms shall have the following meaning when used in this document:

<i>Breach</i>	Means non-compliance with a duty relevant to the administration of the FFPS which is likely to be of material significance to the Pensions Regulator in the exercise of any of its functions
<i>'Hampshire and Isle of Wight Firefighter's Pension Board', 'Fire Pension Board', 'Pension Board' or 'Board'</i>	Means the Pension Board of Hampshire and Isle of Wight Fire and Rescue Authority for the Hampshire and Isle of Wight Firefighter's Pension Scheme as required under the Public Service Pensions Act 2013.
<i>'HIWFFPS', 'FFPS' or Regulations</i>	The Firefighter's Pension Scheme as constituted by the Firefighter's pension scheme 1992, as amended, the Firefighter's Pension Scheme 2006, as amended and the Firefighter's Pension Scheme Regulations 2014 as amended.

<i>'Scheme'</i>	Means the Firefighter's Pension Scheme as defined under 'HIWFFPS' above.
<i>'Scheme Member'</i>	Means active, deferred or pensioner members of the Firefighter's Pension Scheme

15 Interpretation

- 15.1. Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Authority's Monitoring Officer.

Annex A

Code of Conduct for Members of the Hampshire and Isle of Wight Firefighter's Pension Board Members

1. Introduction

This Code of Conduct for the Hampshire and Isle of Wight Firefighter's Pension Board has been adopted by the HIWFRA pursuant to its statutory duty to appoint a Pension Board for the HIWFFPS.

This Code applies to members of the Hampshire and Isle of Wight Firefighter's Pension Board when acting in their capacity as members of the Board. For the avoidance of doubt, members of the Board who are also members of other authorities also remain bound by the Member's Code of Conduct of their own authority.

This Code is based on and is consistent with the principles of;

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty and
- Leadership

2. Obligations of Members of the Board

As a Member of Hampshire and Isle of Wight Firefighter's Pension Board, your conduct will address the principles of the Code of Conduct by:

- a. Not allowing other pressures, including the financial interests of yourself or others connected to you, to deter you from pursuing the interests of the HIWFFPS, or the good governance of the HIWFFPS in a proper manner.
- b. Exercising independent judgement and not compromising your position by placing yourself under obligations to outside individuals or organisations who might seek to influence the way you perform your duties.
- c. Listening to the interests of all parties, including relevant advice from statutory and other professional officers of the HIWFRA (or those acting on their behalf), taking all relevant information into consideration, remaining objective and making decisions on merit.

- d. Being accountable for your decisions and co-operating when scrutinised internally and externally.
- e. Contributing to making the Board's decision-making processes as open and transparent as possible.
- f. Restricting access to information when the wider public interest, the Board's Terms of Reference or the law requires it.
- g. Valuing your colleagues and Officers of the HIWFRA and engaging with them in an appropriate manner.
- h. Always treating all people with respect and propriety.

3. Conflicts of Interest

- a. No member of the Board may participate in any business of the Board if they have a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board (this does not include a financial or other interest arising merely by virtue of membership of the Scheme or any connected Scheme) ('Conflict of Interest').
- b. All Board members must before becoming a member of the Board declare any potential Conflict of Interest to the Monitoring Officer of the HIWFRA.
- c. After appointment all Board members must within 14 days of becoming aware of any new potential Conflict of Interest declare that potential Conflict of Interest to the Monitoring Officer of the HIWFRA.
- d. A member of the Board must at any time provide the Monitoring Officer of the HIWFRA with such information as he or she requires for the purpose of establishing whether or not the Board member has a Conflict of Interest.
- e. A Board member should disclose any Conflict of Interest in any business of the Board either at the commencement of the meeting, the commencement of the consideration of the item or when the Conflict of Interest becomes apparent.
- f. If a Board member has a Conflict of Interest in any business of the Board then that Member may not participate in any discussion of, vote on or discharge any function in relation to the matter. In addition, the Board member should withdraw from the room where the meeting is being held.

4. Non-Compliance with the Code of Conduct

Any alleged non-compliance with this Code of Conduct shall be referred to the relevant Committee with responsibility for Scheme Management for consideration. In the event that the Committee find that a member of the Board has failed to comply with the provisions of this Code then the Committee may determine that the Member is to immediately cease to be a member of the Board or take such other action as the Committee regard as appropriate. This can include but is not limited to requiring the member to apologise or requiring the member to undertake such training as they feel is appropriate.

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

Shadow Authority

Purpose: Approval

Date: 10 FEBRUARY 2021

Title: MEMBER ALLOWANCE SCHEME 2021/2022

Report of Clerk of the Authority

SUMMARY

1. This report seeks the approval of the Hampshire and Isle of Wight Fire and Rescue Shadow Authority to adopt the Member Allowance Scheme (“the Scheme”) set out at Appendix 1 with effect from 1 April 2021.
2. The report also recommends that a cross party member working group is established at the Annual Meeting of the Authority in June 2021 to review the Scheme towards and bring recommendations for a new scheme by March 2022.

BACKGROUND

3. The Local Authority (Members Allowances) (England) Regulations 2003 require local authorities, including fire and rescue authorities, to make a scheme providing for the payment to members of basic allowance and any other specified allowances the Authority intends to make in respect of each year commencing 1 April.
4. The scheme must be made by the Authority before it comes into force. Under the provisions of the Members’ Allowances Regulations, it is possible for the Fire and Rescue Authority to make a scheme for an annual adjustment of allowances to be ascertained by reference to an index specified by the Authority, for a maximum of four years.
5. Before making a scheme, county and district councils are required to have regard to the recommendations of an Independent Remuneration Panel of the Authority (an “IRP”). The position is slightly different for fire and rescue authorities, who are only required to have regard to any published

recommendations of IRPs established by its constituent authorities. The Constituent Authorities last reviews of their schemes, including the recommendations of their IRPs are as follows:

- (a) Portsmouth City Council – November 2017. The IRP's recommendations can be found here: <https://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CId=146&MID=3444#AI8800>
 - (b) Southampton City Council – November 2018. The IRP's recommendations can be found here: <https://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MId=3819&Ver=4>
 - (c) Hampshire County Council – November 2017. The IRP's recommendations can be found here: <https://democracy.hants.gov.uk/documents/s8768/Members%20Allowances%20Scheme%20201718%20Scheme%20for%20201819%20201920%20202021%20202122.pdf>
 - (d) Isle of Wight Council – September 2018. The IRP's recommendations can be found here: <https://www.iow.gov.uk/Meetings/committees/mod-council/19-9-18/PAPER%20E.pdf>
6. Until Hampshire & Isle of Wight Fire and Rescue Authority (HIWFRA) is fully operational (from 1 April 2021 onwards), it is difficult to judge whether a different Scheme, with different allowances to the existing HFRA Scheme is warranted. It is therefore recommended that the Scheme set out at Appendix 1, which is based on the allowances currently paid under HFRA's Scheme, is adopted by H&IWFRA for 2021/2022. None of the recommendations from the Constituent Authorities' IRPs from 2017 are particularly material to this suggested approach.
7. It is also recommended that a Member Working Group is appointed to undertake a review of the Scheme and make recommendations to the Authority on a further Scheme by March 2022. It is recommended that the Member Working Group is appointed at the Annual Meeting in June 2021 (ie. after the local elections and consequent appointments to the Authority in May 2021). The Working Group can then conduct its review towards the end of 2021 and bring recommendations back to the Authority for a new Scheme by March 2022.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

8. The Hampshire & Isle of Wight Fire and Rescue Service's (HIWFRS) Safety Plan 2020-2025 states our commitment to ensure public value is gained

through our decisions and actions delivering efficient and effective public services. The recommended approach of appointing a Members Working Group in June to review Members Allowances supports this priority.

RESOURCE IMPLICATIONS

9. There are no resource implications associated with this report or the review of the Members Allowance scheme. If the recommendation is approved, current HFRS and Democratic Services Officers will work with the Members Working Group once it has been appointed.

IMPACT ASSESSMENTS

10. There are no adverse equality or other impacts associated with the decisions in this report.

LEGAL IMPLICATIONS

11. The Authority needs to make a Scheme if Members are to continue to receive allowances in 2021/22. Adopting the scheme as suggested will ensure a valid scheme is in place whilst at the same time enabling a review to be conducted.

OPTIONS

12. **OPTION 1:** Approve and adopt the Scheme at Appendix 1 for the year 2021/2022, and agree to a review of the Scheme to be concluded by March 2022. This is the recommended option.
13. **OPTION 2:** Approve an amended version of the Scheme. This is not recommended as there is little evidence or basis for making amendments to the scheme at this point. A review during 2021/2022, when the workload of Authority members is clearer will provide the appropriate evidence for a new scheme for the municipal year 2022 onwards.
14. **OPTION 3:** Do not approve and adopt a Scheme at all. This option is not recommended, as Members would not then be able to receive any allowances from 1 April 2021 onwards.

RISK ANALYSIS

15. It is considered that **Option 1** represents the least risk option as it enables allowances to continue to be paid, consistent with the existing HFRA Member Allowance Scheme whilst a review of the Scheme is undertaken.

EVALUATION AND CONCLUSION

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

RECOMMENDATION

17. That, having had regard to the recommendations of the relevant IRPs, Hampshire and Isle of Wight Fire and Rescue Authority agrees to implement the Members' Allowances Scheme set out at Appendix 1 from 1 April 2021 to 31 March 2022.
18. That it be noted that a member working group will be appointed at the Annual Meeting of the Authority in June 2021 to conduct a review of the Members' Allowances Scheme with recommendations for a new Scheme to be brought back to the Authority by 31 March 2022.

APPENDICES ATTACHED

19. **Appendix 1 - Members' Allowances Scheme 2021/2022 - need to add**

Contact: Paul Hodgson, on behalf of the Clerk and Monitoring Officer,
paul.hodgson@hants.gov.uk

Hampshire and Isle of Wight Fire and Rescue Authority Members' Allowances Scheme – 2021/2022

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 2021 until 31 March 2022.

1. A Basic Allowance of £6243 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.

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

Role	SRA 2021/22
Chairman of the Authority	£12,486
Vice-Chairman of the Authority	£3122
Standards and Governance Committee Chairman	£1530
Standards and Governance Committee Vice-Chairman	£781
Liberal Democrat Opposition Spokesperson	£3122
Labour Opposition Spokesperson	(£781*)

* The Labour Opposition Spokesperson allowance is not claimed as the post holder is in receipt of an SRA as vice-chairman of Standards and Governance Committee

3. 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.

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

Shadow Authority

Purpose: Approval

Date: **10 FEBRUARY 2021**

Title: **HAMPSHIRE AND ISLE OF WIGHT FIRE AND RESCUE
AUTHORITY STATUTORY OFFICER APPOINTMENTS**

Report of Chief Fire Officer

SUMMARY

1. This report seeks approval from the Hampshire and Isle of Wight Fire and Rescue Shadow Authority to appoint the Chief Fire Officer (CFO) to ensure the general administration of the new combined Hampshire and Isle of Wight Fire & Rescue Authority (HIWFRA) from 1 April 2021.
2. The report also seeks approval for appointment of the Monitoring Officer for the new combined Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA).

BACKGROUND

3. Hampshire Fire and Rescue Authority (HFRA) and HIWFRA are treated as “local authorities” for the purposes of various Local Government legal requirements. Therefore, many of the democratic requirements imposed on councils under the Local Government Act 1972, the Local Government and Housing Act 1989 and the Localism Act 2011 also apply to HFRA/HIWFRA.
4. Historically, the Chief Executive of Hampshire County Council (HCC) is appointed as the Clerk and Monitoring Officer to HFRA and the Monitoring Officer appoints a Deputy to carry out the day to day activities. This originally happened when HFRA was created following a transfer of the fire and rescue functions from HCC. As Clerk, the HCC Chief Executive can arrange for the discharge of the democratic functions on behalf of HFRA by the HCC’s Democratic Services team (under Service Level Agreement). As the majority of members of HFRA were (and still are) also Hampshire County Councillors, this makes sense and ensures that the democratic

processes are undertaken efficiently and effectively, and in conjunction with the HCC's calendar of meetings. Current arrangements also include the appointment of the section 151 officer, a statutory appointment under the Local Government Act 1972, to ensure the proper administration of financial affairs. The current Chief Financial Officer is Rob Carr.

5. The current arrangements facilitate access to HCC's democratic functions and Modern gov subscription. It also enables the current HFRA to meet its obligations to publish notices of meetings and grant access to agendas and papers by these being published/available at HCC offices.
6. Current Hampshire and Isle of Wight Shadow Authority Members have expressed views that they wish the new Authority to be independent from HCC. Members requested the exploration of alternative options to HCC's Chief Executive being appointed Clerk and Monitoring Officer. Members feel that this does not properly reflect the independence of the new HIWFRA. However, they do acknowledge that the services received by HCC's Democratic Services teams needs to continue. Members would like to see report agenda's, reports and minutes being published in the CFO's name.

DEMOCRATIC SERVICES FUNCTIONS

7. Key democratic requirements from legislation include:
 - (a) The statutory requirement to designate a Monitoring Officer pursuant to section 5 of the Local Government and Housing Act 1989 and provide them with enough staff, accommodation, and other resources to discharge their duties. The Monitoring Officer's duties include ensuring that the Authority acts lawfully and that there is no maladministration. The Monitoring Officer also has a statutory duty to produce reports where it appears the Authority is acting or is likely to act unlawfully;
 - (b) The requirement to allow members of the public to access agendas, papers, minutes and other documents relating to meetings of the Authority "*at the offices of the council*" (or FRA), pursuant to Part VA of the Local Government Act 1972;
 - (c) Publishing notices of meetings of the Authority at the "*council's offices*" (or FRA) five clear days before a meeting in accordance with Schedule 12 of the Local Government Act 1972.
8. The term 'Clerk' is an historical title given to an individual to ensure the general administration of an Authority. It is not a statutory position. Any appropriate individual can be appointed into this role and do not need to be known as the Clerk.

9. Democratic Services provide a range of activity each municipal year including:

- Inviting the constituent authorities to nominate members to the fire authority;
- Arranging for members to declare their political groups;
- Calculating the authority's proportionality table and drafting the annual appointments report for appointments to committees, etc;
- Scheduling meetings of the authority, its committees and member briefings on dates that members are available;
- Arranging for completion and publication of members' declarations of interests forms;
- Facilitating the required review of the member allowance scheme including obtaining the views of the chairs of the constituent authorities' remuneration panels;
- Making arrangements for recruitment activities involving members (eg. for membership of the Pension Panel, or Chief Fire Officer recruitment);
- Publishing details of the allowances actually paid to members during each year;
- Managing the process for handling any complaints against members;
- Dealing with publication of papers for meetings;
- Maintaining the constitution.

SOLUTION

10. There is no legal requirement for the new combined HIWFRA to appoint the Chief Executive of HCC as its Clerk and Monitoring Officer. The Authority could choose to change the current arrangements. An option would be for the CFO to be appointed to administer the Authority and a separate Monitoring Officer be appointed. It is recommended that this be the HCC Deputy Head of Legal Services, Paul Hodgson. This would enable the Monitoring Officer and Democratic services functions to continue to be provided by HCC's Democratic Services teams. This is logical given that the majority of members of the new HIWFRA continue to be HCC Members.

It would also mean that the current arrangements for the publishing of papers through the Mod Gov application could continue. The arrangements for notices of meetings to be placed at HCC HQ and for inspection of papers there by the public (if requested) would continue. It is also recommended for continuity, that Rob Carr be appointed as the section 151 officer for the Authority.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

11. The HIWFRS Safety Plan 2020-2025 states our commitment to ensure public value is gained through our decisions and actions delivering efficient and effective public services. The recommended approach of appointing the CFO to administer the Authority supports this priority.
12. The recommended approach of appointing the CFO to ensure the general administration of the Authority also supports strong governance and builds on an already established relationship with HCC. This is in line with the Fire and Rescue National Framework for England.

RESOURCE IMPLICATIONS

13. Democratic Services activities and Monitoring Officer duties are currently provided by HCC and would continue to be provided in the same way should the CFO be appointed to administer the HIWFRA and the HCC Deputy Head of Legal Services, Paul Hodgson, be appointed as Monitoring Officer. The Democratic Services team would continue to operate under the same Service Level Agreement (SLA). There are no resource implications as a result of recommending the continued appointment of Rob Carr as the section 151 officer.

IMPACT ASSESSMENTS

14. The full impact of the recommended option has been taken into account during the completion of a stage one impact assessment. The stage one impact assessment has not resulted in any impact being highlighted.

LEGAL IMPLICATIONS

15. There are no legal implications as a result of the CFO being appointed to administer the HIWFRA. Amendments will need to be made to the HIWFRA Constitution to reflect the change and it is recommended that the Monitoring Officer be authorised to make such changes to be brought to the April 2021 HIWFRA meeting.

OPTIONS

16. **Option One:** Continue with current arrangements and appoint the Chief Executive of HCC as Clerk and Monitoring Officer of the new combined HIWFRA.

This option will result in no change to current working practices. The new combined HIWFRA have expressed a principle to operate independently of any of the Unitary or County Authorities that make up the HIWFRA. Continuing with this appointment will not achieve the desire for the administration of the Authority to be led independently.

17. **Option Two:** Appoint Deputy HCC Head of Legal Services, Paul Hodgson, as Monitoring Officer and Rob Carr as the Chief Financial Officer and section 151 officer to the new combined HIWFRA, and appoint the CFO to lead the administration of the Authority.

This option provides a solution to the HIWFRA's desire to be independent of any of the Unitary or County Authorities. It will ensure that the HIWFRA is operating legally under section 5 of the Local Government and Housing Act 1989 and will ensure the Authority is complying with the Local Government Act 1972. It will provide a new model for the new combined HIWFRA. It will also provide for Democratic Services to be provided in the same way it currently is under the SLA. This is the preferred option.

RISK ANALYSIS

18. The new combined HIWFRA have expressed a desire to demonstrate independence from any of the Unitary or County Authorities. To create independence, it is recommended that **Option Two** within this report be approved. There is a risk that should Option Two not be approved and current working practices continue, the independence sought by Members in leading the administration of the Authority won't be achieved.

EVALUATION

19. The recommendation within this report has been evaluated as the most appropriate action to take to ensure the HIWFRA demonstrates independence from all the Unitary and County Authorities.

CONCLUSION

20. The current model for ensuring the Authority comply with Section 5 of the Local Government and Housing Act 1989 and the Local Government Act 1972 has been reviewed and another option which demonstrates independence from HCC is being recommended.

21. This option provides a legally compliant governance model to ensure the new combined HIWFRA operates efficiently and effectively.

RECOMMENDATION

22. That the appointment of the Chief Fire Officer, to ensure the administration of the new combined Hampshire and Isle of Wight Fire & Rescue Authority, be approved by the Shadow Authority for commencement on 1 April 2021.
23. That the appointment of Hampshire County Council's Deputy Head of Legal Services, Paul Hodgson, as Monitoring Officer be approved by the Shadow Authority for commencement on 1 April 2021.
24. That the appointment of Rob Carr as Chief Financial Officer and Section 151 officer be approved by the Shadow Authority for commencement on 1 April 2021.
25. That the Shadow Authority delegate the Monitoring Officer to make any consequential changes to the HIWFRA constitution to be brought to the HIWFRA for approval on 14 April 2021.

Contact:

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