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Nottinghamshire and City of Nottingham Fire and Rescue Authority
Meeting of the Authority

Date: Friday, 23 February 2024 **Time:** 10.30 am

Venue: Joint Fire / Police HQ, Sherwood Lodge, Arnold, Nottingham, NG5 8PP

Members are requested to attend the above meeting to be held at the time, place and date mentioned to transact the following business

Clerk to the Nottinghamshire and City of Nottingham Fire and Rescue Authority

Agenda		**Pages**
1	**Apologies for Absence**	
1.	**Membership** To note that Nottingham City Council membership has changed since the last full Fire Authority meeting: a) Councillor Gul Khan has been reappointed to replace Councillor Jay Hayes; b) Councillor Anwar Khan has been reappointed to replace Councillor Michael Edwards.	
3	**Declarations of Interest**	
2.	**Minutes** Of the meeting held on 15 December 2023, for confirmation.	3 - 12
5	**Chair's Announcements**	
3.	**Budget Proposals for 2024/2025 to 2027/2028 and Options for Council Tax 2024/2025** Joint report of the Treasurer and Chief Fire Officer	13 - 38

Any councillor who is unable to attend the meeting and wishes to submit apologies should do so via the Personal Assistant to the Chief Fire Officer at Fire Services Headquarters on 0115 8388900

If you need any advice on declaring an interest in any item above, please contact the Governance Officer shown on this agenda, if possible before the day of the meeting.

Governance Officer: **Catherine Ziane-Pryor**
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https://committee.nottinghamcity.gov.uk/ieListMeetings.aspx?CId=224&Year=0

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Nottinghamshire & City of Nottingham Fire & Rescue Authority

MINUTES of the meeting held at Joint Fire / Police HQ, Sherwood Lodge, Arnold, Nottingham, NG5 8PP on 15 December 2023 from 10.30 am - 11.48 am

Membership

Present	Absent
Councillor Michael Payne (Chair)	Councillor Robert Corden
Councillor Patience Uloma Ifediora (Vice Chair)	Councillor Johno Lee
Councillor Liaqat Ali	
Councillor Callum Bailey	
Councillor Richard Butler	
Councillor John Clarke MBE (minutes 46-47)	
Councillor Sybil Fielding	
Councillor Jay Hayes	
Councillor Tom Hollis	
Councillor Anwar Khan	
Councillor Devontay Okure	
Councillor Nick Raine	
Councillor Nigel Turner	
Councillor Roger Upton	
Councillor Jonathan Wheeler	
Councillor Jason Zadrozny	
Commissioner Caroline Henry	

Colleagues, partners and others in attendance:

Craig Parkin - Chief Fire Officer
Candida Brudenell – Assistant Chief Fire Officer
Damien West - Assistant Chief Fire Officer
Mick Sharman - Assistant Chief Fire Officer
Mark Kimberley- Interim Treasurer the Authority
Tracey Stevenson – Temporary Head of Finance
Malcolm Townroe - Clerk and Monitoring Officer to the Authority
Catherine Ziane-Pryor - Governance Officer

32 Apologies for Absence

Councillor Robert Cordon - unwell
Councillor Johno Lee - predicted lateness
Councillor John Clarke - predicted lateness

33 Change in Membership

Resolved to note that Nottingham City Council has appointed Councillor Jay Hayes in the place of Councillor Gul Khan.

34 Declarations of Interest

Mick Sharman, Assistant Chief Fire Officer (Strategic Collaboration for Nottinghamshire and Derbyshire Fire and Rescue Services), declared an interest in agenda item 7, minute 39, (Appointment of Assistant Chief Fire Officer), insofar is the decision of the Authority affected him directly, and so would withdraw from the meeting for the duration of the Authority's consideration of the item.

Craig Parkin, Chief Fire Officer, declared a personal interest in agenda item 9, minute 42, (Principal Officer Pay Review), but due to the nature of the report, did not intend to withdraw from the meeting during consideration of the items.

35 Minutes

The minutes of the meetings held on 14 July 2023, and 22 September 2023, were confirmed as true records and signed by the Chair.

36 Chair's Announcements

The Chair, Councillor Michael Payne, made the following announcements:

a) The Service was proud to support the aims and values of White Ribbon Day on 25 November, in action against domestic violence, for which Andy Macey and all officers involved are thanked for their contribution to this work;

b) The Central Government response to the sector reform white paper has been issued and will be emailed to all members. As expected, it focuses around people, governance and professionalism and culture. The Service is already working on many of these points, but also referenced was the operational independence of Chief Fire Officers. It is proposed that the reply informs an Authority debate;

c) The Home Office has been written to request it consider setting a potential Council Tax precept flexibility of £5, however it is believed from the policy statement from Central Government that this will not be granted. This is a significant disappointment and lobbying will continue as it will result in a significant gap in the MTFP which is likely to result in front-line service cuts. Council tax isn't the only answer with regard to funding but cross member consensus and lobbying for increased funding options would be welcomed, alongside a consensus on budgetary decisions;

d) The Annual Service Awards Ceremony was held on 29 November and recognised the hard work, and outstanding achievements of Service employees and the bravery of members of the public;

e) In the period until the new Treasurer and Head of Finance starts with the Service, Mark Kimberley, Chief Finance Officer to the Nottinghamshire Police Force has kindly temporarily taken on the role of Interim Treasurer to the Authority, for which the Service is grateful. Tracy Stevenson has stepped up as temporary Head of Finance and is also welcomed to the meeting;

f) The Emergency Services Carol Service will be held on 19 December at Southwell Minster. All members of the Authority are invited to attend;

g) Having been a challenging year, the Chair wished all Service employees and members of the Authority a happy Christmas.

37 Medium Term Financial Strategy 2024/25 to 2027/28 and Budget Guidelines 2024/25

Mark Kimberley, Interim Treasurer, and Tracy Stevenson, Temporary Head of Finance, presented the report which provides an update on the predicted budget position for 2024/25 and to request that the Fire Authority set general guidelines within which the Finance and Resources Committee will develop a detailed budget proposal for 2024/25.

The following points were highlighted and member's questions responded to:

a) Whilst the settlement will not be announced until 19 December, the Service is unlikely to be allowed to increase Council Tax by £5, as it did last year, which will result in a budget deficit, meaning that the Authority will need to review the budget and find further efficiencies. However, as that work has already been very thorough, the only option will be to cut services;

b) There is some scope to help balance the budget with use of reserves but this is a limited capability and reserves would be best used towards initiatives that deliver future efficiencies;

c) A lot of financial uncertainties remain such as inflation, pensions and international events, including those which impact on supply chain issues, mainly around vehicles and parts;

d) This coming year is likely to be the toughest budget year that the Public Sector, including this Service, will have ever experienced. There are options for this Service to investigate, but they are limited and as finances are very tight, difficult decisions will need to be made;

e) Once the Service produces a balanced budget, there will need to be an on-going focus for future years efficiencies and reductions;

f) Pay awards for firefighters are set nationally and are currently gauged in the budget at an estimated maximum of 5% for 2024/25, 3% for 2025/26 and 2% for 2026/27. As Central Government did not cover the full value of the pay increase this year, to address the risk of the same happening next year, the estimated maximum increase has been budgeted for this year by the Service. Any pay increase above the estimated values will cost the Service an £350k per additional 1%, with Authorities bound by the National Joint Council determination;

g) The report sets out the potential income to the Service from a 1.95% increase in Council Tax precept, a 2.95% increase and no increase. Without the £5 increase, the Service will need to consider the 2.95% increase, but will still need to apply efficiency savings;

h) Reserves currently total £9.4m, as set out in the report, and it is proposed that reserves and strategies are reviewed. Some earmarked reserves are proposed to be re-prioritised following discussions with budget holders, including £485k to the mobilising system as an area of risk for the organisation, plus a £10k efficiency programme;

i) The Capital programme looks at the affordability of the Service, including where stations and appliances are sited. 17 new appliances were due to be purchased, but this has been delayed into 2029/30 to ensure affordability. The purchase may be brought forward if interest rates reduce;

j) Risks to the Service will continued to be monitored and responded to.

Members of the Authority commented as follows:

k) The Fire and Rescue Service cannot be compared to the Police Force which doesn't pay bargain on a national scale. The Police do not have the available funds to budget for a 5% pay increase and so have budgeted for a 2.5% pay increase and expect that if it the figure is greater than this, Central Government will cover the difference, although this may not be the case;

l) There has been an indication that whilst the ability of a £5 Council Tax increase will not be granted, there are other, positive arrangements to be proposed by Central Government, the details of which are yet to be made public;

m) The Authority is tasking the Finance and Resources Committee to consider and debate the options and make a recommendation to the Authority for the Authority to further debate and determine. It would be highly surprising if the recommendation to the Authority wasn't for the highest possible level available, but that is a decision for the members of that Committee;

n) If Central Government don't provide additional flexibility with the option of a £5 precept rise, Authority members will need to review front line services and possibly discontinue some services. It is vital that a consistent opinion is expressed by all members of the Authority, cross-party and across all forums, including persistent lobbying of MPs and Central Government.

Resolved to

1) approve the Medium Term Financial Strategy (MTFS) as set out in Appendix A to the report;

2) approve the Capital Strategy and Flexible Use of Capital Receipts Strategy contained within the MTFS;

3) approve the Reserves Strategy contained within the MTFS;

4) approve the proposed minimum level of general fund reserves of £4.1m as set out in the Reserves Strategy;

5) approve the re-allocation of Earmarked Reserve as detailed in the Reserves Strategy and set out in the table below:

Re-allocation of Earmarked Reserve

Current Reserve	Balance 01-Apr-23 £'000	Required 2023/24 £'000	Required 2024/25 to 2026/27 £'000	To be Reallocated £'000
Tri Service Control / Mobilising System	350	0	0	(350)
Fire Cover Review	10	0	0	(10)
Remedial Fire Risk Assessment	30	0	0	(30)
Headquarters Move	49	0	0	(49)
Covid-19 2019/20 unused grant	15	0	0	(15)
Joint HQ Comms officer	1	0	0	(1)
Transformation and Collaboration	30	0	0	(30)
Total	485	0	0	(485)
Replacement Mobilising System				475
Efficiency Programme				10
Total				0

6) task the Finance and Resources Committee with providing guidance to the Fire Authority in February in respect of:

i. the options for council tax limited to either a council tax freeze or an increase in Council Tax within the referendum limit;

ii. The options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget, as required by law.

38 Treasury Management Mid-Year Review 2023/24

Mark Kimberley, Interim Treasurer presented the report which provides an update on treasury management activity during the first half of the 2023/24 financial year, as required under the Local Government Act 2003.

The following points were highlighted:

a) The report sets out cashflow forecasting and investment decisions. With the potential for interest rates to rise further, investing in high interest rate paying facilities, using funds borrowed at a much lower interest rate, is a sensible approach and will provide £200k additional income next year;

b) It is anticipated that at the end of this financial cycle, interest rates will start to drop and so the approach to investments will be reviewed;

c) None of the indicators set by the Authority, or the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management, have been breached and there is no intention to propose any alternative arrangements at this time;

d) The Service currently has £5.5m invested, as set out in the report;

Resolved to note the update on treasury management activity during the 2023/24 financial year as required under the Local Government Act 2003.

39 Appointment of Assistant Chief Fire Officer

Having previously declared a personal interest, Mick Sharman withdrew from the meeting prior to the Authority's consideration of the item and did not return until the item had concluded.

Craig Parkin, Chief Fire Officer, presented the report and highlighted the following points:

a) Retiring Assistant Chief Fire Officer Candida Brudenell will leave a massive legacy of her work and achievements with the Service, for which she is thanked:

b) Following a robust selection process, 5 candidates were shortlisted, 3 of whom were interviewed by the Appointments Committee;

c) Interviews were held on 1 December 2023, concluding with a unanimous decision to recommend the appointment of Mick Sharman with effect from 15 January 2024, with Area Manager Leila Henry proposed to be appointed to ACFO for a temporary 4 month period to provide strategic leadership and ensure continuity and resilience for the Service.

Members comments included:

d) All 3 candidates were of outstanding quality;

e) Both appointees are congratulated;

f) The Chair thanked retiring ACFO Candida Brudenell for her outstanding work during her time with the Service and the significant value she had added to the Service, including her work around culture change and equality, diversity and inclusion. She will be missed. This opinion was echoed by other members;

g) The achievements of ACFO Brudenell had confirmed that the decision to appoint a ACFO without frontline experience of the Service, was correct.

Resolved to

1) formally thank retiring ACFO Candida Brudenell for her hard work and dedication during her time with the Service;

2) appoint Area Manager Michael Sharman substantively to the role of Assistant Chief Fire Officer effective from 15 January 2024;

3) appoint Area Manager Leila Henry to the role of temporary Assistant Chief Fire Officer effective from 15 January 2024 until May 2024.

40 Appointment of Treasurer and Head of Finance to the Authority

Craig Parkin, Chief Fire Officer, presented the report which informs the Authority of the Appointment's Committee's recommendation to appoint Beverley Bull as Treasurer and Head of Finance to the Service following a robust selection and interview process.

The Chair thanked Mark Kimberley for acting as the Interim Treasurer, and the Commissioner for loaning him to the Fire and Rescue Service in the spirit of collaboration. Thanks too were given to Tracy Stevenson for stepping up as Temporary Head of Finance.

Resolved to:

1) approve the Service Level Agreement with Nottinghamshire Police for support in the provision of Treasurer to satisfy the statutory duties of the Fire Authority;

2) approve the recommendation of the Appointments Committee to substantiate Beverley Bull as the Head of Finance and Treasurer to the Fire Authority with effect from 04 March 2024.

41 Principal Officer Pay Review

Malcolm Townroe, Clerk and Monitoring Officer, introduced the report which presents the outcomes from the Principal Officer Pay Review which is undertaken on a two-yearly basis, benchmarking against the Principal Officer pay of other 'group' Services, in line with the Authority's Pay Policy.

Resolved to support the recommendation that pay levels for Principal Officer roles are maintained at their current rate.

42 Environmental and Sustainability Policy Statement

Damien West, Assistant Chief Fire Officer, presented the report which informs members of the recently reviewed and updated written Environmental and Sustainability Policy Statement, to reflect best practice.

A copy of the policy, which sets out the Service's environmental and sustainability ambitions, is attached to the report.

Resolved to endorse the policy statement to reaffirm the Authority's commitment to matters relating to the environment and sustainability.

43 Health and Safety Policy - Statement of Intent

Damien West, Assistant Chief Fire Officer, presented the report which updates members on the annually revised and updated written Health and Safety Policy 'Statement of Intent' to ensure the working environment as safe as it can be.

The statement of intent is attached to the report and will reference December 2023 as the issue date, and not November 2023, if endorsed.

Resolved to endorse the content of the updated Statement of Intent to reaffirm the Authority's commitment to effective health and safety risk management for employees and others who are affected by the Service's activities.

44 Implementation of Resourcing to Risk

Damien West, Assistant Chief Fire Officer, presented the report which includes an update to the reinstatement of Ashfield Fire Station to 24-hour Whole-Time crewing as of 0700hrs on 29 November 2023.

The following points were highlighted and members' questions responded to:

a) The process has been complex, required staff and stakeholder consultation, and resulted in changes across the whole organisation with direct impact on 30 members of staff, including four posts which have been reallocated as of January 2024;

b) The proactive approach of managers individuals and Trades Unions is appreciated in facilitating the whole process;

c) Recruitment to firefighter apprenticeship roles has been successful, with 12 to start in January 2024, with a large intake of firefighters planned for next year. Of the large number of applications received, 9% were female and 14% BAME;

d) With regard to the wider resourcing to risk, mitigation arrangements are in place for occasions of four crew appliances, as set out in the report;

e) Ongoing evaluations of the new arrangements will be undertaken and reported to the Community Safety Committee.

Members commented as follows:

f) the impact of the change at the Ashfield station has reach far beyond, but thanks are extended to everyone affected, including the trade Unions, for the constructive way of approaching the situation. Thanks also extended to the Chief Fire Officer this was a difficult issue which benefited from constructive extensive engagement. The community local to Ashfield have provided very positive responses to the change;

g) collaboration has been vital in providing quality evidence for a positive outcome, which is much appreciated by citizens of the Ashfield District area;

h) With the financial challenges to the Service acknowledged, the outcome of returning to full time crewing at the Ashfield Station is correct for such a strategic site close to the M1 and A38. This is an example of how the Authority listens and responds by placing resources where they are needed. Thanks are given to everyone involved;

i) Ongoing monitoring would be welcomed, along with continued annual reporting to members;

j) As above, thanks are extended to everyone involved in returning Ashfield Station to Whole-Time crewing, particularly ACFO Damien West for his work and commitment;

k) It's clear that the Authority has followed the evidence in resourcing to meet the risk, and not acted with political motive.

Resolved to note the report.

45 Committee Outcomes

This item was deferred to the next meeting.

46 Exclusion of The Public

Resolved to exclude the public from the meeting during consideration of the remaining item in accordance with Section 100A of the Local Government Act 1972, under Schedule 12A, Part 1, on the basis that, having regard to all the circumstances, the public interest in maintaining an exemption outweighs the public interest in disclosing the information.

47 Exempt Minutes

The exempt minutes of the meeting held on 22 September 2023 were confirmed as a true record and signed by the Chair.

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

BUDGET PROPOSALS FOR 2024/25 TO 2027/28 AND OPTIONS FOR COUNCIL TAX 2024/25

Report of the Chief Fire Officer and
Treasurer to the Fire Authority

Date: 23 February 2024

Purpose of Report:

- To present Fire Authority with proposals for Revenue and Capital budgets for 2024/25 to 2027/28 to allow Members to determine the level of Council Tax for 2024/25.

- To set out fees and charges for 2024/25 for Members' approval.

- To seek Members' approval to the Independent Remuneration Panel's recommendation regarding the inflator to be applied to Members Allowances from 1 April 2023 and to continued payment of Members Allowances for 2024/25 in accordance with the approved scheme.

Recommendations:

It is recommended that Members:

- Agree the recommendation of the Finance and Resources Committee to the Fire Authority that there be a 2.95% Council Tax increase.

- Approve the 2024/25 precept level to be notified to the Billing Authorities based on the information set out in Section 2 and Appendix C as required by statute.

- Approve the fees and charges for 2024/25, as set out in Appendix D.

- Approve that Members’ Basic and Special Responsibility Allowances be increased by 3.88% backdated to 1 April 2023 in line with the recommendation put forward by the Independent Remuneration Panel.

- Approve the payment of Members Allowances for 2024/25 in accordance with the approved scheme.

CONTACT OFFICER

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1. BACKGROUND

1.1 It is a statutory requirement under the Local Government Finance Act for the Authority to produce a balanced budget.

1.2 At its meeting on 19 January 2024 the Finance and Resources Committee considered a report setting out the latest budget position based on the provisional grant settlement and the indicative position regarding the council tax base.

1.3 The Finance and Resources Committee was asked to consider options for council tax between a council tax freeze and an increase in council tax, up to the maximum of 2.95%. The Finance and Resources Committee was asked to consider the pay award assumptions of 5% (2024/25), 3% (2025/26) and 2% (2026/27) for all staff and make recommendations to the full Fire Authority. The Service does not control of the outcome of the negotiations for pay awards, as these are negotiated by National Joint Council (NJC).

1.4 This report sets out the implications of the option selected by the Finance and Resources Committee at its January meeting. The Finance and Resources Committee unanimously voted for the 2.95% council tax increase to be put forward to the Fire Authority for approval.

1.5 The budgetary position presented to the Finance and Resources Committee has been updated to reflect the final announcements regarding government grant, business rates, council tax base and surplus on collection fund, as well as other minor adjustments. It includes a statement by the Authority's Treasurer in relation to the robustness of estimates and the adequacy of reserves and balances as required by S25 of the Local Government Act.

1.6 The Fire Authority is required to set a precept before 1 March 2024 and notify this to the billing authorities.

2. REPORT

CAPITAL BUDGET PROPOSALS 2024/25 TO 2027/28

2.1 The Authority maintains a sustainable capital programme which reflects and supports the Community Risk Management Plan (CRMP). This programme seeks to replace appliances and vehicles when they are approaching the end of their useful life, maintains a rolling programme of ICT replacements and a property programme which will ensure that property remains fit for purpose and is appropriately located.

2.2 A summary of the proposed capital programme for 2024/25 to 2027/28 is shown in Table 1 and further detail is attached at Appendix A. The 2024/25 programme totals £8.228m. This does not include slippage from 2023/24, which will be reported in the outturn report. If approved, the slippage from the 2023/24 programme will increase the 2024/25 programme accordingly.

Table 1 – Capital Programme 2024/25 to 2027/28

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Transport	3,117	533	0	973
Equipment	455	0	350	1,048
Estates	2,030	1,775	3,905	1,910
ICT & Communications	2,626	1,210	550	370
Total	**8,228**	**3,518**	**4,805**	**4,301**
Funded by:				
Capital Receipts	10	10	210	110
Borrowing	7,601	3,508	4,595	4,191
Revenue / Earmarked Reserves	617	0	0	0
Total	**8,228**	**3,518**	**4,805**	**4,301**

2.3 The £3.117m transport capital programme includes significant investment in the Service's appliances and special appliances in line with the renewal programme. The programme does not include slippage at this stage from 2023/24.

2.4 There has been a purposeful 2 year delay in the appliances programme to manage minimum revenue provision (MRP) which is the Service's debt costs. This will be reviewed once the Futures 25 efficiency strategy is further developed and the impact on services is known.

2.5 The ICT programme has been developed in line with the CRMP commitments. Alongside the ongoing replacement and updating of equipment and software, the programme includes plans to replace the Tri Service Control and Mobilising system. This is a joint procurement exercise with Derbyshire Fire and Rescue Service. The £1m (2025/26) budget for the replacement system is indicative only at this stage and may require revising once the procurement exercise is finalised.

2.6 The capital programme can be funded from capital receipts, grant funding, contributions from revenue, reserves and borrowing.

2.7 **CAPITAL RECEIPTS** – these are received from the sale of assets and can be used to fund either the revenue cost of transformational projects, to fund capital expenditure or to reduce borrowing. The flexible use of capital receipts strategy was approved at Fire Authority on 15 December 2023. It is not proposed to fund any transformational projects using capital receipts during 2024/25.

2.8 **GRANT FUNDING** – there is no anticipated capital grant funding available at present to support the 2024/25 capital programme, although the Service does sometimes use revenue grants to help fund capital projects.

2.9 **REVENUE AND RESERVES** – the programme requires funding from earmarked reserves of £617k in 2024/25 for the Control Mobilising System. There is no proposal for the use of funding from revenue.

2.10 **BORROWING** – the proposed 2024/25 capital programme set out in Appendix A will be largely funded from borrowing. The related costs have been tested for affordability as part of the Prudential Code for Capital Finance report presented elsewhere on this agenda. Estimated costs have been built into the revenue programme considered in this report.

REVENUE BUDGETS 2024/25 TO 2027/28

2.11 Detailed expenditure budgets can be found in Appendix B. These are summarised in Table 2 below.

Table 2 – Budget Requirement 2023/24 to 2027/28

	Revised Budget 2023/24 £'000	**Budget 2024/25 £'000**	**Budget 2025/26 £'000**	**Budget 2026/27 £'000**	**Budget 2027/28 £'000**
Employees	39,939	43,475	45,142	46,605	47,537
Premises	4,111	4,465	4,592	4,673	4,766
Transport	2,219	2,258	2,286	2,316	2,362
Supplies & Services	4,394	4,598	4,745	4,863	4,960
Payments to other Local Authorities	950	996	1,024	1,043	1,064
Support Services	172	183	188	191	195
Capital Financing Costs	2,692	3,125	3,901	4,256	4,341
Income	(4,512)	(6,413)	(6,537)	(7,291)	(7,436)
Total	**49,965**	**52,688**	**55,341**	**56,655**	**57,788**

2.12 The main budget pressures are detailed in the paragraphs below.

ECONOMIC CLIMATE

2.13 The current economic climate remains uncertain with many external influences affecting it. Local government has received a one-year funding settlement for 2024/25. With a general election due to be held in 2024 there remains significant uncertainty around local government funding beyond 2024/25.

2.14 CPI inflation has continued its downward trajectory so far during 2023/24, decreasing from 8.7% in April to 4.6% in October, and then again to 3.9% in November.

2.15 Bank rate has increased from 0.75% in April 2022 to 5.25% in September 2023, its highest level since February 2008. Interest rates are expected to peak at either the current rate or possibly at 5.5% in 2024. The increase in base rates has a significant impact on the Authority's ability to borrow to fund the capital programme.

2.16 The three-month Gross Domestic Product (GDP) is estimated to have fallen by 0.2% in the three months up to November 2023, compared with the three months up to August 2023. Monthly GPD is estimated to have grown by 0.3% in November 2023, following a fall of 0.3% in October 2023.

COMMUNITY RISK MANAGEMENT PLAN (CRMP)

2.17 The 2022-2025 CRMP was approved by Fire Authority on 25 February 2022. The delivery of the CRMP is linked closely to the Medium Term Financial Strategy (MTFS) to ensure that resources are matched to key workstreams. The Annual Delivery Plan, which sits behind the CRMP, identifies priority areas where investment is needed. An additional £159k has been included in the 2024/25 proposed revenue budget to support areas such as additional investment in operational training (£124k), and organisational development and inclusion (£21k).

FUTURES 25 EFFICIENCY STRATEGY

2.18 The Service identified £1.1m of savings that were either reinvested in CRMP projects or contributed towards reducing the deficit. This is well in excess of the 2% target set by the Home Office, although it is noted that these savings include pay related savings, some of which are one-off in nature.

2.19 Since the 2023/24 budget was approved there have been significant additional financial pressures on the Service. Revised inflation and pay award assumptions during the autumn have increased the amount of savings required from the efficiency strategy.

2.20 The Futures 25 Efficiency Strategy was initially presented to Policy and Strategy Committee in May 2022, with a further report to the Fire Authority in July 2023. In its initial phase the Workforce Review identified £144k of savings through the disestablishment of support staff posts across several departments, made possible by the consolidation of primary management grade posts.

2.21 The Workforce Review has identified that a wider change and improvement programme is required. This will include structural redesign and business process improvement to maximise the efficiency and effectiveness of the Service. This is a significant piece of work, and it is expected to be completed during 2024/25.

2.22 The Flexi Officer Review set out to review the Flexi Officer Collective Agreement to ensure that the command group structures were efficient and provided the levels of resilience of specialist functions required to mitigate operational risk. On commencing this exercise it became clear that competing priorities, including the fire cover review and preparation for possible industrial action, meant that there was insufficient capacity to deliver the review. This workstream has therefore been paused and will be restarted at a future date.

2.23 Futures 25 aims to co-ordinate a number of improvement workstreams designed to support the Service to become outstanding by 2032. This includes continuing to drive productivity and efficiency throughout the Service.

2.24 As the scoping of the Futures 25 programme has developed, it has become clear that the delivery of national priorities relating to culture, values, EDI and leadership in the Fire and Rescue Service are an integral part of the improvement journey. For this reason, these workstreams have been brought within the scope of Futures 25 to ensure that the delivery of the People Strategy relating to these areas is prioritised and resourced appropriately.

2.25 It has already been identified that efficiencies are required to ensure that the Authority is in a position to set a balanced budget for 2024/25. An efficiency savings target of £200k has been included in the proposed budget. This target may need to be revisited and revised during the next financial year. The longer-term sustainability of the Service will be assured though the development of more efficient and effective systems, processes, and ways of working. The Futures 25 improvement programme remains the vehicle through which these efficiency and productivity improvements will be delivered.

CORPORATE RISK REGISTER

2.26 The corporate risk register is reported to the Finance and Resources Committee on a six-monthly basis. The five highest risks facing the Authority at present are:

- Mobilising – procurement of new mobilising system
- Inability to set a balanced budget in current economic climate.
- Firefighters Pension Scheme – impact of and uncertainty around ongoing national legal cases

- Service Reputation – risk that the public will lose confidence in their fire service through national media reporting on issues such as HMICFRS findings and the London Fire Brigade cultural review.
- Preventable Deaths – that a person will die in an incident that may have been preventable.

2.27 The financial implications of these risks have been addressed in both the capital and revenue proposed budgets, and in the Reserves Strategy which was approved by Fire Authority in December 2023

PAY AWARD

2.28 The firefighter pay award was agreed at 5% for 2023/24. Negotiations for 2024/25 are in their early stages. A 5% planning assumption has been included for 2024/25, followed by 3% for 2025/26 and 2% thereafter. Any increases above these assumptions will create an additional cost pressure (a 1% increase relates to approximately £320k ongoing costs per year).

2.29 The 2023/24 pay award for support staff was a flat increase of £1,925. This equates to an approximate increase of 4% in green book costs, which is higher than the 2% included in the 2023/24 budget. This has resulted in £120k of additional costs.

2.30 The 2024/25 support staff pay award is yet to be agreed. A 5% planning assumption has been included for 2024/25, followed by 3% for 2025/26 and 2% thereafter.

2.31 The Government has told organisations that reviews for pay in the public sector is vital. Pay review bodies (PRBs) recommend the pay for public sector, and the Government’s tone might mean that pay settlements could be lower than budgeted. In October 2023, CPI (consumer price index) inflation fell back to 3.9% from 6.7% the previous months. The Bank of England forecast expects inflation to carry on falling to reach the target of 2% by mid-2025. Inflation is obviously one of the key drivers of pay award negotiations.

ENERGY COSTS

2.32 The Service procures both gas and electricity from a not-for-profit public sector framework which purchases energy in bulk, and usually outperforms market averages on our behalf. Gas costs are expected to increase by 7% in 2024/25 and electricity by 4%. Work is ongoing to improve the efficiency of buildings and minimise the usage of energy.

2.33 The Service’s fuel budget for 2023/24 was £900k per year but expenditure is set to be nearer £854k, based on the anticipated usage (including that to be recharged to the Police). The 2024/25 budget has been reduced accordingly.

PENSIONS

2.34 The remedying legislation for the McCloud judgement became law in October 2023. This addresses the transition arrangements into the 2015 firefighters’ pension scheme, which were found to be discriminatory. It is expected that the majority of additional costs will be met from the pension top up grant, however the Service has a £200k earmarked reserve to mitigate against any costs that have to be met internally. Further information on this can be found in the Firefighter Pension Scheme, Immediate Detriment Review report considered by Policy and Strategy Committee on 1 April 2022.

2.35 The remedying legislation is one of the factors that is increasing the overall costs of the firefighters' pension scheme. The Government Actuary's Department (GAD) has now published the results of its actuarial valuation as at 31 March 2020, and the valuation report confirms that the employer's contribution rate will increase from 28.8% to 37.6% from 1 April 2024. This increase will be largely funded by a £1.6m grant from Central Government in 2024/25, although there is currently a funding shortfall of around £200k. The Home Office will review its forecasts after the pension returns are submitted by fire authorities in August 2024, and if there is evidence that the current level of pension grant is not sufficient nationally then additional funds may be requested from HM Treasury. The pension grant has so far only been confirmed for one year, so a case will need to be made for the funding to continue into the next spending review. For the purposes of the budget for 2025/26 onwards it is assumed that this funding will continue at the current level.

2.36 Another pensions case, Matthews and O'Brien, identified discriminatory conditions against part time workers. Remedying legislation similarly became law in October 2023. On-call firefighters were previously allowed to purchase modified pension scheme service going back to 2000, but this legislation allows further backdating of the modified pension scheme to the fire service start dates of eligible on-call firefighters. When the modified scheme was created the backdated costs were met by the Government, and it is expected that this will similarly be the case for costs relating to further backdating.

2.37 Both of these remedies are having a large impact on the workload of staff dealing with the cases, and additional resources were allocated in 2023/24 in order that this work can be undertaken.

2.38 The 2016 GAD revaluation of the firefighters' pension scheme resulted in a headline rate increase of 12.4% of employer pension costs, which equated to an additional £2.5m for the Service. The Home Office agreed an additional grant to fund £2.3m of this pressure in 2019/20. This grant funding has since been kept at the same flat-rate cash value, leaving increases in costs due to pay inflation to be met by the Service. The £2.3m grant is to continue into 2024/25, and the December Settlement confirmed that it will be added to the baseline funding for the Authority rather than being paid as a section 31 grant. This will mean that in future years the £2.3m will be subject to CPI increases.

MINIMUM REVENUE PROVISION (MRP)

2.39 Minimum Revenue Provision (MRP) is the amount required to pay debt costs relating to prior year capital programmes. The amount of MRP required in 2024/25 has slightly reduced from the levels anticipated in 2023/24 due to planned delays to some projects. However, there are increases of £465k and £169k in 2025/26 and 2026/27 respectively to reflect the Regional Mobilising System (RMS) and station rebuilds.

COUNCIL TAX

2.40 The council tax base is calculated on the estimated full year equivalent number of chargeable dwellings. This is expressed as the equivalent number of Band D dwellings in the council's area, after allowing for adjustments due to dwelling demolitions and completions during the year, council tax exemptions, discounts, disabled reliefs and premiums, and the estimated collection rate. The council tax base has increased in line with that expected in the MTFS.

2.41 There remains a £313k surplus charged to the Council Tax Collection Fund adjustment in 2024/25.

2.42 It was announced in the Policy Statement that the Government would give local authorities in England flexibility in setting council tax, up to a referendum limit of 3% per year from April 2024.

2.43 A 2.95% increase in council tax will create additional funding of £887k, compared to a nil increase.

BUSINESS RATES

2.44 From 1 April 2024, the rateable values of all non-domestic properties in England will be updated to reflect the property market as at 1 April 2021. This has the effect of re-setting the baseline for Non-Domestic Rates (NDR). Under the current system, precepting authorities retain any growth above their baseline.

2.45 As part of the Autumn Statement on 22 November, the Chancellor announced:

- A transitional relief scheme to limit bill increases caused by changes in rateable values.
- A 2024/25 Retail, Hospitality and Leisure 75% rate relief scheme
- A freezing of business rates multipliers, meaning that there will be no inflationary increases in charges to businesses.
- A new Supporting Small Business relief scheme.

2.46 The Authority will be compensated for lost income arising from these measures by way of additional section 31 grant. The top up grant element of this compensation was released in the Local Government Finance Settlement on 19 December, and this has been built into the business rate income estimates.

2.47 The Service has now received business rates collection figures and related section 31 grants from billing authorities. Business rate collection for 2024/25 is in line with the estimate reported to the Finance and Resources Committee in January 2024.

2.48 The business rates reset has been delayed until the next parliament and assumptions have been made in the figures included in this report.

RESERVES

2.49 The Budget Monitoring report presented to Finance and Resources Committee in January 2024 estimated that the general fund reserve would be £5.1m at 1 April 2024. This is above the minimum level set by the Fire Authority in December 2023 of £4.1m, leaving potential scope for relying on the use of general fund reserves for balancing the budget in 2024/25.

2.50 Earmarked reserves are expected to be in the region of £5.25m by 31 March 2024. These reserves are earmarked for known projects or items of one-off expenditure. They include a budget pressure support reserve of £1.125m which is available to support the budget in 2024/25 and future years. Earmarked reserves are reviewed annually as part of the MTFS.

FINANCING THE BUDGET

2.51 The final settlement figures were released by the Government on 6 February and the Revenue Support Grant, business rate income and Top Up Grant remain the same as the provisional settlement. The section 31 grant has been reduced by £81k, and there was an increase of £44k in core spending power. In addition, the employer's pension contribution rate has increased from 28.8% to 37.6%, resulting in an overall increase to the budget of £1.8m. £1.6m of this increase is to be funded by a grant from the Home Office, leaving a £200k shortfall. The pension grant is currently confirmed for one year only, so a case will need to be made for the funding to continue into the next spending review. For the purposes of the budget for 2025/26 onwards it is assumed that this funding will continue.

2.52 Funding for 2025/26 and beyond will be determined in the autumn of 2024. A 6.7% inflationary increase has been assumed for 2024/25, 2.81% for 2025/26 and 1.7% for 2026/27. Pay awards have been assumed at 5%, 3% and 2% over the same period. There is a risk that funding will be increased at a lower rate than inflation and pay awards, which would then create additional budget pressures in these years.

2.53 The Authority will continue to receive the £2.3m grant in 2024/25 to cover the increased pension costs which arose from the 2016 GAD valuation of the firefighters' pension scheme. In the settlement on 19 December it was announced that this funding will be rolled into the Revenue Support Grant (RSG) in future years and will therefore attract CPI related increases.

2.54 The council tax base and collection fund surpluses have been received from the billing authorities and built into the budget.

2.55 Business Rate section 31 grants have been confirmed and are built into the budget.

2.56 The Government has confirmed within the finance settlement that the council tax increase threshold, above which a referendum would be triggered, will be 3% for 2024/25.

OUTLOOK FOR 2024/25 TO 2027/28

2.57 Detailed budgets have been prepared for the four years 2024/25 to 2027/28, which can be found in Appendix B. In making predictions about budget financing some other assumptions have been made. These are:

- That the firefighter pay award for 2024/25 will be settled at 5%. A 1% additional increase in pay would result in an increase in the budget requirement of approximately £320k.
- The 2024/25 pay award for non-uniformed staff will be agreed at 5%. The effect of a 1% additional increase in pay would be approximately £60k in 2024/25
- Inflation will reduce to around 2.81% during 2025/26 and down to 1.7% from 2026/27 onwards.
- Pension Grant relating to the 2016 Government Advisory Department (GAD) valuation (£2.34m) is built into RSG in future years and will attract an inflationary increase.
- The 2024/25 tax base will increase annually by 1.35%.
- Revenue Support Grant will rise in line with predicted inflation in 2025/26 and future years.
- Pension Grant of £1.6m relating to the 2020 GAD valuation is assumed to continue throughout the four year period.
- The increase in core spending power has been set at 4% for 2024/25 and this will generate additional funding of £738k for one year only.

2.58 Clearly there remain uncertainties around inflation and future pay awards from 2024/25 onwards. The 1-year funding settlement also leaves funding uncertainties for 2025/26 onwards. Taking account of the above assumptions, the impact of a nil increase, 1.95% and 2.95% in council tax in each of the four years from 2024/25 to 2027/28 is set out in Table 3 below.

Table 3 – Comparison of different Council Tax Precepts

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Budget Requirement	52,688	55,341	56,655	57,788
Total External Funding	(21,557)	(21,065)	(21,450)	(21,549)
Balance to be met locally	**31,132**	**34,276**	**35,205**	**36,239**
Council Tax Yield (0%)	(30,106)	(30,512)	(30,924)	(31,341)
Council Tax Yield (1.95%)	(30,694)	(31,715)	(32,771)	(33,861)
Council Tax Yield (2.95%)	(30,993)	(32,338)	(33,741)	(35,204)
Budget Shortfall (0%)	**1,026**	**3,764**	**4,281**	**4,898**
Budget Shortfall (1.95%)	**438**	**2,561**	**2,434**	**2,378**
Budget Shortfall (2.95%)	**139**	**1,938**	**1,464**	**2,035**

2.59 Table 3 shows that with no increases in council tax levels there will be a deficit of £1.026m in 2024/25. This will rise to £3.764m in 2025/26. It increases further to £4.898m by 2027/28.

2.60 Table 3 shows that even with a 1.95% increase in council tax there would be a significant deficit of £438k in 2024/25, rising to £2.561m in 2025/26 and to £2.378m in 2027/28.

2.61 The level of reserves available to support the budget (see sections 2.49 to 2.50) would be sufficient to cover the 2024/25 deficit. A significant level of savings would need to be implemented in order to balance the budget over the coming years with a 1.95% increase in council tax.

2.62 Finally, table 3 brings together the budget requirement if council tax is increased by 2.95% in each of the four years from 2024/25 to 2027/28.

2.63 The above table shows that the estimated deficit position for 2024/25 would reduce to £139k should a 2.95% increase in council tax be approved, rising to £1.938m in 2025/26 and to £2.035m in 2027/28.

2.64 The 2024/25 deficit can be met from the Budget Pressure Support Earmarked Reserve of £1.125m (section 2.50). However, efforts will be made during the year to identify savings where possible through robust budget monitoring or via the workforce review in order to minimise the use of reserves.

SUMMARY

2.65 A comparison of the deficit if council tax is increased by 0%, 1.95% and 2.95% in each of the four years 2024/25 to 2027/28 is shown in table 4 below. The deficit positions should be considered alongside the assumptions outlined in section 2.57. Future year estimates remain uncertain at this point in time due to the one-year funding settlement and the uncertain economic climate.

Table 4 – Comparison of different Council Tax Precepts

	2024/25 £'000	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**
Budget Requirement	52,688	55,341	56,655	57,788
Total External Funding	(21,557)	(21,065)	(19,450)	(19,449)
Balance to be met locally	**31,132**	**34,276**	**37,205**	**38,340**
Council Tax Yield (0%)	(30,106)	(30,512)	(30,924)	(31,341)
Council Tax Yield (1.95%)	(30,694)	(31,715)	(32,771)	(33,861)
Council Tax Yield (2.95%)	(30,993)	(32,338)	(33,741)	(35,204)
Budget Shortfall (0%)	**1,026**	**3,764**	**6,281**	**6,998**
Budget Shortfall (1.95%)	**438**	**2,561**	**4,434**	**4,478**
Budget Shortfall (2.95%)	**139**	**1,938**	**3,464**	**3,135**

2.66 The Fire Authority has a legal obligation to set a balanced budget for 2024/25.

2.67 A council tax increase of 2.95% raises £887k in additional funding compared to a council tax freeze, and an additional £299k compared to a 1.95% increase. Furthermore, if this increase were to be approved for 2024/25 it remains in the base and provides security of funding for future years.

2.68 The Authority holds a £1.125m earmarked reserve set aside for budget pressure support. This is not sufficient to cover the projected deficit should council tax be frozen. Both the council tax freeze and the 1.95% increase options would require significant additional savings to be made from the Futures 25 Efficiency Strategy in 2024/25 and beyond.

2.69 A 2.95% increase would still require £139k to be met from the Budget Pressure Support Earmarked Reserve (£1.125m) which would leave £986k in the reserve to assist in balancing the budget in future years.

2.70 Efforts will be made during the year to identify savings where possible through robust budget monitoring to minimise the use of reserves.

2.71 The Workforce Review (section 2.21) will continue to review working practices, and any savings achieved during 2024/25 will reduce the draw on reserves.

2.72 Savings are required to balance the budget from 2025/26 onwards in all of the scenarios outlined in table 6. These savings will be identified, and options will be presented to the Fire Authority for consideration when the funding position becomes clearer towards the end of 2024.

2.73 It is recommended that Members agree the recommendation of the Finance and Resources Committee to the Fire Authority that there should be a 2.95% council tax increase.

PROPOSAL FOR COUNCIL TAX INCREASES 2024/25

2.74 The recommendation of a 2.95% increase in council tax proposed by the Finance and Resources Committee is set out in tabular form in Appendix C.

2.75 A council tax increase of 2.95% would generate additional funding of £887k in 2024/25. For band D and band A households, a 2.95% increase would see rises in council tax to £92.21 and £61.47 per annum respectively. This equates to approximate weekly increases of 5p for band D and 3p for band A. The impact of increases on other bands is given in the table below:

Table 7 – Impact of 2.95% increase in Council Tax

Band	Annual Council Tax 2023/24 £	2.95% Increase 2023/24 £	Increase £
A	**59.71**	**61.47**	**1.76**
B	69.67	71.72	2.05
C	79.62	81.96	2.34
D	**89.57**	**92.21**	**2.64**
E	109.47	112.70	3.23
F	129.38	133.19	3.81
G	149.28	153.68	4.40
H	179.14	184.42	5.28

2.76 The majority of the homes in the city of Nottingham and county of Nottinghamshire fall into Bands A and B.

FEES AND CHARGES

2.77 At its meeting on 13 November 2015 the Policy and Strategy Committee approved a scale of fees and charges for Special Service Charges and for the use of Service facilities. That Committee also approved the increase of these fees and charges by annual inflation. Appendix D sets out the current scale of fees and charges as well as proposed fees and charges for 2024/25, which have had an inflationary increase applied. It is recommended that the Authority approve these charges for implementation from 1 April 2024.

APPROVAL OF MEMBERS ALLOWANCES

2.78 The allowances that Members can claim are set out in the Members' Allowance Scheme. At its meeting on 22 September 2017 Fire Authority approved that Members' basic allowances and special responsibility allowances would increase on an annual basis linked to increases set by the National Joint Council for Local Government Service. In 2022 and 2023 National Joint Council pay awards were both based on flat rate awards of £1925. In 2022 that equated to a minimum pay increase of 4.04% across the NJC pay spine for all staff who were on it. The equivalent percentage for 2023 is 3.88%.

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2.79 It is recommended that members allowances continue to be paid in line with the approved scheme noting that from 1 April 2023 the Independent Remuneration Panel have recommended a percentage increase of 3.88%.

COMMENTS OF THE TREASURER

2.80 Under section 25 of the Local Government Act 2003, the Treasurer is required to report to the Authority on the following two matters:

- The robustness of the estimates made for the purposes of calculations; and
- The adequacy of reserves.

2.81 The Treasurer is satisfied that, on the basis of the financial risk assessments, the reserves are adequate to support the budget in 2024/25.

2.82 The Treasurer is satisfied that the revenue and capital budgets have been prepared in an accurate and robust manner, such that the Authority will have adequate resources to discharge its responsibilities under various statutes and regulations.

2.83 A statement by the Authority Treasurer is included as Appendix E to this report.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report, although the achievement of budgetary savings in future years will undoubtedly have an impact.

5. EQUALITIES AND ETHICAL IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function, or service.

6. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

There are no environmental and sustainability implications arising from this report.

7. LEGAL IMPLICATIONS

7.1 The Authority has a statutory duty to notify its precept to billing authorities by 1 March 2024 and has no power to issue a supplementary precept.

7.2 Section 114 of the Local Government Finance Act 1988 requires the Treasurer to report to Members and the external auditor if the Authority or one of its officers has made, or is about to make, a decision that involves unlawful expenditure. Not setting a balanced budget would be classed as being unlawful.

7.3 The Authority must also comply with the Accounts and Audit Regulations and ensure that the financial management of the Authority is adequate and effective and has a duty of Best Value to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

8. RISK MANAGEMENT IMPLICATIONS

8.1 Risks associated with budget setting are always significant. Budgets are by their very nature estimates of future activity and these estimates can sometimes be incorrect. Changes involving contraction of activities may not be made on the envisaged timescales, public consultation may vary policy and external issues such as national pay awards may not align with the assumptions.

8.2 There can be no control over external issues however the Authority has sufficient reserves to cope with any in year changes which alter these budget assumptions significantly.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Agree the recommendation of the Finance and Resources Committee to the Fire Authority that there be a 2.95% Council Tax increase.

10.2 Approve the 2024/25 precept level to be notified to the Billing Authorities based on the information set out in Section 2 and Appendix C as required by statute.

10.3 Approve the fees and charges for 2024/25, as set out in Appendix D.

10.4 Approve that Members' Basic and Special Responsibility Allowances be increased by 3.88% backdated to 1 April 2023 in line with the recommendation put forward by the Independent Remuneration Panel.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Craig Parkin
CHIEF FIRE OFFICER

Mark Kimberley
TREASURER TO THE FIRE AUTHORITY

APPENDIX A

Capital Programme 2024/25 to 2027/28

10 YEAR CAPITAL PROGRAMME	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
TRANSPORT	**£'000**	**£'000**	**£'000**	**£'000**
Pumping Appliances	2,416			855
Special Appliances	393			118
Light Vehicle Replacement	0	0	0	0
Aerial Ladder Appliances	308	533		
Sub Total	**3,117**	**533**	**0**	**973**
EQUIPMENT				
Structural PPE				591
Replacement Duty Rig	150			
Coveralls	100			
Radios			315	
Holmatro (RTC Equipment)				457
Gas Monitoring			35	
Fire Hoods	140			
Body Cam Equipment	65			
Sub Total	**455**	**0**	**350**	**1,048**
ESTATES				
Access and Inclusion	750			
Training Development Centre	500			
Training Development Centre – Welfare training Classroom Refurb	500			
Station A	30	1,500	3,875	135
On training Facilities		150		150
Station B			30	1,500
Estate energy reduction and Decarbonisation	250	125		125
Sub Total	**2,030**	**1,775**	**3,905**	**1,910**
I.T. & COMMUNICATIONS				
ICT Capital Programme - Replacement Equipment	230	180	200	250
Mobile Computing	90			90

CFRMIS	150			
Command Support Unit Software and install	55			
HQ Core Switch Upgrade			50	
Payroll, Finance and Occ. Health Upgrade	101	30		30
Sub Total	**626**	**210**	**250**	**370**
Emergency Services Mobile Communications				
Control & Mobilising System	2,000	1,000	300	0
Sub Total	2,000	1,000	300	0
TOTAL	**8,228**	**3,518**	**4,805**	**4,301**

TO BE FINANCE BY	**Budget 2024/25 £'000**	**Budget 2025/26 £'000**	**Budget 2026/27 £'000**	**Budget 2027/28 £'000**
Borrowing	7,601	3,508	4,595	4,191
Capital Receipts	10	10	210	110
Revenue / Earmarked Reserves	617			
TOTAL	**8,228**	**3,518**	**4,805**	**4,301**

APPENDIX B

CASH LIMIT	Revised Budget 2023/2024	Budget 2024/2025 £000's	Budget 2025/2026 £000's	Budget 2026/2027 £000's	Budget 2027/208 £000's
Direct Employee Expenses	38411	41733	43480	44912	45810
Indirect Employee Expenses	511	618	575	571	582
Pension	1066	1124	1087	1122	1144
	39988	**43475**	**45142**	**46605**	**47537.1**
Repairs Alterations and Maintenance of Buildings	867	1013	1041	1059	1080
Energy Costs	1160	1218	1252	1273	1298
Rents	422	446	458	466	475
Rates	1043	1095	1126	1145	1168
Water	85	91	94	96	98
Fixture and Fittings	2	2	2	2	2
Cleaning and Domestic Supplies	447	477	490	498	508
Grounds Maintenance Costs	27	55	57	58	59
Premises Insurance	22	29	32	35	36
Refuse Collection	37	39	40	41	42
	4112	**4465**	**4592**	**4673**	**4766**
Direct Transport Cost	1818	1819	1829	1839	1876
Recharges	3	3	3	3	3
Public Transport	7	10	10	10	10
Transport Insurance	154	180	198	218	222
Car Allowances	238	246	246	246	251
	2220	**2258**	**2286**	**2316**	**2362**
Equipment Furniture and Materials	659	744	749	753	768
Catering	50	46	46	46	47
Clothes Uniforms and Laundry	455	566	546	555	566
Printing Stationery and General Office Expenses	30	30	30	30	31
Services	638	692	688	721	735
Communications and Computing	2182	2389	2548	2617	2669
Expenses	33	37	37	37	38
Grants and Subscriptions	86	99	99	99	101
Miscellaneous Expenses	211	-5	2	5	5
	4344	**4598**	**4745**	**4863**	**4960**
Other Local Authorities	950	996	1024	1043	1064
Private Contractors	0	0	0	0	0
	950	**996**	**1024**	**1043**	**1064**
Finance	127	135	139	141	144
Corporate Services	45	48	49	50	51
	172	**183**	**188**	**191**	**195**
Depreciation	0	0	0	0	0
Amortisation of Intangible Fixed Assets	0	0	0	0	0
	0	**0**	**0**	**0**	**0**

Customer and Client Receipts	-425	-470	-478	-487	-497
	-425	**-470**	**-478**	**-487**	**-497**
Government Grants	-3650	-5120	-5236	-5981	-6101
Other Grants/Reimbursements and Contributions	-300	-573	-573	-573	-584
Interest	-138	-250	-250	-250	-255
	-4088	**-5943**	**-6059**	**-6804**	**-6940**
Interest Payments	983	1324	1635	1821	1857
Debt Management Expenses	1709	1801	2266	2435	2484
	2692	**3125**	**3901**	**4256**	**4341**
BUDGET	**49,965**	**52,688**	**55,341**	**56,655**	**57,788**

PROPOSAL FOR COUNCIL TAX INCREASE OF 2.95%

An increase in Council Tax of 2.95% would require the Authority to set a Band D Council Tax of £92.21 and at Band A £61.47 per annum in 2024/25.

Specifically, in 2024/25 Council Tax would be set at the following levels:

		Increase
Band A	**61.47**	**1.76**
Band B	71.72	2.05
Band C	81.96	2.34
Band D	**92.21**	**2.64**
Band E	112.70	3.23
Band F	133.19	3.81
Band G	153.68	4.40
Band H	184.42	5.28

The level of Council Tax at Band D is then multiplied by the taxbase to calculate the precept to be set for each of the District Councils and the City Council as follows:

	Taxbase	Percentage	Precept £
Ashfield	34,524.50	10.3%	3,183,511.12
Bassetlaw	37,801.62	11.2%	3,485,695.02
Broxtowe	35,224.25	10.5%	3,248,035.21
Gedling	38,962.89	11.6%	3,592,775.96
Mansfield	31,003.40	9.2%	2,858,829.78
Newark and Sherwood	42,531.75	12.7%	3,921,861.26
Rushcliffe	46,989.80	14.0%	4,332,938.95
Nottingham City	69,075.00	20.6%	6,369,419.71
Total	**336,113.21**	**100.0%**	**30,993,067.01**

The above figures are calculated after taking account of the declared surplus/deficit on collection for each of the billing authorities.

FEES AND CHARGES – SPECIAL SERVICES AND USE OF FACILITIES 2024/25

	2023/24 Charges	2024/25 Proposed Charges
Personnel: per hour, or part of an hour:		
Full Crew	£320.60	£336.60
Station Manager and above	£71.50	£75.10
Watch Manager	£58.60	£61.50
Crew Manager	£55.90	£58.70
Firefighter	£52.90	£55.50
Appliances and Vehicles: per hour, or part of an hour:	£51.90	£54.00
Loan of Salvage Sheet:		
Charge for fitting	£320.60	£336.60
Charge for removing	£320.60	£336.60
Charge for salvage sheet	£113.20	£117.70
Copy of a Fire Report	£82.90	£86.20
Hire of Meeting Room:		
Full day	£295.30	£307.10
Half day	£152.40	£158.50

Note: all charges above include VAT at the current rate, where applicable

APPENDIX E

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

STATEMENT BY AUTHORITY TREASURER

Under Section 25 of the Local Government Act 2003, the Treasurer is specifically required to report to the Authority on the following two matters:

- The robustness of the estimates made for the purposes of calculations; and
- The adequacy of reserves.

The required level of reserves is calculated using a risk assessment methodology. I am satisfied that, on the basis of those risk assessments, the proposed level of reserves is adequate.

Earmarked Reserves are held for specific purposes, and include amounts for unspent grant, the Emergency Services Mobile Communications Programme, Budget Pressure Support and Futures 25 strategy.

I am content that the Revenue and Capital budgets have been prepared in an accurate and robust manner such that the Authority will have adequate resources to discharge its responsibilities under various statutes and regulations.

Mark Kimberley CPFA
FIRE AND RESCUE AUTHORITY TREASURER

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

PRUDENTIAL CODE FOR CAPITAL FINANCE 2024/25

Joint Report of the Treasurer to the Fire Authority and Chief Fire Officer

Date: 23 February 2024

Purpose of Report:

To inform Members of the Authority's obligations under the CIPFA Prudential Code for Capital Finance.

To seek the approval of Members to the proposed capital plans, prudential limits and monitoring processes set out in the report.

Recommendations:

That Members approve the Prudential Limits for 2024/25 (see Section 10 for details).

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1. BACKGROUND

1.1 The Local Government Act 2003 set out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code.

1.2 The objectives of the Prudential Code are to ensure that:

- Capital plans and investment plans are affordable and proportionate
- All borrowing and other long-term liabilities are within prudent and sustainable levels
- Risks associated with investment are proportionate to financial capacity
- Treasury management decisions are in accordance with good professional practice.

1.3 In exceptional cases, the Code should provide a framework which will demonstrate where the objectives may not be ensured, so that timely remedial action can be taken.

1.4 The Prudential Code was revised in December 2021. One of the key changes in the 2021 edition of the Prudential Code is the explicitly stated requirement that authorities must not borrow to invest primarily for financial return.

1.5 The Prudential Code includes a requirement for authorities to produce a Capital Strategy. The 2024/25 Capital Strategy formed part of the Medium Term Financial Strategy which was approved by the Fire Authority on 15 December 2023.

1.6 The Prudential Code sets out a number of indicators which authorities must use to support decision making. These are not designed to be comparative performance indicators. In addition, the CIPFA Treasury Management Code of Practice and guidance notes sets out a series of treasury indicators. The prudential and treasury indicators should be considered in parallel, and they are therefore included together in this report.

1.7 In addition to the indicators that are required by the Prudential Code and the Treasury Management Code of Practice, this report includes local indicators for internal borrowing and investment benchmarks which will help the Authority to more effectively manage the risks involved with certain elements of treasury management activity.

1.8 This report sets out the proposed prudential and treasury limits for the Authority for the 2024/25 financial year along with the implications of the proposed Capital Programme, which will be presented with the budget report also on the agenda.

1.9 Reports which monitor the Authority's performance against these indicators will be presented to the Finance and Resources Committee throughout the year.

2. REPORT

2.1 Due to changes agreed by CIPFA in relation to the adoption of International Financial Reporting Standard 16 which will apply from 1 April 2024, some leased assets may be brought onto the balance sheet during 2024/25. It's currently not possible to estimate the impact of these changes but they may affect some of the estimated indicators shown below, especially the Capital Financing Requirement, Operational Boundary and Authorised Limit.

PRUDENTIAL INDICATORS FOR AFFORDABILITY

2.2 **Estimates of the Ratio of Financing Costs to Net Revenue Stream**

	2022/23 Actual £000s	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/26 Estimate £000s	2026/27 Estimate £000s	2027/28 Estimate £000s
Total Revenue Costs	2,321	2,047	2,876	3,652	4,007	4,435
Net Revenue Stream	49,977	52,676	57,850	58,251	61,182	62,466
	Ratio of Financing Costs to Net Revenue Stream					
Ratio	4.6%	3.9%	5.0%	6.3%	6.5%	7.1%

2.3 On 24 October 2008 the Finance and Resources Committee set a maximum limit of 8% for this ratio in order to meet the Prudential Code requirements of affordability and sustainability (as part of the Sustainable Capital Plans report). This is periodically reviewed by Treasury staff and it is still felt to be appropriate. This ratio is expected to rise over the coming years from 4.6% in 2022/23 to 7.1% in 2027/28. Financing costs include minimum revenue provision (MRP) costs, plus interest payable. The MRP cost is driven by the level of capital expenditure in the previous financial year and the useful life of the assets purchased. With the exception of 2023/24, financing costs are expected to increase year-on-year to reflect the increase in borrowing required to fund the ongoing capital programme (see section 2.5). The net revenue stream (comprised of council tax, national non-domestic rates and non-specific revenue grants) is expected to increase at a slower rate, hence the increase in the ratio.

2.4 The estimated ratios for 2024/25 onwards assume an annual council tax increase of 2.95%.

PRUDENTIAL INDICATORS FOR CAPITAL EXPENDITURE AND EXTERNAL DEBT

2.5 **Estimate of Total Capital Expenditure and Capital Funding**

	2022/23 Actual £000s	**2023/24 Estimate £000s**	**2024/25 Estimate £000s**	**2025/26 Estimate £000s**	**2026/27 Estimate £000s**	**2027/28 Estimate £000s**
Capital Expenditure	**2,265**	**8,507**	**8,228**	**3,518**	**4,805**	**4,301**
Funded by:						
Borrowing	0	(6,373)	(2,800)	(1,242)	(2,160)	(1,592)
Revenue / Reserves	(298)	(595)	(617)	0	0	0
MRP Re-investment	(1,397)	(1,525)	(1,801)	(2,266)	(2,435)	(2,599)
Capital Grant	(57)	(12)	0	0	0	0
Capital Receipts	(513)	(2)	(3,010)	(10)	(210)	(110)
Total	**0**	**0**	**0**	**0**	**0**	**0**

2.6 The estimates for 2024/25 to 2027/28 form part of the budget report on this agenda.

2.7 The Capital Programme is funded from a mixture of borrowing, capital receipts and reserves. This combination will be reviewed on an ongoing basis to ensure the best long-term options are achieved for the Authority. This will include consideration of borrowing rates, reserve levels and revenue and capital receipt availability.

2.8 “MRP re-investment” in the above table refers to the use of the minimum revenue provision which is used to reduce the borrowing need rather than for the repayment of debt due to the Authority’s loans being payable on maturity. “Borrowing” refers to the shortfall in funding after other funding sources have been applied. This borrowing may not necessarily take place externally. The Authority may judge it prudent to make use of the cash that it has already invested for long-term purposes. In doing this, the Authority does not reduce the magnitude of the funds it is holding for these long-term purposes but simply adopts an efficient and effective treasury management strategy. This practice, known as “internal borrowing”, is common in local authorities and means there is no immediate link between the need to borrow for capital spending and the level of external borrowing.

2.9 **Capital Financing Requirement**

31/03/23 Actual £000s	31/03/24 Estimate £000s	31/03/25 Estimate £000s	31/03/26 Estimate £000s	31/03/27 Estimate £000s	31/03/28 Estimate £000s
Capital Financing Requirement					
30,533	36,906	39,706	40,948	43,108	44,700

2.10 The Capital Financing Requirement is the amount required from external sources to fund capital expenditure and represents the Authority's underlying need to borrow for capital purposes. It will therefore be the aggregate of all capital expenditure, less any revenue or reserve contributions, capital grants or capital receipts. The above table shows that the Capital Financing Requirement (CFR) steadily increases during the period from 2022/23 to 2027/28. The CFR increases when annual capital expenditure exceeds the funding available from capital receipts, government grants and revenue sources, and decreases when the funding exceeds the expenditure. The movement in the estimated CFR figures is mainly driven by the varying levels of estimated capital expenditure for each year, with the most significant increase taking place in 2023/24 when capital expenditure is expected to peak at £8.5m.

Operational Boundary and Authorised Limit for External Debt

2.11 The operational boundary is the Authority's estimate of its total external debt, including other long-term liabilities (such as finance leases) which are separately identified. This is to reflect the most likely scenario and not the worst case. It is possible for the operational boundary to be temporarily breached to take account of unusual movements in cash flow but this should not be a regular occurrence. A variation from the operational boundary is permissible but will be reported to Fire Authority.

2.12 The operational boundary includes allowances to borrow to fund the capital programme, replace maturing debt and to allow for any short term borrowing that may be needed to cover the cashflow of the authority.

2.13 The authorised limit is essentially the same as the operational boundary but allows headroom over and above it to take account of unusual movements in cash flow, and therefore should be the maximum amount of external debt that the Authority is exposed to at any given time. Any proposed variation from the authorised limit must be authorised by the Fire Authority.

2.14 Operational Boundary and Authorised Limit

	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Operational Boundary					
Borrowing	36,901	39,700	39,942	43,102	44,694
Other long term liabilities	0	200	200	200	200
Total External Debt	36,901	39,900	40,142	43,302	44,894
Authorised Limit					
Borrowing	41,591	43,670	43,936	47,412	49,163
Other long term liabilities	1,000	1,000	1,000	1,000	1,000
Total External Debt	42,591	44,670	44,936	48,412	50,163

2.15 Actual External Debt as at 31/03/23

	2022/23 £000s
Actual borrowing	32,900
Actual other long term liabilities	0
Total – Actual External Debt	**32,900**
Operational Boundary	36,907
Authorised Limit	40,598

PRUDENTIAL INDICATORS FOR PRUDENCE

2.16 Gross Debt and the Capital Financing Requirement (CFR)

	2022/23 Actual £000s	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/26 Estimate £000s	2026/27 Estimate £000s	2027/28 Estimate £000s
External debt	32,900	34,900	36,700	37,942	40,102	41,694
Cumulative CFR	39,909	40,948	43,108	44,700	47,637	47,637
Under/(over) borrowing	7,009	6,048	6,408	6,758	7,535	5,943

2.17 Except in the short term, external debt should not exceed the CFR in the previous year plus the estimates of any increase in the CFR at the end of the current and next two financial years (shown as “Cumulative CFR” in the table above). If in any of these years there is a reduction in the CFR, this reduction is excluded when estimating the cumulative CFR. The Authority is expecting to be in an under-borrowed position in the medium term, with the CFR being partly funded by internally borrowed funds.

INDICATORS FOR TREASURY MANAGEMENT

2.18 The Service carries out its own treasury management in accordance with the CIPFA Code of Practice for Treasury Management. The Authority has adopted a low-risk approach to treasury management, which seeks to ensure that investments are secure and that there is sufficient liquidity of funds to enable the Authority to carry out its business.

Gross and Net Debt

2.19 The actual amount of external long-term borrowing as at 31 March 2023 was £29.9m, with short-term borrowing totalling £3m. There were no other longer-term liabilities at this date. At the same date, the level of investments was £11.2m, giving a net debt position of £21.7m.

2.20 The Treasury Management Strategy 2024/25 report, also on this agenda, outlines the proposal to borrow over the next three years to finance the capital programme and to replace maturing loans. The decision about when to borrow will depend upon interest rate forecasts. For the purposes of setting indicators, assumptions have been made about when borrowing may take place. In reality the timing will be determined by Officers in conjunction with the Authority’s treasury advisors.

2.21 The proportion of net debt to gross debt can highlight where an Authority is borrowing in advance of need, as it shows the extent to which funds have been borrowed and then invested. Whilst the Authority is permitted to borrow in advance to finance the capital programme, where borrowing rates are higher than investment rates this creates a “cost of carry”. Therefore, when this is that case the cost of carry is reduced by keeping the proportion of net debt to gross debt as high as is practicable. For information, the proportion of net debt to gross debt as at 31 March 2023 was 66%, and it is forecast to be 81% at the end of the current financial year. It is proposed that the Authority sets the following limits for the proportion of net debt to gross debt:

2.22 **Proportion of Net to Gross Debt**

	2024/25	2025/26	2026/27	2027/28
Lower limit for proportion of net debt to gross debt	50%	50%	50%	50%
Upper limit for proportion of net debt to gross debt	85%	85%	85%	85%

Interest Rate Risk Exposure

2.23 In terms of borrowing, it has been considered prudent to use Public Works Loans Board (PWLB) fixed interest loans on most occasions. This is because the PWLB generally offers rates which cannot be obtained elsewhere in the marketplace. Unlike lending, borrowing is a low risk activity so future borrowing arrangements will be entered into on the basis of what is most advantageous for the Authority at the time. Any proposals to borrow from alternative sources to the PWLB will be discussed with the Authority's treasury advisors.

2.24 Borrowing in the past has been at fixed interest rates although variable rates are not ruled out should they be considered financially advantageous at the time of financing. A maximum limit of 30% of borrowing from variable rate sources is proposed.

2.25 The total value of lending is not expected to exceed £13m, which is likely to peak around July and August 2024. However, it is difficult to assess what the likely investment profile might be as this depends upon capital expenditure timings as well as the level of pension top up grant received from the Government, and the timing of borrowing. All investments are made in line with the Treasury Management Strategy.

2.26 **Limits for Interest Rate Exposures**

	Benchmark %	2024/25 %	2025/26 %	2026/27 %	2027/28 %
Upper Limit for fixed rate exposures	100%	100%	100%	100%	100%
Upper Limit for variable rate exposures	30%	30%	30%	30%	30%

2.27 In addition to the upper limit for variable rate exposures in relation to external debt, the Authority has adopted a local indicator which sets a limit for the acceptable level of internal borrowing. This is because the use of internal borrowing exposes the Authority to interest rate risk, as there is a chance that cash balances may need to be replenished at a time when interest rates are higher. In this respect, internal borrowing is effectively variable rate debt. The level of internal borrowing is calculated as follows:

Capital Financing Requirement – External Borrowing = Internal Borrowing

2.28 At 31 March 2023 the Authority's total borrowing of £32.9m exceeded the closing CFR, which was £30.5m. This was largely due to the Authority opting to borrow in advance of need in January 2022 in order to take advantage of relatively low interest rates at a time when rates were forecast to increase. It is also due to the extent of the underspend against the 2022/23 capital budget, which meant that the closing CFR was lower than initially projected.

2.29 It is proposed that the Authority sets the following limits for internal borrowing:

	2024/25 %	**2025/26 %**	**2026/27 %**	**2027/28 %**
Upper Limit for internal borrowing as a % of the Capital Financing Requirement	20%	20%	20%	20%

Investment Benchmarking

2.30 The Treasury Management Strategy 2024/25, which is also on this agenda, sets out the following local benchmarks to assess the security, liquidity and yield of its investments:

- **Security:** a risk benchmark of **0.05%** historic default when compared to the whole investment portfolio.
- **Liquidity:** a "Weighted Average Life of Investments" benchmark of **approximately 3 months**, with an upper limit of **0.40 years**.
- **Yield:** internal returns to be above a benchmark of the **3 month compounded Sterling Overnight Index Average (SONIA) rate**

2.31 Further details of these benchmarks can be found in the Treasury Management Strategy 2024/25.

Loan Maturity

2.32 There is no requirement for a direct linkage between the assets financed and the term of loans taken out. Upper limits in terms of loan maturity are set to ensure that the Authority is not exposed to the risk of having to repay loans and then re-borrow in the short term when interest rates might be high.

2.33 It is recommended that the maturity structure limits remain unchanged for 2024/25. The Authority holds a loan of £4m which is structured as a "Lender Option Borrower Option" (LOBO) loan. Whilst the end date of the loan is March 2078 there are options every five years for the lender to revise the interest rate. The Authority may choose to repay the loan without penalty if the amended rate is not advantageous. The next opportunity for the revision of the interest rate is 7 March 2028. The limits for these years will be kept under review to reflect that the investment may mature on these dates.

2.34 **Limits on the Maturity Structure of Borrowing**

	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months to 5 years	30%	0%

5 years to 10 years	75%	0%
10 years to 20 years	100%	0%
Over 20 years	100%	30%

Principal Sums Invested for Periods Longer than 365 Days

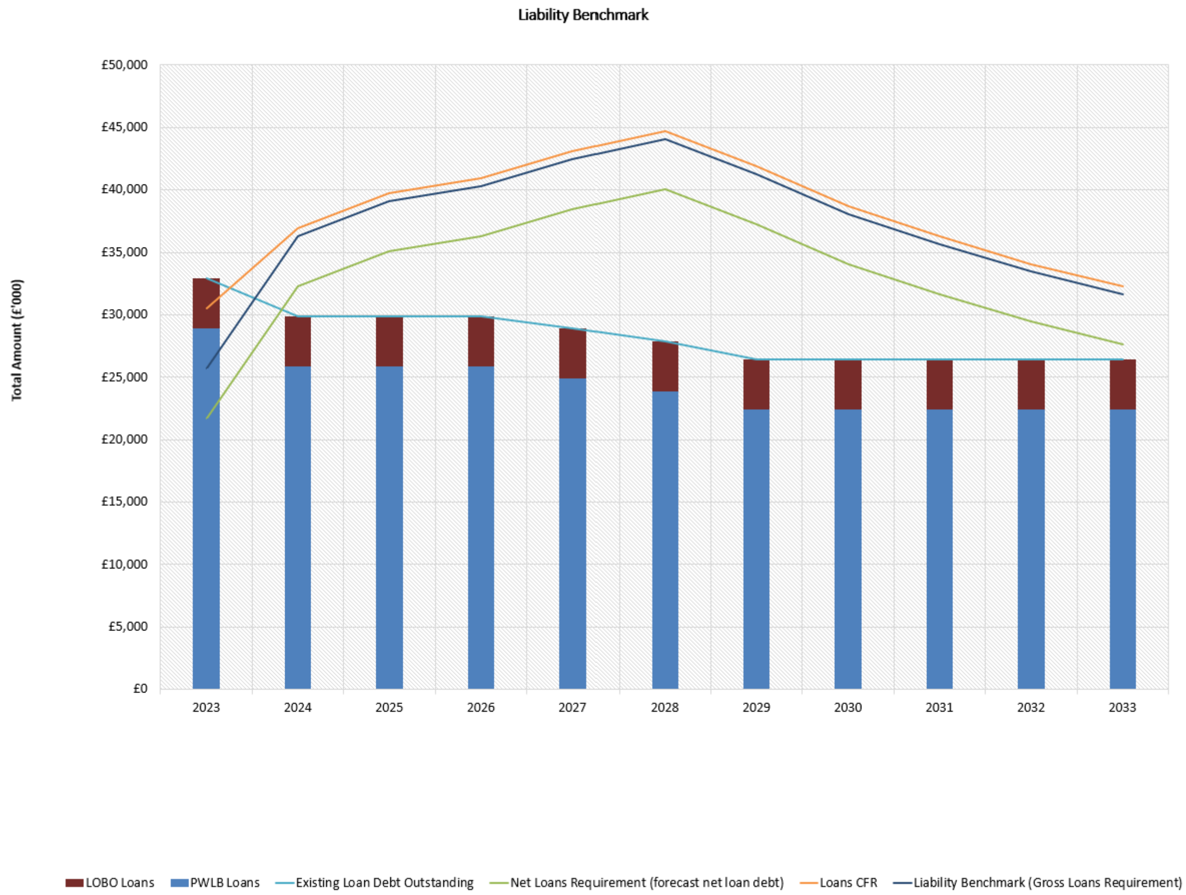
2.35 Investments arising from borrowing to support the capital programme are unlikely to exceed one year in duration, however for surplus cash which supports reserves it may be desirable to invest monies for a slightly longer period to achieve a level of certainty around interest receipts and perhaps beneficial interest rates. Such decisions will be influenced by market conditions at the time and the liquidity of funds will be of paramount importance. It is proposed that Officers should be able to invest monies for longer than a year if this appears to be an advantageous strategy, but that a maximum limit of £2m be applied to any such investments. This will contain the Authority's exposure to the possibility of loss arising from having to seek early repayment of investments.

2.36 **Limits for Principal Sums Invested for Longer than 365 Days**

2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Prudential Limits for Principal Sums Invested for Periods Longer than 365 Days			
2,000	2,000	2,000	2,000

2.37 **Liability Benchmark**

The liability benchmark is a projection of the amount of loan debt outstanding that the Authority needs each year to fund its existing debt liabilities, planned prudential borrowing for capital expenditure and other cash flows. This is shown by the gap between the Authority's existing loans that are still outstanding at a given future date and the Authority's future need for borrowing (as shown by the liability benchmark). It therefore shows how closely the existing loans book fits the future need of the Authority based on its current plans. Any shortfall will have to be met by future borrowing; any excess will have to be invested unless borrowing is prematurely repaid. However, the Treasury Management Code of Practice does not require authorities to always minimise risks by closely matching their loan debt to the liability benchmark. Factors such as interest rate expectations may lead an authority to prudently conclude that it is appropriate to have a maturity profile that does not exactly match the benchmark, or to borrow in advance of need to secure affordable interest costs. The liability benchmark is simply a tool to help the authority manage risk.



2.38 The above chart takes account of proposed capital expenditure up to 2027/28, and the resulting changes to both the CFR and the levels of borrowing for capital purposes. The CFR level reduces beyond 2028 as it is decreased by the annual minimum revenue payment charges relating to previous and proposed capital expenditure. The net loans requirement takes the Authority's net debt position as its starting point and then reflects changes to the level of planned borrowing for capital purposes to fund the proposed capital programme up to 2027/28. The liability benchmark consists of the net loans requirement, plus an allowance for liquidity (known as the liquidity buffer). Aside from capital expenditure, the firefighters' pension fund has perhaps the most significant impact on the Authority's cash flows. Therefore, Officers must take account of potential cash deficits relating to the pension fund when determining an appropriate level for the liquidity buffer.

2.39 The chart shows that the Authority's outstanding debt exceeded both the CFR and liability benchmark in March 2023. This is due to both the timing of borrowing and the level of capital expenditure incurred in 2022/23, as explained in section 2.28. By 2024 the liability benchmark exceeds debt levels, indicating a requirement to borrow. The use of this chart encourages authorities to focus on a "net book" treasury management position whereby borrowing and investments are netted down (whilst maintaining appropriate investment balances for liquidity purposes). This reduces the treasury risks resulting from running debt and investment portfolios at the same time. It also means that the management of borrowing and investments is integrated so that both are reviewed together when monitoring and managing treasury risks. The projected liability benchmark is a useful tool for helping to determine a suitable maturity profile for the Authority's debt when new borrowing decisions are made.

3. FINANCIAL IMPLICATIONS

The financial implications of this report are set out in full within the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising from this report.

5. EQUALITIES AND ETHICAL IMPLICATIONS

An equality impact assessment has not been undertaken because this is not a new policy or service. A previous assessment has shown that there are no specific equality impacts which arise directly from the Prudential Code.

6. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

There are no environmental implications arising from this report. This report serves to ensure that the financial sustainability of the Authority is maintained.

7. LEGAL IMPLICATIONS

The Local Government Act 2003 imposes an obligation on the Authority to agree and monitor its prudential indicators.

8. RISK MANAGEMENT IMPLICATIONS

The risk exposures in this report relate primarily to three areas:

- The risk of over exposure of the Authority to interest rate fluctuations;
- The risk that the Authority has an unmanageable or unaffordable level of borrowing;
- The risk of tying up investments, thereby reducing liquidity and exposing the Authority to possible losses arising from early repayment of investments.

This report serves to set out those risks and ensure that they are managed.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

That Members approve the Prudential Limits for 2024/25 as follows:

Maximum ratio of Financing Costs to Net Revenue Stream	8.0%
Estimated Ratio of Financing Costs to Net Revenue Stream	5.0%
Estimate of Total Capital Expenditure to be Incurred	£8,228,000
Estimate of Capital Financing Requirement	£39,706,000
Operational Boundary	£39,900,000
Authorised Limit	£44,670,000
Upper limit for fixed rate interest exposures	100%
Upper limit for variable rate interest exposures	30%
Loan Maturity:	Limits:
Under 12 months	Upper 20% Lower 0%
12 months to 5 years	Upper 30% Lower 0%
5 years to 10 years	Upper 75% Lower 0%
Over 10 years	Upper 100% Lower 0%
Over 20 years	Upper 100% Lower 30%
Upper Limit for Principal Sums Invested for Periods Longer than 365 Days	£2,000,000

That Members approve the following local indicators for 2024/25:

Upper limit for internal borrowing as a % of the Capital Financing Requirement	20%
Limit for proportion of net debt to gross debt	Upper 85% Lower 50%
Investment security benchmark: maximum historic default risk of investment portfolio	0.05%
Investment liquidity benchmark: maximum weighted average life of investment portfolio	0.40 years

Investment yield benchmark	Internal returns to be above 3 month compounded SONIA rate

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Craig Parkin
CHIEF FIRE OFFICER

Mark Kimberley
TREASURER TO THE FIRE AUTHORITY

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

TREASURY MANAGEMENT STRATEGY 2024/25

Report of the Treasurer to the Fire Authority

Date: 23 February 2024

Purpose of Report:

To seek the approval of Members for the proposed Treasury Management Strategy for 2024/25 and the Authority's Minimum Revenue Provision Policy for 2024/25.

Recommendations:

It is recommended that Members approve:

- The Treasury Management Strategy for 2024/25
- The Minimum Revenue Provision Policy for 2024/25

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1. BACKGROUND

1.1 The Local Government Act 2003 requires the Authority to set out its treasury strategy for borrowing and to prepare an annual investment strategy; this sets out the Authority's policies for borrowing, for managing its investments and for giving priority to the security and liquidity of those investments.

1.2 The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk appetite, ensuring adequate security and liquidity before considering investment return.

1.3 The second main function of the treasury management operation is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that the Authority can meet its capital spending obligations. The management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses.

1.4 Treasury management is defined by CIPFA as *"the management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks*." The treasury management function makes an important contribution to the Authority, as the balance of debt and investment operations ensures the ability to meet spending commitments as they fall due, either on day-to-day revenue or on larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves, it is paramount to ensure the adequate security of sums invested, as the loss of principal will in effect result in a loss to the General Fund Balance.

1.5 The Authority adopted the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2009 (the Code) on 9 April 2010. It has subsequently been updated, with the most recent revision being published in December 2021. Many of the changes in the revised Code are concerned with commercial and service investment practices and so have a limited impact on the Authority. The revised Code includes the following requirements:

1. A requirement for the Authority to adopt a debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement. Details of this indicator can be found in the

separate report on the Prudential Code for Capital Finance, also on the agenda at this meeting.

2. Ensuring that any long-term treasury investment is supported by a business case.

3. An amendment to Treasury Management Practice (TMP) 1 to address Environment, Social and Governance policy within the treasury management risk framework.

4. An amendment to the knowledge and skills register for individuals involved in the treasury management function, to be proportionate to the size and complexity of the treasury management conducted by each authority.

5. Reporting to Members is to be done quarterly. Performance against prudential indicators will be reported as part of the Authority's integrated revenue, capital and prudential monitoring reports which are presented to the Finance and Resources Committee on a quarterly basis. A mid-year treasury update and a backward looking annual report will be presented annually to the Fire Authority.

1.6 The 2021 edition of the Code recommends that the following clauses are adopted by public service organisations as part of their financial regulations or other formal policy documents:

1. The creation and maintenance of a Treasury Management Policy Statement which sets out the policies, objectives and approach to risk management of the Authority's treasury management activities (see appendix A).

2. The creation and maintenance of suitable Treasury Management Practices (TMPs) which set out the manner in which the Authority will seek to achieve those policies and objectives and prescribing how it will manage and control these activities.

3. The creation and maintenance of suitable investment management practices for any investments that are not for treasury management purposes.

4. Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. This Authority delegates the role of scrutinising the treasury management strategy and policies to the Finance and Resources Committee.

5. Receipt by the Fire Authority of an annual Treasury Management Strategy Statement for the year ahead, a mid-year review report and an annual report covering activities during the previous year. Members of the Finance and Resources Committee will receive a quarterly monitoring report comprised of updated Treasury/Prudential Indicators.

6. This Authority nominates the Treasurer to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

1.7 The Authority's Financial Regulations and Treasury Management Practices are currently under review and will be updated to reflect the clauses identified in 1.5 and 1.6. In practical terms the clauses have already been built into treasury management procedures.

1.8 A report on the Prudential Code for Capital Finance is also on this agenda. This report sets out the prudential indicators for 2024/25, which are designed to ensure that the Authority's capital investment plans are affordable, prudent and sustainable and are in accordance with CIPFA's Prudential Code. The Prudential Code was revised in December 2021. One of the key changes in the revised edition of the Prudential Code is the explicitly stated requirement that authorities must not borrow to invest primarily for financial return. The Prudential Code also includes a requirement to prepare a Capital Strategy – this was approved as part of the Medium Term Financial Strategy by Fire Authority on 15 December 2023.

1.9 This Treasury Management Strategy report is complementary to the Prudential Code report and the proposed prudential and treasury limits for 2024/25 are included in both reports for completeness.

1.10 This report also sets out the Authority's Minimum Revenue Provision policy for 2024/25 for approval by Members in paragraphs 2.54 to 2.58.

1.11 The Authority has appointed Link Asset Services as its external treasury management adviser. Link Asset Services has provided the Authority with its view on the economic outlook and on anticipated interest rates for the forthcoming year.

2. REPORT

TREASURY MANAGEMENT STRATEGY FOR 2024/25

2.1 The Local Government Act 2003 (the Act) and supporting regulations requires the Authority to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.

2.2 The Act therefore requires the Authority to set out its treasury strategy for borrowing and to prepare an annual investment strategy: this sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

2.3 The suggested strategy for 2024/25 in respect of the following aspects of the treasury management function is based upon Officers' views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury adviser, Link Asset Services.

2.4 The strategy covers:

- Prudential and treasury indicators;
- The borrowing requirement;
- Prospects for interest rates;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- Debt rescheduling;
- The investment strategy;
- Creditworthiness policy;
- Policy on use of external service providers;
- The Minimum Revenue Provision policy;
- Training of Officers and Members.

2.5 The Authority recognises that whilst there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources, responsibility for treasury management decisions remains with the organisation at all times. The Authority will therefore ensure that undue reliance is not placed upon external service providers.

BALANCED BUDGET REQUIREMENT

2.6 It is a statutory requirement under Section 32 of the Local Government Finance Act 1992 for the Authority to produce a balanced budget. A local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This includes a statutory requirement to make a prudent provision for an annual contribution from its revenue budget towards the reduction in its overall borrowing requirement. This charge is known as the Minimum Revenue Provision (MRP). This means that increases in capital expenditure must be limited to a level whereby increases in the following charges to revenue remain affordable within the projected income of the Authority for the foreseeable future:

- Increases in interest charges caused by increased borrowing to finance additional capital expenditure;

- Any increases in running costs from new capital projects, and

- Any increases in the Minimum Revenue Provision.

ECONOMIC BACKGROUND

2.7 The third quarter of 2023/24 saw:

- A 0.3% decline in monthly GDP in October, potentially partly due to unseasonably wet weather, followed by estimated growth of 0.3% in November. The November increase was mainly driven by services output, which grew by 0.4%. Growth for the quarter ending 30 September was revised downwards to -0.1% and growth on an annual basis was also revised downwards to 0.3%.

- A sharp fall in wage growth, with the headline 3 month y/y rate declining from 8.0% in September to 7.2% in October. Unemployment remained low at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 950,000 in October to around 949,000. This slight easing in demand for labour may support further easing in wage growth in the coming months.

- CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, and then again to 3.9% in November. Core CPI decreased to 5.1% in November, the lowest rate since January 2022.

- The Bank of England holding bank rate at 5.25% in November and December.

- A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.

2.8 The falls in CPI inflation in October and November were bigger than expected, and there are clear signs of easing in domestic inflationary pressures. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%, but some of it was due to services inflation falling from 6.6% to 6.3%. The Bank of England views the latter as a key barometer of the persistence of inflation and it came in below the Bank's forecast in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path. Looking ahead, the Authority's treasury advisors are of the opinion that the recent downward trends in CPI and core inflation will stall during the first quarter of 2024 before starting to decline more decisively again. They are therefore forecasting that the Bank of England will not begin to reduce interest rates until the latter half of 2024.

2.9 Overall, GDP is expected to remain subdued throughout 2024 due to the drag from higher interest rates. Improvements in the cost-of-living crisis and forecast cuts to interest rates in the second half of 2024 are expected to support a recovery in GDP growth in 2025.

2.10 The fall in UK market interest rate expectations in December has driven most of the recent decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and Eurozone gilts. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the fall in inflation is maintained.

2.11 A more comprehensive economic summary prepared by Link Asset Services can be found at appendix B.

2.12 The latest interest rate forecasts from Link Asset Services can be found at appendix C.

MANAGEMENT OF CASH RESOURCES

2.13 The Authority uses a main current account, an investment account and a petty cash account. All of these accounts are held with Barclays Bank PLC and are managed online. This system allows the Authority to make transfers to and from accounts in real time and thus allows the current account balance to be maintained at a minimum level. All surplus funds are held either in the investment account for short periods or are lent to institutional borrowers over longer periods.

2.14 The bank overdraft level is £200,000 and this is usually sufficient. It is possible for temporary arrangements to be made to increase the limit to £500,000 if required. The authorised limit included in the Prudential Code report provides for an overdraft limit of £500,000 to allow for such instances. It is proposed that the day-to-day overdraft facility remains at a level of £200,000.

2.15 Part of the treasury management operation is to ensure that cash flows are adequately planned, with cash being available when it is needed. A 3-year cash flow projection is prepared together with a 3-month rolling cash flow forecast. The 3-month forecast is updated regularly, and this process reveals when cash surpluses or shortages are likely to arise.

2.16 Cash management processes have been examined by internal auditors and have been shown to be robust.

BORROWING STRATEGY

2.17 The prudential indicators for borrowing are set out in appendix D. Background information relating to these indicators is contained within the Prudential Code for Capital Finance 2024/25 report which is elsewhere on this agenda.

2.18 The capital financing requirement is the sum of money required from external sources to fund capital expenditure i.e. the Authority's underlying need to borrow or lease. For 2024/25 this figure is estimated at £39.706m. This figure is comprised of capital expenditure incurred historically by the Authority that has yet to be financed plus estimated capital expenditure and capital financing for 2023/24 and 2024/25.

2.19 The Authority's strategy in the past has been to borrow funds from the Public Works Loan Board (with the exception of a £4m bank loan which was taken in 2007/08). The PWLB is an agent of HM Treasury and its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies. PWLB rates are set at a margin of 80 basis points above gilt yields. Officers will work with treasury advisors to carefully consider all funding options before undertaking any further long-term borrowing. The Liability Benchmark indicator also provides a guide to the level and duration of borrowing that is required. Information about the Liability Benchmark can be found in the report on the Prudential Code for Capital Finance which is also on this agenda. The Authority will consider fixed rate market borrowing when rates are lower than PWLB rates. The Authority may also consider loans from the UK's Municipal Bond Agency and other local authorities.

2.20 The bank loan of £4m referred to in paragraph 2.19 is structured as a "Lender Option Borrower Option (LOBO)" loan. This means that on 7 March 2013 and on that anniversary every five years, the lender may revise the interest rate, which is currently 4.13%. The Authority may choose to repay the loan without penalty if the amended interest rate is not advantageous. If the lender does exercise the option to revise the interest rate, the strategy will be to either agree to continue the loan with the revised interest rate or to repay the loan and replace it with new, long-term debt at a lower rate depending on which is the most advantageous option for the Authority. The next opportunity for a revision of the interest rate is 7 March 2028.

2.21 Over the next four years, it is anticipated that the Authority will need to borrow up to £8m to finance the capital programme.

2.22 Link Asset Services' view on future PWLB interest rates is:

	Mar 24	Jun 24	Sep 24	Dec 24	Mar 25	Mar 26	Mar 27
5 year PWLB	4.50%	4.40%	4.30%	4.20%	4.10%	3.60%	3.50%
10 year PWLB	4.70%	4.50%	4.40%	4.30%	4.20%	3.80%	3.70%
25 year PWLB	5.20%	5.10%	4.90%	4.80%	4.60%	4.20%	4.10%
50 year PWLB	5.00%	4.90%	4.70%	4.60%	4.40%	4.00%	3.90%

2.23 The PWLB certainty rates shown in the above table are based on gilt yields plus 80 basis points. The short and medium part of the gilt yield curve has rallied since the start of November as markets price in a quicker reduction in the Bank of England base rate through 2024 and 2025. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and Eurozone. The forecast shows a slow but steady decline in rates during the period to March 2027. The upside and downside risks to the gilt yield forecasts are as follows:

Downside Risks:

- Labour and supply shortages could prove more enduring and disruptive than expected, depressing economic activity (in the near-term this is also an upside risk to inflation and thus could keep gilt yields higher for longer).
- There is a risk that the Bank of England could have increased bank rate too fast and too far over recent months, subsequently bringing about a UK recession.
- Geopolitical risks, for example in Ukraine/Russia, the Middle East and China/Taiwan could lead to safe-haven flows which will bring down gilt yields.

Upside Risks:

- If the Bank of England allows inflationary pressures to remain elevated for a long period this could necessitate bank rate staying higher for longer than currently projected.
- If the pound weakens due to a lack of confidence in the UK Government's pre-election fiscal policies this could be inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected gilt issuance, inclusive of natural maturities and quantitative tightening, could be too much for the markets to comfortably digest without higher yields compensating.

2.24 In view of the above forecast the Authority's borrowing strategy will be based upon the following information:

- A combination of capital receipts, internal funds and borrowing will be used to finance capital expenditure in 2024/25 and beyond.

- Three PWLB loans will mature in during the next five years (£1m in 2026/27, £1m in 2027/28 and £1.5m in 2028/29). These repayments will need to be financed. It is estimated that total new borrowing in the period 2024/25 to 2028/29 will be in the region of £14.0m.

- Link Asset Services' view is that interest rates are likely to decline over the next three years, albeit slowly. It may therefore be advantageous to defer new loans where possible or to take short-term borrowing initially and then replace it with longer-term loans when rates become more favourable, as this will have a lesser impact on the revenue budget for the periods of the loans.

- Whilst the PWLB will remain the main source of borrowing, consideration will also be given to sourcing funding from local authorities, financial institutions and the Municipal Bonds Agency.

- PWLB rates on loans of 25 years duration are expected to be higher than the rates for shorter- and longer-term loans. However, the existing debt maturity profile of the Authority will also be considered when decisions are made regarding the duration of new borrowing, as will the new Liability Benchmark indicator. The Authority will strive to seek a balance between securing the most advantageous rate whilst ensuring that it is not unduly exposed to re-financing risk.

- The whole-life costs of maturity loans can be less than those of equivalent annuity or EIP (equal instalments of principal) loans. However, sole reliance on maturity loans can increase the risk of future breaches of the capital financing requirement. It can also lead to future levels of excess borrowing which then have to be invested, resulting in a level of treasury investments above that reasonably required for liquidity. This can increase the Authority's exposure to risk. All these factors will be considered before future borrowing decisions are made.

2.25 Ordinarily the Authority will seek to keep its level of external borrowing in line with its capital financing requirement (CFR), or to maintain an under-borrowed position where the CFR has not been fully funded by external debt. In an under-borrowed position the Authority uses the cash supporting its reserves and balances to temporarily finance capital expenditure. The use of cash balances in this way is known as “internal borrowing”, and this strategy can be prudent if investment returns are lower than borrowing rates. It also eliminates counterparty risk. However, it is recognised that internal borrowing brings a different kind of risk, as there is a chance that balances may need to be replenished at a time when interest rates are higher. In this respect, internal borrowing is effectively variable rate debt. For this reason, the Authority has a local indicator that limits the level of internal borrowing to 20% of the underlying borrowing requirement. Occasionally the Authority may maintain an over-borrowed position where the level of borrowing exceeds its CFR. For example, if interest rates are expected to rise sharply it may be prudent to borrow in advance of future need in order to secure borrowing at a reasonable rate.

2.26 Officers, in conjunction with treasury advisors, will continually monitor both the prevailing interest rates and market forecasts, adopting the following responses to a change in position:

- if it were felt that there was a significant risk of a sharp **fall** in long- and short-term rates then long-term borrowings will be postponed.

- if it were felt that there was a significant risk of a much sharper **rise** in long- and short-term rates than that currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they are projected to be in the next few years.

2.27 The Authority’s gross debt position is projected to be £34.9m by the end of 2023/24, compared with an estimated CFR of £36.9m. The CFR is set to increase in the medium term due to the impact of the proposed capital programme for 2024/25 to 2027/28. Borrowing will therefore be required during this period. Interest rates are forecast to decrease slowly over the next three years, and the Authority will monitor rate changes closely when determining when the time is right to borrow.

2.28 The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates and will be considered carefully to ensure value for money can be demonstrated, and that the Authority can ensure the security of funds invested. In determining whether borrowing will be undertaken in advance of need the Authority will:

- Ensure that such borrowing is only undertaken to finance the capital programme approved within the current Medium Term Financial Strategy;

- Ensure that the ongoing liabilities created, and the implications for the future plans and budgets, have been considered;

- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;

- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

2.29 Where the Authority decides to defer long-term borrowing either in order to benefit from a forecasted reduction in interest rates or to avoid unnecessary carrying costs, it may undertake short-term borrowing to alleviate temporary cash shortages caused by internally borrowing cash balances to support capital expenditure.

2.30 The rescheduling of debt involves the early repayment of existing borrowings and their replacement with new loans. Due to the difference between premature redemption rates and new borrowing rates it is unlikely that rescheduling of debt will take place in 2024/25. This will be kept under review should circumstances change. Rescheduling will be considered for the following reasons:

- The generation of cash savings and / or discounted cash flow savings;

- Enhancing the balance of the portfolio by amending the maturity profile.

Any rescheduling of debt will be reported to Members at the earliest meeting following its action.

ANNUAL INVESTMENT STRATEGY

Investment Policy – Management of Risk

2.31 The Authority will have regard to the Department of Levelling Up, Housing and Communities (DLUHC) Guidance on Local Government Investments, the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021, and the CIPFA Treasury Management Guidance Notes 2021. The Authority's investment priorities are:

(a) the security of capital and
(b) the liquidity of its investments.

The Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Authority is low in order to give priority to security of its investments. In the current economic climate, it is considered appropriate to maintain a degree of liquidity but also to consider investments for periods of up to 12 months with high credit rated financial institutions while investment rates remain elevated. The use of "laddering" can be an effective way to ensure sufficient liquidity of funds whilst securing the higher interest rates that can be associated with longer term investments, and this technique will be considered where appropriate. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Authority will not engage in such activity.

2.32 The DLUHC and CIPFA have extended the meaning of "investments" to include both financial and non-financial investments. This Investment Strategy deals solely with financial investments. The Authority does not currently have non-financial investments. Any future non-investment activity (essentially the purchase of income yielding assets) would be covered by the Capital Strategy.

2.33 The guidance from the DLUHC and CIPFA place a high priority on the management of risk. The Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor the counterparties are the short term and long-term ratings.

2. **Other information**: ratings are not the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

3. The DLUCH's Guidance on Local Government Investments groups financial investments into one of three categories:

    - **Specified investments** are those with a high level of credit quality and are subject to a maturity limit of one year. They are denominated in sterling and any payments or repayments in respect of the investments are payable only in sterling.
    - **Loans** are made to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategic goal. Such loans might not be seen as prudent if adopting a narrow definition of prioritising security or liquidity, but may be acceptable in the wider context of the Authority's strategic aims.
    - **Non-specified investments** are any financial investments that are not a loan and do not meet the criteria to be treated as a specified investment.

This Authority will not invest in financial instruments that are categorised as “non-specified”, with the exception of instruments with a maturity of more than one year that would otherwise meet the criteria of a “specified” investment. The Authority’s criteria for specified investments can be found in appendix E, and the policy regarding loans is detailed in paragraph 2.49.

4. **Lending limits** (amounts and maturity) for each counterparty will be set in accordance with the guidelines detailed in appendix E.

5. The Authority will set a limit for the amount of its investments which are invested for **longer than 365 days** (see paragraph 2.43).

6. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 2.41).

7. The Authority has engaged **external consultants** (see paragraph 1.11) to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield in the context of the expected level of cash balances and the need through liquidity throughout the year, given the Authority’s risk appetite.

8. All investments will be denominated in **sterling.**

9. As a result of the change in accounting standards for 2023/24 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. More recently, a further extension to the override to 31 March 2025 has been agreed. This Authority holds no investment instruments that will be affected by this change.

The above criteria are unchanged from the previous year.

2.34 The Authority will pursue value for money in its treasury management activity and will monitor yield from investment income against appropriate benchmarks for investment performance (see paragraphs 2.50 to 2.53). Regular monitoring of investment performance will be carried out during the year.

Creditworthiness Policy

2.35 The Authority applies creditworthiness service provided by the Link Group This service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors forming the core element. It is recognised that ratings should not be the sole determinant of the quality of an institution, and Link’s creditworthiness service does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies

- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings

- Sovereign ratings to select counterparties from only the most creditworthy countries

2.36 This modelling approach combines credit ratings, credit watches, and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties and enable diversification in investments. These colour codes are used by the Authority to determine both the creditworthiness of institutions and the duration for investments. It is regarded as an essential tool, which the Authority would not be able to replicate using in-house resources.

2.37 The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Link's weekly credit list of potential counterparties. The Authority will therefore use counterparties within the following durational bands:

- Purple band - 24 months
- Blue band - 12 months (only applies to nationalised or semi-nationalised UK banks)
- Orange band – 12 months
- Red band - 6 months
- Green band - 100 days

2.38 The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just once agency's ratings. Typically, the minimum credit ratings criteria the Authority use will be a short-term rating (Fitch or equivalent) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical information, to support their use.

2.39 The Authority is alerted to changes to ratings of all three agencies through its use of the Link Assets Services' creditworthiness service. If a downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately and consideration will be given to withdrawing any amounts held in notice accounts. In addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx European Senior Financials benchmark and other market data via Link's Passport website on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

2.40 Sole reliance will not be placed on the use of this external service. In addition, this Authority will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Country Limits

2.41 The Authority has previously determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in appendix F. This list will be added to or deducted from by Officers should ratings change in accordance with this policy. An exception to this policy is made for the UK, which is currently rated as AA-. The Authority will not set a minimum sovereign rating for the UK, instead it will continue to use UK counterparties subject to the creditworthiness criteria outlined in paragraph 2.37.

Environmental, Social and Governance (ESG)

2.42 One of the requirements of the revised Treasury Management Code of Practice is that the Authority adopts a policy relating to ESG considerations. This policy can be found at appendix G.

Investment Strategy

2.43 Investments will be made with reference to the core balance and cash flow requirements of the Authority, and the outlook for short term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods, and the current shape of the yield curve suggests that this is the case at present. While most cash balances are required in order to manage fluctuations in cash flow, it may sometimes be possible to identify cash sums that could be invested for longer periods. Should this be the case, the value to be obtained from longer term investments will be carefully assessed:

- If it is thought that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or at variable rates.
- Conversely, if it is thought that the Bank Rate is likely to fall within that time period, consideration will be given to locking in the higher rates currently obtainable, for longer periods.

2.44 It is likely that bank rate has peaked at 5.25% and will possibly reduce during the second half of 2024. An agile investment strategy is appropriate in order to optimise returns. Approval will be sought from the Treasurer before investing sums for a period greater than one year. The Authority will avoid locking into longer term deals unless exceptionally attractive rates are available which make longer terms deals worthwhile. The proposed upper limit for principal sums invested for periods longer than 365 days is £2m (see the Prudential and Treasury Indicators in appendix D).

2.45 In accordance with its low-risk appetite, the Authority may undertake the following types of “specified” investments:

- Deposits with the Debt Management Office (Government)
- Term deposits with Banks and Building Societies
- Call deposits with Banks and Building Societies
- Term Deposits with uncapped English and Welsh local authority bodies
- Triple-A rated Money Market Funds (CNAV and LVNAV)
- UK Treasury Bills
- Certificates of Deposit

2.46 The risks associated with investing will be reduced if investments are spread e.g. over counterparties or over countries. The Authority will therefore aim to limit its investment with any single counterparty to £2m where possible. However, where a lack of suitable counterparties renders this £2m limit unworkable a maximum of £4m per counterparty is permitted. Despite this Officers will, wherever possible, avoid the concentration of investments with one counterparty or group.

2.47 The Authority currently accesses counterparties directly or via a broker, and officers also have the option to access counterparties via Link’s Agency Treasury Service. The Agency Treasury Service pools investments from Link’s clients and places them with counterparties.

2.48 A summary of the criteria for specified investments is shown in appendix E. With the exception of the maximum maturity period, the same criteria shall apply to investments that are classified as non-specified due to their longer duration, which may exceed 12 months.

2.49 In addition to specified investments, the Authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures if doing so would contribute to its wider strategic goals. Before making such a loan the Authority would seek approval from the Finance and Resources Committee, having demonstrated the following:

- The total financial exposure to the loan is proportionate;
- An allowed “expected credit loss” model for loans and receivables as set out in International Financial Reporting Standard 9 can be applied to measure the credit risk of the loan portfolio; and
- Appropriate credit control arrangements are in place to recover overdue payments.

Investment Risk Benchmarking

2.50 The Authority has adopted benchmarks to assess the security, liquidity and yield of its investments. These benchmarks are simple guides to maximum risk, so may be breached from time to time depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach will be reported with supporting reasons in the Treasury Management Mid-year or Annual Report.

2.51 **Security:** security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of the creditworthiness service provided by Link Asset Services. Typically, the minimum credit criteria used by the Authority equates to a long-term rating of A- (Fitch or equivalent). This means that the average expectation of default is around 0.05% of the total investment (e.g. for a £1m investment the average loss would be £500). This is only an average, and any specific counterparty loss is likely to be higher, however these figures can be used as a benchmark for the security of the investment portfolio.

It is suggested that the Authority adopt a maximum security risk benchmark of **0.05%** historic risk of default when compared to the whole portfolio.

2.52 **Liquidity:** this is defined as "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts and standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice). In respect of this area the Authority seeks to maintain:

- A bank overdraft of £500k
- Adequate liquid short term deposits available at a week's notice

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio. A shorter WAL would generally embody less risk.

The WAL benchmark is **approximately 3 months**, with a recommended maximum limit of **0.40 years.**

2.53 **Yield:** the local measure of yield benchmark is:

Investments – internal returns **above the 3 month SONIA compounded rate**

MINIMUM REVENUE PROVISION POLICY 2024/25

2.54 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into force on 31 March 2008. These regulations were an amendment to the 2003 regulations and introduced several changes to the capital finance regime for local authorities (including fire authorities) in England. The most significant of these were provisions dealing with the calculation of Minimum Revenue Provision (MRP), which is the amount an authority charges to its revenue account in respect of the financing of capital expenditure.

2.55 Regulation 27 of the 2003 Regulations requires a local authority to calculate in each financial year an amount of MRP that it considers to be prudent. An underpinning principle of the local authority financial system is that all capital expenditure has to be financed either from capital receipts, capital grants (or other contributions) or eventually from revenue income. The broad aim of prudent provision is to require local authorities to put aside revenue over time to cover their CFR. In doing so, local authorities "should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits". This guidance translates into the asset life method. Authorities are permitted to continue charging MRP calculated using the old method for borrowing and credit arrangements which funded capital expenditure incurred before 1 April 2007. This method calculates a charge of 4% of the capital financing requirement each year to revenue.

2.56 The following policy on MRP is therefore recommended to members and budgetary provision for MRP has been made on this basis:

- For all borrowing and credit arrangements to fund capital expenditure incurred before or during 2006/07, the minimum revenue provision applied in 2024/25 will continue to be calculated on the basis of the 4% CFR (capital financing requirement) method. This method will continue to be used in future years for capital expenditure incurred during or before 2006/07.

- For borrowing and credit arrangements (excluding leases) to fund capital expenditure incurred from 2007/08 onwards, the minimum revenue provision applied in 2024/25 will be calculated on the basis of the asset life method (straight line).

- The minimum revenue provision for capital expenditure funded by leasing will match the payment of principal over the lease term.

- Capital expenditure incurred in 2024/25 will not be subject to an MRP charge until 2025/26, or the year after the asset becomes operational.

- The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

- For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP. Where no principal repayment is made in a given year, MRP will be charged at a rate in life with the life of the assets funded by the loan.

2.57 The regulations also allow for Voluntary Revenue Provision (VRP) charges to be made. A VRP charge would be in addition to the MRP charge, and would have the effect of reducing MRP charges in future years, resulting in revenue budget savings. If the situation arises in the year whereby Officers feel that a VRP charge would be advantageous (e.g. if there are revenue budget underspends), then a recommendation will be made to Finance and Resources Committee to approve a VRP charge during the year.

2.58 A change introduced by the revised MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 23 the total VRP overpayments were £1.312m.

TRAINING OF OFFICERS AND MEMBERS

2.59 Under the Code, good practice is defined as ensuring that all staff involved in treasury management are appropriately trained and experienced to undertake their duties. Employees within the Finance Department who carry out treasury management activities are suitably trained and experienced and routinely attend at least one treasury management update event each year to ensure that their knowledge keeps pace with changes. The training needs of treasury management officers are periodically reviewed as part of the Performance Development Review process. A knowledge and skills register is being developed which will help to identify any further training needs and enable to employees' training activities to be monitored more effectively.

2.60 It is also suggested that those tasked with treasury management scrutiny responsibilities have access to suitable training. A training session will be planned during 2024/25.

3. FINANCIAL IMPLICATIONS

The financial implications of this report are set out in full within the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report.

5. EQUALITIES AND ETHICAL IMPLICATIONS

An equality impact assessment has not been undertaken because this is not a new policy or service.

6. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

There are no environmental implications arising from this report. This report serves to ensure that the financial sustainability of the Authority is maintained.

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report, other than the requirement to act within the Authority's powers when undertaking treasury management borrowings and investments.

8. RISK MANAGEMENT IMPLICATIONS

The investment of local authority funds cannot be achieved without some element of risk. Careful choice of borrowers using creditworthiness indices will minimise this risk. This prudent approach will undoubtedly result in some interest rate loss but the principles of security and liquidity are paramount.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

It is recommended that Members approve:

10.1 The Treasury Management Strategy 2024/25 as set out in this report.

10.2 The Minimum Revenue Provision Policy for 2024/25 as set out in sections 2.54 to 2.58.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Mark Kimberley
TREASURER TO THE FIRE ATHORITY

TREASURY MANAGEMENT POLICY STATEMENT

1. The Authority defines its treasury management activities as: “The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

2. The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3. The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

APPENDIX B

ECONOMIC SUMMARY

Prepared by Link Asset Services January 2023

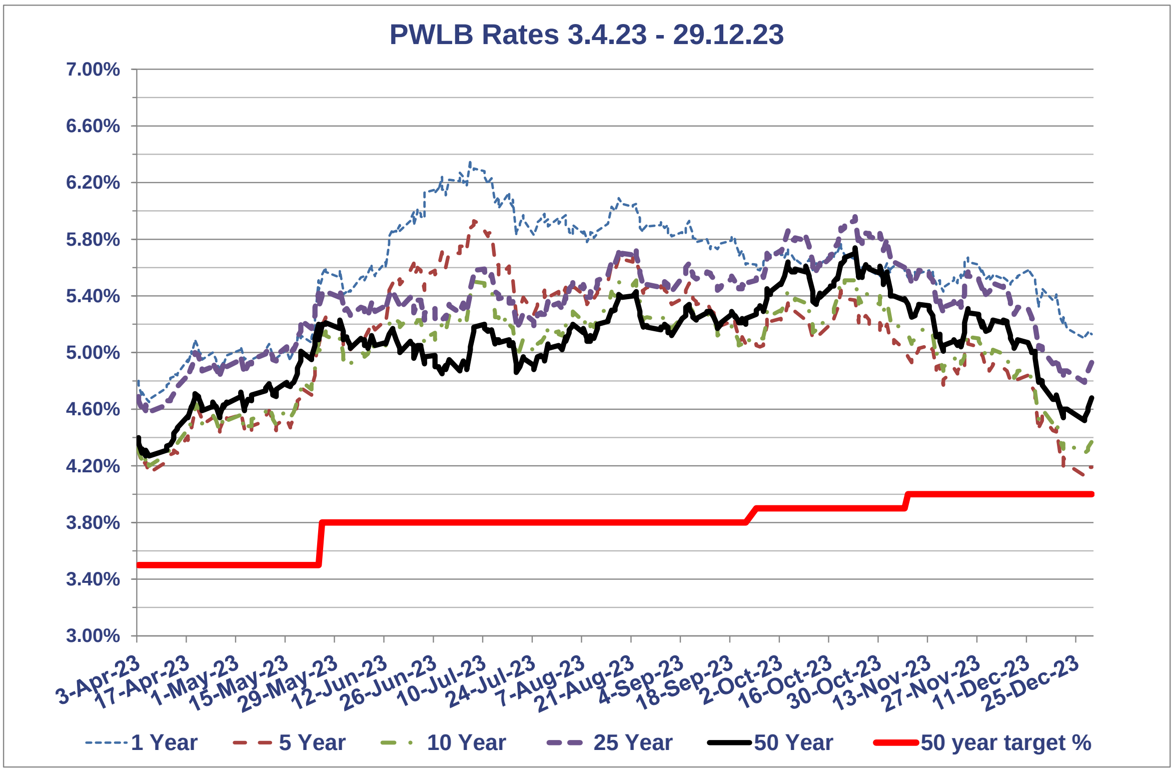
- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However, the full weakness in real

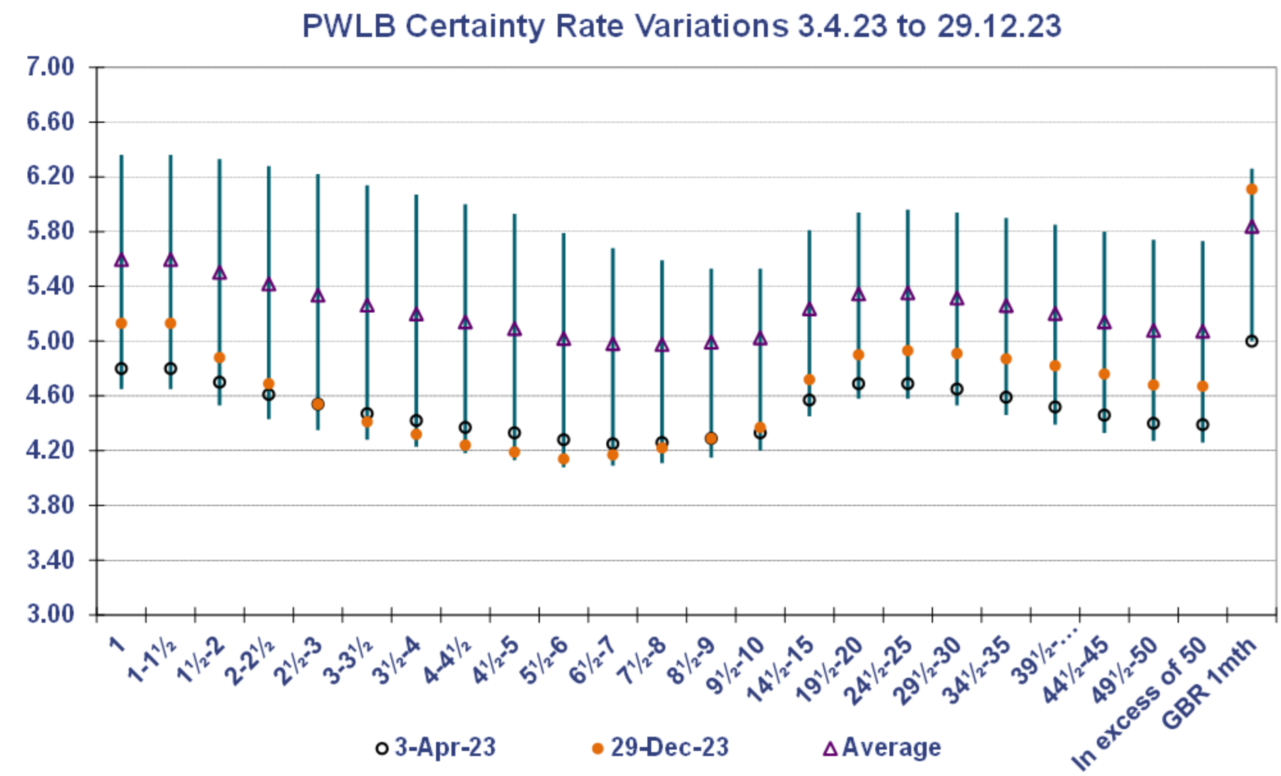
consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.

- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

APPENDIX C

INTEREST RATE FORECASTS 2023-2026

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

PWLB forecasts are based on PWLB certainty rates (gilt yields plus 80 basis points)

APPENDIX D

PRUDENTIAL AND TREASURY INDICATORS FOR 2024/25

Maximum ratio of Financing Costs to Net Revenue Stream	8.0%
Estimate of Ratio of Financing Costs to Net Revenue Stream	5.0%
Estimate of Total Capital Expenditure to be Incurred	£8,228,000
Estimate of Capital Financing Requirement	£39,706,000
Operational Boundary	£39,900,000
Authorised Limit	£44,670,000
Upper limit for fixed rate interest exposures	100%
Upper limit for variable rate interest exposures	30%
Loan Maturity:	Limits:
Under 12 months	Upper 20% Lower 0%
12 months to 5 years	Upper 30% Lower 0%
5 years to 10 years	Upper 75% Lower 0%
Over 10 years	Upper 100% Lower 0%
Over 20 years	Upper 100% Lower 30%
Upper Limit for Principal Sums Invested for Periods Longer than 365 Days	£2,000,000

LOCAL INDICATORS FOR 2024/25

Upper limit for internal borrowing as a % of the Capital Financing Requirement	20%
Lower limit for proportion of net debt to gross debt	50%
Upper limit for proportion of net debt to gross debt	85%
Investment security benchmark: maximum historic default risk of investment portfolio	0.05%
Investment liquidity benchmark: maximum weighted average life of investment portfolio	0.40 years
Investment yield benchmark	Internal returns to be above 3 month compounded SONIA rate

APPENDIX E

SPECIFIED INVESTMENTS: CREDIT AND COUNTERPARTY RISK

Investment category	Minimum credit criteria / colour band	Sovereign credit rating	Category as a % of total investments	Total limit per institution* / fund	Max. maturity period
Term deposits with banks and building societies	Purple (24 months) Blue (1 year – only applies to nationalised or semi nationalised UK banks) Orange (1 year) Red (6 months) Green (100 days)	Fitch AA or equivalent	100%	£4m per institution	As per durational banding, subject to limit of 12 months
Notice accounts with banks and building societies	Purple (24 months) Blue (1 year – only applies to nationalised or semi nationalised UK banks) Orange (1 year) Red (6 months) Green (100 days)	Fitch AA or equivalent	100%	£4m per institution	Minimum notice period to be as per durational banding (subject to limit of 12 months). The total period of investment may be greater than 12 months
Local authorities	N/A	N/A	100%	£4m per institution	12 months
Money Market Funds CNAV (government debt)	AAA	N/A	50%	£4m per fund	Liquid
Money Market Funds LVNAV	AAA	N/A	50%	£4m per fund	Liquid
UK Government Treasury Bills	UK sovereign rating	N/A	100%	N/A	12 months
Certificates of Deposit with banks and building societies	Purple (24 months) Blue (1 year – only applies to nationalised or semi nationalised UK banks) Orange (1 year) Red (6 months) Green (100 days)	Fitch AA or equivalent	50%	£4m per institution	As per durational banding, subject to limit of 12 months
Debt Management Account Deposit Facility (DMADF) – UK Government	N/A	N/A	100%	N/A	6 months

** The institution limit applies across all categories, i.e. it is the total amount that may be invested in the institution at any point in time (excluding any amounts invested in that institution by money market funds).*

APPENDIX F

APPROVED COUNTRIES FOR INVESTMENTS

AAA	AA+	AA
Australia	Canada	Abu Dhabi (UAE)
Denmark	Finland	
Germany	USA	
Netherlands		
Norway		
Singapore		
Sweden		
Switzerland		

This list is correct as at 25/01/2024

Policy on Environmental, Social and Governance (ESG) Considerations

1.1 Current investment guidance, both statutory and from CIPFA, makes it clear that all investment strategies must adopt Security, Liquidity and Yield (SLY) principles and that ethical principles must play a subordinate role to these key principles. Priority will therefore be given to security, liquidity and yield when investment decisions are made. ESG principles will only be accommodated once SLY requirements have been met.

1.2 ESG factors that are considered by Credit Rating Agencies, such as Fitch, Moody's and Standard & Poor's when assigning credit ratings to counterparties are detailed below. The credit ratings provided by these agencies are also used as the basis for selecting suitable counterparties.

- ***Environmental:*** *Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.*

- ***Social:*** *Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.*

- ***Governance:*** *Management structure, governance structure, group structure, financial transparency.*

1.3 Currently, the assessment and implementation of ESG considerations are better developed in equity and bond markets than for short-term cash deposits, primarily due to the wider scope of potential investment opportunities. Furthermore, there is a diversity of market approaches to ESG classification, analysis and integration. This means that a consistent and developed approach to ESG for public service organisations, focussed on more typical Treasury-type investments, is currently difficult to achieve.

1.4 The Authority is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG factors into the decision making process for investments where possible. The Authority is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Authority uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults. In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.
In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.

With this in mind, we share a common vision ***to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness****."*

1.5 For short term investments with counterparties, this Authority utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings. The Authority will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and will update accordingly.

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Nottinghamshire and City of Nottingham
Fire and Rescue Authority

HIS MAJESTY'S INSPECTORATE OF CONSTABULARY AND FIRE AND RESCUE SERVICES – AREAS FOR IMPROVEMENT CLOSURE REPORT

Report of the Chief Fire Officer

Date: 23 February 2024

Purpose of Report:

To update Members on the progress of the four areas for improvement identified in His Majesty's Inspectorate of Constabulary and Fire & Rescue Services' (HMICFRS) 2021/22 report for Nottinghamshire Fire and Rescue Service.

Recommendations:

It is recommended that Members:

- Note the progress made by the Service in the areas for improvement identified by HMICFRS from the previous inspection.
- Authorise the closure of the three outstanding areas for improvement.

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1. BACKGROUND

1.1 His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) is the inspectorate body for fire service inspections in England. Nottinghamshire Fire and Rescue Service (NFRS) was inspected during September 2021. On 27 July 2022, HMICFRS published its findings from the NFRS inspection. NFRS's inspection report identified four 'areas for improvement' (AFI) for the Service.

1.2 A report was submitted to the Fire Authority on 3 September 2022, with the recommendations that Members noted the outcome of the HMICFRS inspection report and approved monitoring of progress against the four areas for improvement via the Fire Authority Committee structure.

1.3 To date, the AFI relating to understanding of well-being provision by staff was closed by the Policy and Strategy Committee at its meeting on 2 February 2024

1.4 This report seeks approval from the Authority to close the remaining three open AFIs, which due to Committee cycle timings, the Authority will otherwise not have the opportunity to consider prior to the Service's round three inspection which commences in March 2024.

2. REPORT

2.1 To address the AFIs, the Service undertook a gap analysis against areas of work that were already being progressed under the current Community Risk Management Plan (CRMP). This assured that work to address the AFIs was either already planned or was included in the Service's Annual Delivery Planning (ADP) schedules.

2.2 Given the timing of the HMICFRS inspection and in consultation with Group Leaders, it was agreed to report the outstanding AFIs to full Fire Authority and not individual Committees, with recommendation for their closure.

2.3 There are three AFIs the Service is seeking approval to close. These are as follows:

1. The Service should assure itself that its risk-based inspection programme (RBIP) prioritises the highest risks and included proportionate activity to reduce risk.

2. The Service should ensure that when responding to a 999 call, mobile data terminals (MDT) are reliable to allow staff to access risk information.

3. The Service should make sure it effectively monitors, reviews, and evaluates the benefits and outcomes of any collaboration activity.

RISK-BASED INSPECTION PROGRAMME

2.4 The RBIP is used by the Service's Fire Protection Department to ensure that fire safety inspections undertaken as part of the Service's statutory duties under the Regulatory Reform (Fire Safety) Order are targeted at the highest risk non-residential buildings.

2.5 Work has been ongoing throughout 2023 to rectify issues with technology and data systems which support the generation of the risk based inspection programme. This work has now been successfully completed and the improved RBIP has been in use by the Protection Team throughout Quarter 4 of 2023/24.

2.6 An internal feedback process is in place to provide assurance around the quality of records being generated by the RBIP and this will be subject to routine performance monitoring by the department going forward.

2.7 The Service is assured that the RBIP technology is now supporting the allocation of inspection resources to those premises of higher risk, and that internal monitoring and assurance processes are embedded into business as usual to monitor this going forward.

2.8 The Service is also incorporating the recently issued National Fire Chiefs Council guidance, ensuring that the RBIP follows national good practice to discharge its statutory role as a regulator.

ACCESSING RISK INFORMATION ON THE MOBILE DATA TERMINALS

2.9 MDT are the technological solution which enables operational crews to access a variety of risk information during operational incidents. A primary MDT is available on all fire appliances, hosting risk information including mapping, operational guidance documents, premise information and plans and hydrant location data.

2.10 For additional resilience, the Service has implemented a 'back-up' secondary MDT for the Officer-in-Charge (OiC), or other crew members to access, as required. This takes the form of a handheld tablet which has the benefit of being demountable from the cab and can be carried on the incident ground.

2.11 Since the time of the previous inspection, both Nottinghamshire and Derbyshire Fire and Rescue Services have upgraded the primary MDTs in appliances as part of a hardware and software upgrades from the mobilising system provider Systel.

2.12 The Service has been working closely with Systel to ensure that software issues associated with the original rollout of the MDT operating system have been resolved. The MDTs are now operating on Version 15 of the software and have seen significantly improved performance and stability as a result.

2.13 Due to the safety critical role MDTs play for operational response colleagues, close monitoring of system stability and fault reporting remains in place to ensure any issues are identified and addressed as a priority.

2.14 The Service is satisfied the work undertaken with Systel, coupled with the secondary device, means that there remains a resilient model for the provision of risk information to frontline firefighters and is therefore recommending that this AFI be closed and will continue to be subject to ongoing assurance.

EVALUATION OF COLLABORATION ACTIVITIES.

2.15 The inspection identified that the Service should make sure it effectively monitors, reviews and evaluates the benefits and outcomes of any collaboration activity. The AFI was delegated to Policy and Strategy Committee for monitoring.

2.16 In the report, the Inspectorate noted that *'We are satisfied that the Service monitors, reviews and evaluates the benefits and results of its collaborations. But its reviews and evaluation are limited in scope and aren't used to learn or change decisions. We have seen evidence of evaluation of the control room merger with DFRS. However, this is largely focused on financial results and hasn't considered other benefits or risks that have occurred as a result of the merger*.'

2.17 As a consequence of the AFI, the Service has resourced a Corporate Programme Office which has reviewed the Service's evaluation framework and developed a two-fold evaluation strategy for future projects. This will ensure that formal evaluation and benefit realisation are included within the initial scope for all projects and programmes governed through the Programme Office with reporting through established internal governance structures.

2.18 In addition, the Service is continuing to work with Nottingham Trent University to review a range of projects and workstreams as part of an ongoing PhD student placement. This work will continue into 2024/25.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no financial resources or learning and development implications arising from this report.

5. EQUALITIES AND ETHICAL IMPLICATIONS

An equality impact assessment has not been undertaken because it is not required for this report.

6. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

There are no environmental and sustainability implications arising from this report.

7. LEGAL IMPLICATIONS

7.1 The Local Government Act 1999 places a statutory duty on the Service to 'secure continuous improvement in the way in which its functions are exercised'.

7.2 The Police and Crime Act (2017) Chapter 4 Section 11 outlines that the English inspectors must inspect, and report on the efficiency and effectiveness of, fire and rescue authorities in England.

8. RISK MANAGEMENT IMPLICATIONS

Successful completion of the improvement work associated with the AFIs mitigates a number of risks to the Authority. In addition, the acknowledgement and addressing of the AFIs demonstrates the Authority and Service's ongoing commitment to the HMICFRS inspection process and ambitions for continuous improvement.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Note the progress made by the Service in the AFIs identified by HMICFRS from the previous inspection.

10.2 Authorise the closure of the three outstanding AFIs.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Craig Parkin
CHIEF FIRE OFFICER

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

FUTURES 25 – UPDATE

Report of the Chief Fire Officer

Date: 23 February 2024

Purpose of Report:

To provide an update to members on the Futures 25 efficiency and improvement program including planned activity for the financial year 2024/25

Recommendations:

It is recommended that:

- Members note the current and future activities planned as part of the Futures 25 programme;
- Endorse the approach to strategic collaboration with Derbyshire Fire and Rescue Service as set out in Paragraph 2.20.
- Agree to receive future updates on the Futures 25 Programme.

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1. BACKGROUND

1.1 Futures 25 is the Service's efficiency and improvement programme. Phase 1 of Futures 25 commenced in May 2022 and was primarily concerned with efficiencies to enable the Authority to set a balanced budget for the financial year 2023-24.

1.2 The budget for the financial year 2024/25 forecasts a deficit of circa £255K with £200K of efficiency savings being built into the base budget. The forecasted deficit for the financial year 2025/26 increases to circa £1.9 million. Futures 25 remains the vehicle through which these efficiencies will be delivered.

1.3 It should be noted that the focus of Futures 25 is not solely one of efficiencies. The programme also aims to deliver service improvement workstreams including those relating to culture and equality, diversity and inclusion (EDI) associated with the updated People Strategy.

1.4 The report aims to set out in broad terms the work delivered to date within Phase 2 of the programme, and to set out the priorities which will be delivered within the final year of the 2022-25 Community Risk Management Plan (CRMP) planning cycle.

2. REPORT

PHASE 1

2.1 Phase 1 of the Futures 25 programme commenced in May 2022 and encompassed activities designed to present a range of options for consideration by the Strategic Leadership Team and the Authority to set a balanced budget for the financial year 2023/24.

2.2 Higher than anticipated Council Tax collection rates meant that the deficit was lower than originally forecast. The workforce review involved a review of all support staff posts Grade 5 and above. £140K of support staff efficiencies were identified as part of this process, in addition to several other workforce changes designed to improve the resilience of support services and ensure resourcing supports the Service's ambition to be outstanding.

2.3 The Fire Cover Review undertaken as part of Phase 1 has resulted in a change to the crewing model at Ashfield Fire Station from day crewing to wholetime to support a resourcing to risk approach. Implementation of these changes also liberated four firefighter posts from the wholetime ridership which have been deployed to support resourcing of key workstreams including EDI and community engagement activities.

PHASE 2

2.4 The broad aims of Phase 2 of the Futures 25 programme are to deliver service improvement in the context of a challenging financial operating environment. The programme continues to identify opportunities for both pay and non-pay efficiencies, as well as supporting increased productivity through investment in systems and process improvements.

2.5 The workstreams which form part of Phase 2 have been grouped under four key areas:

1. Governance Review.
2. Revenue Budget Management.
3. Service Redesign.
4. Culture, EDI and Leadership.

GOVERNANCE

2.6 Governance workstreams are designed to support the efficiency and effectiveness of meeting structures and decision making within the Service. Efficiencies achieved through a reduction in the number of strategic leadership posts means that money can be reinvested into functional delivery roles elsewhere in the organisation, enhancing skills and delivery capacity where it is most needed.

2.7 The governance review aims to streamline meeting structures, ensuring proportionate control and assurance arrangements are in place.

REVENUE BUDGET MANAGEMENT

2.8 The National Fire Chiefs Council (NFCC) and the Local Government Association (LGA) have proposed that across fire and rescue services in England, the sector create 2% of non-pay efficiencies and to increase productivity by 3% in the spending review period 2021/22 – 2024/25.

2.9 Non-cashable savings continue to be identified. Investment in system and process improvement as part of Service redesign workstreams aims to continue to support benefits realisation in these areas.

SERVICE REDESIGN

2.10 The Service redesign workstreams form the most significant portion of the improvement programme. The overarching aim is to ensure that the Service has appropriate resources deployed in the correct place to support its ambition to be an outstanding fire and rescue service.

2.11 Work is continuing to improve the Community Fire Risk Management Information System (CFRMIS) database, which supports prevention and protection activities. Improvements, including the introduction of the NFCC

Online Home Fire Safety Check Tool (Safelincs), supports members of the public to reduce risks in their home, and at the same time improves the efficiency of referrals for those at higher risk of fire to receive specialist safe and well services.

2.12 Work scheduled for the financial year 2024/25 includes a review of the business processes and mobile devices used by crews to complete safe and well checks with improvements aimed at enhancing the efficiency and quality of this high volume process.

2.13 A review of the prevention function is underway, with an updated structure due to be implemented in the financial year 2024/25. The structure has been co-designed with the workforce to support ambitions to deliver an enhanced community engagement and specific youth engagement offer as well as responding to predicted increases in the numbers of vulnerable people at high and very high risk of fire in their homes through the identification of additional dedicated resources.

2.14 Key areas of focus for workforce redesign for the financial year 2024/25 are people and ICT functions as the Service responds to risks in these areas and continues to drive service improvements.

CULTURE, EDI AND LEADERSHIP

2.15 People are key to the successful delivery of outstanding service to communities. National reports, including the HMICFRS spotlight report on values and culture in fire and rescue services, and the London Fire Brigade independent culture review, have rightly focussed public attention and expectation on improving the culture, behaviour and leadership within fire and rescue services. Priority must be given to ensure everyone is treated with dignity and respect, and that fire and rescue services are inclusive, both for employees and those the Service works with and delivers services to.

2.16 The Service has committed additional resources to this area, including specialist organisational development and leadership posts. In addition, firefighters are supporting positive action, workforce diversification and community engagement activities.

2.17 These specialist posts will support the Service’s ambitions around cultural improvement through enhanced workforce engagement, team coaching and broadening leadership competencies at all levels. The posts will also provide additional capacity to support the ongoing embedding of the National Core Code of Ethics and service values across the workforce.

2.18 In December 2023, the Strategic Inclusion Board supported the concept of longer-term planning for workforce diversification, and a paper on the 10 year workforce diversity plan is due to be presented to Policy and Strategy Committee in May 2024. This aims to improve and co-ordinate positive action activities over the longer term with the aim of improving the pace of change of workforce diversity.

2.19 The Service is working with data experts from Nottingham Trent University to use updated census and other data to effectively target engagement and recruitment activities, and more effectively measure success in these areas going forwards.

STRATEGIC COLLABORATION

2.20 Strategic collaboration is one of the identified priorities of the Futures 25 programme. Derbyshire Fire and Rescue Service is a valued collaboration partner with several high profile collaborations already in place, most notably the Joint Fire Control and joint procurement of the new mobilising system.

2.21 At a recent joint members event of the Nottinghamshire and Derbyshire Fire Authorities it was agreed that work would commence to align CRMP and Fire Cover Review planning cycles with the aim of fully aligning planning cycles and community risk analysis methodologies by 2028. This will enhance shared understanding of risk for both Services and support the future identification of potential further opportunities for joint working.

3. FINANCIAL IMPLICATIONS

3.1 The Futures 25 Programme is funded though a dedicated earmarked reserve. Circa 700K remains to support ongoing service improvement work, including funding of transition costs relating to workforce redesign as well as investment in systems, processes and ICT improvements.

3.2 The programme supports the identification of cashable and non-cashable savings as proposed by the National Fire Chiefs Council and the Local Government Association.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

As with any change programme, there will be human resources and learning and development implications associated with a number of workstreams which sit within the Futures 25 programme. The risks associated with these will be mitigated by ensuring effective workforce engagement, as well as dedicated reporting via governance structures where required.

5. EQUALITIES AND ETHICAL IMPLICATIONS

Equality impact assessments will be completed for individual workstreams within the programme where it is appropriate to do so.

6. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

There are no environmental or sustainability implications arising from this report.

7. LEGAL IMPLICATIONS

The Authority is legally required to set a balanced budget. In addition, the publication of an annual efficiency plan is required by the National Framework. Futures 25 will contribute to the delivery of this efficiency plan.

8. RISK MANAGEMENT IMPLICATIONS

8.1 There are a range of current and emerging risks which Futures 25 aims to mitigate, including the ability for the Authority to set a balanced budget, and to ensure that resources are effectively allocated to risk.

8.2 It is recognised that, as with any change programme, there is the potential to create uncertainty which may impact employee relations. However, the Service aims to mitigate this by adopting an organisational development approach with a clear prioritisation of employee engagement.

8.3 Futures 25 aims to enhance the efficiency and effectiveness of service delivery, therefore supporting wider risk reduction aims in communities.

9. COLLABORATION IMPLICATIONS

Strategic collaboration is an identified priority of the Futures 25 programme. Opportunities for strategic collaboration with Derbyshire Fire and Rescue Service are outlined in the report.

10. RECOMMENDATIONS

It is recommended that:

10.1 Members note the current and future activities planned as part of the Futures 25 programme.

10.2 Endorse the approach to strategic collaboration with Derbyshire Fire and Rescue Service as set out in Paragraph 2.20.

10.3 Agree to receive future updates on the Futures 25 Programme.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Craig Parkin
CHIEF FIRE OFFICER

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Nottinghamshire and City of Nottingham
Fire and Rescue Authority

SECTOR REFORM UPDATE

Report of the Chief Fire Officer

Date: 23 February 2024

Purpose of Report:

To update Members on the Government consultation response to the 'Reforming Our Fire and Rescue Service'

Recommendations:

It is recommended that Members:

- Note the contents of the report.
- Agree to receive further updates on sector reform at future meetings.

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1. BACKGROUND

1.1 In response to findings from His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and learning from the Grenfell Tower Inquiry, in May 2022, the Government launched a White Paper consulting on reform to fire and rescue services (FRSs). The consultation ran from 18 May to 26 July 2022 and outlined three areas of people, professionalism and governance. The consultation received 290 responses in total.

1.2 The Government's response has also been influenced by more recent investigations into culture and leadership in FRSs, including the London Fire Brigade Independent Culture Review, the Spotlight review and subsequent inspections by HMICFRS.

2. REPORT

2.1 The Government's response begins by highlighting the crucial work that FRSs undertake, both on the incident ground and in support roles, and when engaging with the public in local communities. The response also recognises the importance of the role played by both National Fire Chiefs Council (NFCC) and the Fire Standards Board.

2.2 The response then focuses on the three consulted areas of people, professionalism and governance in turn.

PEOPLE

2.3 Several pieces of work have been ongoing in the area of 'people' prior to the publication of Government's response. New legislation was introduced to enable FRSs to undertake enhanced disclosure and barring checks, new leadership programmes have been launched, and April 2023 saw the launch of the Direct Entry Scheme pilot for Station Managers. The Government's response provides little additional information beyond monitoring these pieces of work and ensuring they are embedded consistently across FRSs.

2.4 The response confirms the Government's position that they believe the role of FRSs is clear in relation to firefighting, community safety, and national resilience / civil contingencies. It also restates the Government's commitment to FRSs collaborating with other partner agencies, particularly in health and policing.

2.5 The Government states they will support employers to work with representative bodies to review the National Joint Council and pay negotiation mechanisms through an '*inclusive process'* which Home Office aim to be completed by early 2024.

2.6 The Government response also states that, if the review does not result in '*meaningful change'*, the Home Office will 'exp*lore other routes to ensure a modern, fair pay system that constructively enables role reform in England*.'

In particular, the Government would like to see consideration of '*scope for variation and self-determination including by types of services and by location'*.

2.7 There are brief mentions of issues in relation to improving workforce diversity and addressing the recruitment and retention of on-call firefighters, with the Government committing to continuing to work with partners on these issues.

PROFESSIONALISM

2.8 The White Paper proposed establishing a separate, independent, professional body which would build on the existing work of both the NFCC and the Fire Standards Board in setting and maintaining professional standards for FRSs. This proposal took the form of a College of Fire and Rescue (CoFR) and suggested that this new body could mirror the existing College of Policing.

2.9 The NFCC has been working with the Home Office to develop these proposals since the consultation was launched. The White Paper response confirms Government's commitment to establish a CoFR it states that they will work with partners to develop the most appropriate delivery model. The Government also states that data and research are also expected to be key pillars of the CoFR.

2.10 Following establishment of a CoFR, the Government states that they will legislate to create powers which will allow certain aspects of professional standards, including the Fire Service Core Code of Ethics, to be placed on a statutory footing and applied by Chief Fire Officers in their FRSs.

GOVERNANCE

2.11 In this area, the White Paper focused on the perceived benefits of single point accountability and agreed with HMICFRS's recommendation that Chief Fire Officers should be afforded operational independence similar to Police Chief Constables, however details on the specifics of this are still to be established.

2.12 The Government states they will not, at this stage, be mandating transfers of Fire and Rescue Authority functions to Police, Fire and Crime Commissioners where they are not already in place, the Home Office will make changes to streamline the process of voluntary transfers.

2.13 The Government will also support elected Mayors and Police and Crime Commissioners to take on fire governance functions where they cover the same area as the FRS. This could include the Combined County Mayors being established in the Levelling Up and Regeneration Act.

2.14 The response also states that steps will be taken to improve the transparency of how FRS budgets are allocated where they are governed by county councils and unitary authorities, through changes to the National Framework

Document which is highlighted as being reviewed to implement many of the changes from this consultation.

2.15 In summary, many of the consultation responses require further detail for the implications to be clearly understood and, whilst the Government highlights that they aim to implement changes at the '*earliest opportunity'*, it is considered unlikely that any of the required legislative change, or changes to the National Framework Document, will take place prior the next General Election due to the timescales and existing Parliamentary commitments.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising from this report.

5. EQUALITIES AND ETHICAL IMPLICATIONS

5.1 An equality impact assessment has not been undertaken because of the nature of this report.

5.2 The Service has undertaken a comprehensive approach to embedding the Fire Service Core Code of Ethics, complementing the Service's values. This approach has meant that the Service is in a strong position in relation to the proposed legislating of this area as an area for Chief Fire Officers to embed within their Services.

6. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

There are no environmental or sustainability implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

There are no risk management implications arising from this report.

9. COLLABORATION IMPLICATIONS

The Chief Fire Officer continues to make representation through the NFCC in relation to the proposed changes and ensuring that the implications of the proposed areas of change is fully understood, in relation to Nottinghamshire Fire and Rescue Service.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Note the contents of the report.

10.2 Agree to receive further updates on sector reform at future meetings.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Craig Parkin
CHIEF FIRE OFFICER

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Nottinghamshire and City of Nottingham
Fire and Rescue Authority

COMMITTEE OUTCOMES

Report of the Chief Fire Officer

Date: 23 February 2024

Purpose of Report:

To report to Members the business and actions of the Fire Authority committee meetings which took place in October/November 2023 and January/February 2024.

Recommendations:

That Members note the contents of this report.

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1. BACKGROUND

As part of the revised governance arrangements the Authority has delegated key responsibilities to specific committees of the Authority. As part of those delegated responsibilities, the chairs of committees and the management leads report to the Authority on the business and actions as agreed at Fire and Rescue Authority meeting on 1 June 2007.

2. REPORT

The minutes of the following meetings are attached at Appendix A for the information of all Fire Authority Members:

Community Safety Committee	13 October 2023; 12 January 2024
Human Resources Committee	10 November 2023 (January meeting cancelled)
Finance and Resources Committee	20 October 2023; 19 January 2024
Policy and Strategy Committee	17 November 2023, 02 February 2024

3. FINANCIAL IMPLICATIONS

All financial implications were considered as part of the original reports submitted to the committees.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

All human resources and learning and development implications were considered as part of the original reports submitted to the committees.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to update the Fire Authority on the outcomes of committee business.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

The Service's performance in relation to matters addressed through the committee structure is scrutinised through a range of audit processes. The Service needs to continue to perform well in these areas as external scrutiny through Comprehensive Performance Assessment and auditors' judgement is key to future Service delivery.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report, as the report seeks to provide Members with an update on the business and actions of Fire Authority committee meetings which have taken place in the last quarter.

10. RECOMMENDATIONS

That Members note the contents of this report.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Craig Parkin
CHIEF FIRE OFFICER

Nottinghamshire and City of Nottingham Fire and Rescue Authority Community Safety Committee

Minutes of the meeting held at Joint Fire / Police HQ, Sherwood Lodge, Arnold, Nottingham, NG5 8PP on 13 October 2023 from 10.01 am - 11.12 am

Membership

Present	Absent
Councillor Jason Zadrozny (Chair)	
Councillor Robert Corden	
Councillor Anwar Khan (minutes 12-15 inclusive)	
Councillor Devontay Okure	
Councillor Nick Raine	
Councillor Nigel Turner	

Colleagues, partners and others in attendance:
Damien West – Assistant Chief Fire Officer
Andy Macey - Area Manager for Response
Catherine Ziane-Pryor - Governance Officer

9 Apologies for Absence

None.

10 Declarations of Interests

None.

11 Minutes

Minutes of the meeting held on 9 June 2023 were confirmed as a true record and signed by the Chair.

12 Service Delivery Performance

Andy Macey, Area Manager for Response, presented the comprehensive report which provides the committee with an update on the performance of the Service between 1 April and 30 September 2023.

Some highlighted points included the following, along with responses to members' questions:

a) 5,430 incidents were attended by the Service during this reporting period, which, compared to the same period last year, is a decrease of 16.4%, but this can be attributed to last year's extreme summer weather conditions;

b) The report provides a breakdown of the type of calls received, the volume of calls, comparative figures for previous years, month by month activity, priority, and activity levels by district;

c) Whilst the Community Risk Management Plan (CRMP) target is to respond to all incidents within 8 minutes from the first appliance mobilisation, the average time achieved during this performance period was 8 minutes and 14 seconds. The slightly longer than previous response time can mainly be attributed to the introduction of the new appliance Mobile Data Terminals, which took place in June. This is being further investigated and will be monitored;

d) On-call station availability is set out in the report, with Hucknall, Newark, Stapleford and Warsop achieving in excess of 95% availability, whilst Harworth and Southwell stations failed to meet the 70% minimum standard set by the Service. It is anticipated that the recent recruitment of 34 new on-call firefighters will help to address this issue;

e) The year-to-date statistics for Ashfield DSC are set out in the report, and it is noted that the station will return to 24-hour crewing from 29 November 2023, in line with the resourcing to risk work stream;

f) The year-to-date statistics for Retford DSC are set out in the report, and whilst there have been reductions in availability, there are no proposals to amend the current crewing arrangements;

g) Performance data for 999 calls answered within 7 seconds, call handling times for priority one and two incidents, and mobilisation system availability, are all set out in the report with priority call handling performance improving;

h) During six months of activity, the Service has completed more than half of the 14,000 proposed 'safe and well' visits, and so is expected to exceed this year's target;

i) Safety initiatives, including water rescue, road safety, general fire safety, and fire safety for older citizens, were among the initiatives undertaken during the reporting period;

j) People-focused events are being held three times a year, including at Warsop College, with the aim to reach approximately 3,000 pupils in total;

k) Referrals for the 'Fire Setter' courses can come from the Police or Youth Offending Teams, with the aim to deter and address such behaviour;

l) A comparison of fire safety audits completed month by month for the past 3 years is set out in the report and clearly shows that performance in the latest reporting period has exceeded that of previous years;

m) However, with a target of 1000 business safety checks during the performance year, the Service is behind on target with only 386 completed. This is mainly due to several supervisory managers who are yet to complete the required qualification, but a training programme begins in November for 30 officers;

n) A range of protection activities have been undertaken the reporting year-to-date, including statutory building regulation consultations, licensing consultations, post-fire inspections, follow-ups to complaints, enforcement and prohibition notices;

o) The Service responded to 2,133 false alarms in this reporting period which is an increase of 16% from last year, against a target to reduce Unwanted Fire Signals (UwFS) by 3%. A breakdown of the four alarm classifications, including malicious, good intent, and apparatus, are set out in the report, with 383 attendances to non-residential premises, 234 of these being at hospitals, 1207 being residential, 400 of which were single occupancy houses or bungalows with telecare systems installed;

p) The Building Safety Act was implemented on 1 October 2023, and requires dedicated multidisciplinary teams to support the work, which will include the Fire Service. The operating model is very similar to that already established by the Service with regard to the Fire Safety England Regulation 2022, and the statutory duties on responsible persons, particularly in buildings over 18 metres in height;

q) Business safety checks are undertaken on smaller businesses, with a focus on seasonal themes and activities.

Members of the committee welcomed the ongoing good work of the Service and the recruitment of further on-call firefighters, specifically as it will help address the on-going availability concerns at Southwell Fire Station.

Resolved to note the report.

13 Approach to Reducing Unwanted Fire Signals - Update

Damien West, Assistant Chief Fire Officer, presented the update report on the Service's approach to reducing the number of unwanted Fire signals (UwFS).

The following points were highlighted and members' questions responded to:

a) When an automatic fire alarm activates for a reason other than fire, this is regarded as an unwanted fire signal (UwFS);

b) The Community Risk Management Plan (CRMP) has a target to reduce UwFS year-on-year, but nationally, they have risen by 8%. For this Service the rise has been 16%;

c) Previously there was a proposal not to attend automated alarm signals at hospitals between the hours of 7am and 7pm, following concerns raised by members the proposals was further explored and is now reported;

i. Consultation was undertaken of representative bodies including the respective NHS Trusts and Private hospitals providers, with an 86% response rate;

ii. A further data review on attendance was undertaken and it found that the vast majority of UwFS were from the City and Queens Medical Centre Hospitals;

iii. Whilst the Fire Protection Team (FPT) has a good working relationship with these providers and continues to work with them to reduce the number of UwFS, the review highlighted that a more specific risk-based approach would be the preferred option against non-attendance, with both sites committing resources to help tackle the problem;

d) The Service Delivery Evaluation and Assurance Group (SDEAG) continues to monitor overall UwFS trends and recorded an increase at hospitals, and most concerning, a 50% increase in the number of signals from domestic dwellings, particularly sheltered housing and premises with independent living alarm systems;

e) As a result, further work will be undertaken with hospitals and with regard to minimising the false activation of telecare call systems, which are usually fitted at premises occupied by the most vulnerable citizens in society who are often at very high risk;

f) Investigation of the potential for chargeable calls as a mechanism to reduce repeat UwFS, continues and will be reported to members at a future meeting;

g) Currently there are no easy solutions identified regarding unwanted telecare signals, but there is potential that as domestic communication technology moves away from analogue, there may be the ability to differentiate between the type of alert issued through the telecare type systems. As the population is living longer and remaining within their own homes is the preferred option, the increased use of alert systems needs to be taken into account and planned for, not only by the Service but by health and social care partners;

h) A chargeable UwFS scheme is already in place, but any further expansion would require the approval of this committee.

The committee welcomed the new approach as an alternative to a blanket non-attendance policy for hospitals, noting that staffing is a nationwide issue for hospitals, but there needs to be more responsibility placed with sheltered housing alert systems.

This resolved to:

1) note the update relating to the approach of the Chief Fire Officer in reducing UwFS;

2) support the continued work and focus to reduce the number of UwFS attended in line with the Service's CRMP.

14 Safeguarding, Disclosure and Barring Update

Damien West, Assistant Chief Fire Officer, presented the report which provides a summary update, including implications to the Service, on the changes to the Rehabilitation of Offenders Act (Exceptions), alongside an overview of current safeguarding practices in the Service.

The following points were highlighted, and members' questions responded to:

a) New legislation requires increased vetting of all personnel, whereas previously, a basic check was undertaken for those coming into contact with vulnerable citizens;

b) A higher-level check is now required for officers coming into contact with vulnerable citizens, which takes into consideration spent an unspent convictions, and is repeated on a recurring basis. Following consideration of risk, all other staff are to undergo only the basic check;

c) There haven't been any dismissals from the Service due to the emergence of any previous convictions or crimes, and where convictions do emerge, they are considered on a case-by-case basis dependant on the nature of the offence;

a) The National Fire Chiefs Council has issued guidance which explicitly sets out the safeguarding expectations for the Sector;

b) A further update will be provided to the committee in 12 month's time, which will provide information on the outcome of the vetting which occurred;

c) The Service sets out clear behavioural expectations for all staff, and has confidential reporting mechanisms in place that have been checked for effectiveness, and which can be used by all members of the workforce if inappropriate behaviours and/or cultures emerge. The Leadership Team are confident that if any issues arose, they would be appropriately and promptly addressed, and reported to the Human Resources Committee as part of its monitoring and scrutiny role;

d) More broader checking/enhanced DBS checks of all staff could be further considered within the internal governance review;

e) Safeguarding communities is a statutory requirement under the Care Act 2014, so the Service requires staff to undertake safeguarding training. To date more than 700 employees have completed the basic online e-learning package, whilst an additional 134 have completed the advanced training;

f) In the year from 1 August 2022 to 31 July 2023, the Service identified and referred 27 people to multi-agency safeguarding hubs, 8 of whom were children;

g) The safeguarding culture encourages staff to have professional curiosity and report instances and circumstances which don't feel are quite right, prompting further investigation;

k) The Service is working with partners to support the ‘Safer Streets’ initiative and is promoting city fire stations as a place of safety for women and girls in fear of violence or intimidation. There is scope for all fire stations to be more broadly promoted as safe spaces, and there has been a report of a victim of modern slavery approaching the crew of a station, which then engaged the Safer Streets protocol along with partner organisations.

Members commented;

l) Enhanced DBS checks for all staff would be welcomed, but the balance between risk and financial impact is acknowledged, along with the need for a standardised approach across all Services;

m) There are of course, no guarantees that crimes may have been committed, but that there is no criminal record;

n) The importance of ensuring that the cultures across all areas of the Service are aligned, is important. It is understood that no existing employees have declared themselves as members of the LGBT+ community, which raises concerns as to whether the Services’ culture is perceived as being accepting of such declarations;

o) Further information on the whistleblowing policy and enforcing a positive behavioural culture would be welcomed in future reports.

Resolved to:

1) note the contents of this report and the updated changes to legislation:

2) endorse the approach of the Chief Fire Officer, as outlined in the report;

3) agree to receive a further update in 12 months’ time once the new approach to checks has been embedded.

15 His Majesty's Inspectorate of Constabulary and Fire and Rescue Services, Areas For Improvement

Damien West, Assistant Chief Fire Officer, presented the report which updates the committee on progress in addressing the Areas For Improvement (AFI) allocated to the Community Safety Committee for monitoring and scrutiny, as identified in the 2021 inspection.

The following points were highlighted, and members’ questions responded to:

a) AFI 2 stated that ‘the Service should assure itself that its risk-based inspection programme prioritises the highest risks and includes proportionate activity to reduce risk’;

   i. The Service already applies its own Risk Based Inspection Programme (RBIP) to ensure that fire protection activities are targeted at the highest risk premises;

ii. the Service will be working with Nottingham Trent University to evaluate the RBIP and ensure it is functioning as intended;

iii. the Service is undertaking its own internal gap analysis, and evaluation of its RBIP, using the risk related guidance recently issued by the National Fire Chiefs Council;

iv. It is anticipated that this AFI will be ready for closure in Spring of 2024;

b) AFI 4 advised that ‘the Service should ensure that, when responding to a 999 call, Mobile Data Terminals (MDTs) are reliable to allow staff to access risk information’;

i. This AFI theme was initially identified in the 2019 inspection, and closed in 2022 following significant progress. However, this AFI seeks to continue progress and advancement in the reliability and access by crews of relevant risk information;

ii. New MDTs have been rolled out across all appliances across the Tri-Service collaboration, but some improvement are still required and work continues to improve reliability and accessibility;

iii. The new MDT system is due to be operational by October 2025, but information around risk will continue to be scrutinised and a secondary backup device provided to all responding crews, with the closure of this AFI predicted in early 2024;

c) It is noted that Assistant Chief Fire Officer, Mick Sharman, works collaboratively across both Nottinghamshire and Derbyshire Fire and Rescue Services to progress the appropriate joint commissioning of the new Replacement Mobilising System.

Resolved to note the progress with addressing the areas for improvement are assigned to the Community Safety Committee.

Nottinghamshire and City of Nottingham Fire and Rescue Authority Community Safety Committee

Minutes of the meeting held at Nottinghamshire Joint Fire and Rescue Service/ Police Headquarters - Sherwood Lodge, Arnold, Nottingham, NG5 8PP on 12 January 2024 from 10.00 am – 10.46am

Membership

Present	Absent
Councillor Jason Zadrozny (Chair)	
Councillor Robert Corden	
Councillor Anwar Khan	
Councillor Devontay Okure	
Councillor Nick Raine	
Councillor Nigel Turner	

Colleagues, partners and others in attendance:
Damien West – Assistant Chief Fire Officer
Bryn Coleman - Area Manager for Prevention and Protection
Andy Macey - Area Manager for Response
Catherine Ziane-Pryor - Governance Officer

16 Apologies for Absence

None.

17 Declarations of Interests

None.

18 Minutes

a) Confirmation
The minutes of the meeting held on 13 October 2023 were confirmed as a true record and signed by the Chair.

b) Update
As suggested by members within the Safeguarding, Disclosure and Barring Update (minute 14), enhanced DBS checks have been considered and consultation is underway for all frontline staff to undergo enhanced DBS Checks.

19 Service Delivery Performance Report

Andy Macey, Area Manager for Response, presented the response element of the Service's performance, with highlights including the following:

a) Whilst overall this year, the number of incidents has reduced, in quarter three response to incidents is expected to increase due to the flooding in October and November;

b) The report provides a comparison of activity levels month by month for the past three years, which follow a consistent pattern, as are the types of incidents responded to. Also provided are statistics of incidents attended by priority type and district station;

c) The Service has set a standard of an eight minute response time, but this was fractionally missed with an average of 8 minutes and 16 seconds, mainly due to the new Appliance Mobile Data Terminals, for which there were some initial issues which have now been resolved;

d) On call availability is listed for every on-call station, with Harworth and Southwell struggling to achieve the 85% minimum availability target. Some staff on both of these stations have experienced long term illness, but are now returning to work and so performance is expected to improve. On call availability at Warsop and Hucknall fire stations achieved an impressive 99.7% and 99.5% respectively;

e) The year-to-date performance data for Retford Fire Station On-Call crewing is set out in the report, as specifically requested by members. Five of the 34 new On-Call firefighters will be based at Retford, and so performance is expected to improve;

f) More detailed data regarding recruitment, including the proportion of initial applications to successful appointees, can be provided to a future meeting. It should be noted that consideration is underway to revise the requirements of On-Call firefighters living within five minutes travelling of the fire station, to expand the time in some areas of specific need where recruitment has been especially difficult;

g) Approximately 400 whole-time firefighter applications were received in the current round of recruitment, with 170 candidates shortlisted and now undergoing testing;

a) Whole-Time appliance availability consistently exceeded the 98% available turnout target, with a minimum 99% availability;

b) Fire Control did not meet the Services target in quarter two, again, this can be mainly attributed to the to the initial introduction of the new Appliance Mobile Data Terminals, but as can be seen from the performance chart in the report, performance has since much improved.

Members commented as follows:

c) Overall performance is looking good, and it is welcomed that where there were challenges, solutions are now in place;

d) The 99.9% availability of both Arnold and Ashfield Whole-Time fire station crews is pleasing.

Bryn Coleman, Area Manager for Prevention and Protection, presented the prevention element of the performance data, followed by protection data, highlighting the following points:

e) the Service is on target to complete 14,000 safe and well visits this year, with a focus on reaching those most at risk of fire injury;

f) Youth engagement events will be held during the summer, working with partners such as the Police the National Grid, the Railway Police, and the Ambulance Service. There is an open invitation for members to attend;

g) In areas where hoax calls become an issue, schools are targeted with safety focused visits and messages;

h) ‘Biker Down’ is programme run by firefighters teaching motorbike riders how they can most safely assist a fellow fallen rider. As part of engagement the Fire Service is involved in Easter egg run again this year from Forest Fields to Mansfield Fire Station on Easter weekend;

i) As usual, throughout party season there will be a focus on drink/drug driving awareness, including targeting new drivers through colleges. It’s very difficult to gauge prevention success, but there is a general feeling that it is working;

j) With regard to protection, it is likely that the service will miss the Fire Safety Audits (FSAs) target of 1,500 as there are not enough Safety Advisers within the Service, or even nationally, to undertake the volume of work required. In addition, the data only registers the property and not the number of visits undertaken or required, which can be multiple if premises owners are required to take action which then needs to be re-inspected. Work is ongoing to recruit and/or train Fire Safety Auditors;

k) A breakdown by type of FSAs and business safety checks is included in the report;

l) 48 formal notices of action were issued. The Service prefers to take an initial educational approach, but applies enforcement and prohibition when necessary;

m) The Service is completing more safety audits than ever before, with supervisory managers on appliances now trained so operating crews can undertake audits. In addition, crews are also now able to identify required interventions which in turn releases capacity from the audit teams;

n) Safety programs around the festive season, such as the ‘12 days of Christmas’, highlight prevention messages and retaining fire safety standards, such as not blocking fire exits with stock;

o) Whilst the Service aims to reduce Unwanted Fire Signals (UwFSs) by 3% every year, this has not been possible and nationally the number of UwFSs has increased. A generally small number are due to good but mistaken intent, and some will be hoax calls. Between April and December 79 malicious or hoax calls were received. The Service can trace these telephone numbers, including a pay-as-you-go, and does take action;

w) The highest number of UwFS was 2875 due to alarm apparatus. Whilst hospitals used to be the worst culprit, the Service has worked hard with these partners to address the issue, which, as a result has reduced. Residential properties are now the most frequent source, with a 13% increase on the previous year's data;

x) Whilst the Service does have enforcement powers and liaises with commercial properties to address UwFS issues, it has no powers with regard to residential properties, and so an urging co-operation approach is taken;

y) When attending such incidents, crews have identified other vulnerability issues, including deprivation, which can then be assessed through Safe and Well Visits, including referrals to other service pathways where necessary;

z) The majority of UwFSs are from residential premises by telecare alarm activation by people living independently but with an alarm facility. If the telecare call handler doesn't receive a response from the activation address, the alarm is escalated to the emergency services;

aa) The 'Building Safety Act' requires a multibit disciplinary team to look at high-rise buildings. Nottinghamshire and Leicestershire are the East Midlands Regional Team Leads as other areas do not have the same extent of high-rise buildings;

Members comments included:

bb) Overall performance and progress is positive, and welcomed;

cc) With an ageing population and more people remaining in their own homes, it is likely that there will be an ongoing increase in telecare type systems, and unless processes change, the numbers of UwFS will also increase. However, members welcome confirmation that the Service does follow up where vulnerabilities are identified;

dd) With regard to the regional response to the Buildings Safety Act, having local building safety inspection capacity is preferable, but its hoped that under these new arrangements, local officers will not be required to travel beyond the region, due to the national lack of qualified personnel.

Resolved to note the report.

20 Update on learning from the Manchester Arena Inquiry - volume two

Damien West, Assistant Chief Fire Officer, the report which provides an update on the Service's response to the recommendations in volume II of the inquiry regarding how to the emergency services responded to the Manchester Arena bombing.

The following points were highlighted and members' questions responded to:

a) The report provided 53 recommendations which the Service must respond to, 32 are now closed and 21 ongoing, but progressing on track. It is anticipated that all recommendations will have been addressed by December 2024;

b) In many of the areas for improvement the sector has updated response processes, added training requirements and with the consideration of the Fire Chief's Council, produced new national guidance to ensure consistency across the sector;

c) Some of the learning from the Manchester Arena Bombing was implemented during the Nottingham murders in June last year, with effective communication across the blue light partnership;

d) This Fire Service Chairs the Local Resilience Forum sub-group which has been formed on the recommendation of the inquiry, to address 55 actions across all responders, 33 of which are now closed and 22 are ongoing;

e) His Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS) is due to visit the Service in March 2024 and will scrutinise the progress made against the inquiry recommendations;

f) Marauding Terrorist Attack (MTA) equipment packs have now been issued and members will have the opportunity to examine the equipment and speak to an officer after the meeting;

g) The current threat level from MTA is 'likely' and whilst the additional requirements of equipment and training are a financial burden, they must be provided by the Service to keep firefighters as safe as possible in the event of an attack.

Members of the committee commented:

h) It is diabolical that Central Government has withdrawn 60% of funding from services, particularly after the incident last year, and when there is a clear requirement for Services to purchase and maintain additional specialist equipment against so many other financial pressures;

i) Working out the level of threat can be difficult, as threats are continuously unstable and can come in many forms and with so many significant venues in the City, is unrealistic to reduce funding when the threat level is rising;

j) We need to praise the Blue Light Services for their action last June and we need to remember that these people go into an often unknown situation and risk their lives to do their job.

Resolved to:

1) note the update from the report and endorse the actions being taken by the Service in response to the Manchester Arena Inquiry;

2) receive further reports for the monitoring and scrutiny of the implementation of learning through the Community Safety Committee.

Nottinghamshire and City of Nottingham Fire and Rescue Authority
Finance and Resources Committee

Minutes of the meeting held at Dunkirk and Beeston Suites - Highfields Fire Station, Hassocks Lane, Beeston, Nottingham. NG9 2GQ on 20 October 2023.

Part 1 - 10.04am – 10.05am
The meeting opened and Committee unanimously agreed to postpone the meeting until 10.30am due to severe weather conditions and flooding which has delayed the arrival of some Lead Officers and Members.

Part 2 – 10.30am- 11.15am

Membership

Present	Absent
Councillor John Clarke MBE (Chair)	Councillor Sybil Fielding
Councillor Liaqat Ali	
Councillor Callum Bailey	
Councillor Richard Butler	
Councillor Anwar Khan (minutes 17-18 inclusive)	
Councillor Roger Upton	

Colleagues, partners and others in attendance:
Candida Brudenell – Assistant Chief Fire Officer
Becky Smeathers – Head of Finance and Treasurer to the Authority
Matt Reavill – Head of Corporate Risk management
Hassan Rohimun - External Auditor of Ernst and Young LLP
Catherine Ziane-Pryor – Governance Officer

13 Apologies for Absence

Councillor Sybil Fielding (medical appointment)
Councillor Anwar Khan for predicted lateness.

14 Declarations of Interests

None.

15 Minutes

The minutes of the meeting held on 16 June 2023 were confirmed as a true record and signed by the Chair.

16 Revenue, Capital and Prudential Code Monitoring Report to August 2023

Becky Smeathers, Head of Finance and Treasurer to the Authority, presented the report, highlighting the following points and responding to members' questions:

a) Previously reported to the end of April 2023, this report sets out the position as of 31 August 2023, presenting an underspend of £1.4 million which equates to 3% of the overall budget;

b) There are several factors contributing to the underspend, including the Service operating under establishment, lower than predicted on-call pay costs, higher than anticipated investment returns due to the higher interest rates, and slippage on payment for fire appliances from last year;

c) Previously, it was intended to draw on £400k of reserves, but it is proposed to not utilise these at moment;

d) It is proposed that the underspends be reallocated to recruitment, (training, including training facilities and HR resources. Additional spend is predicted for maintenance cost due to significant market price increases, so it is proposed to accelerate timeframes of some key projects, including the mobilising system, for which additional contract costs and the additional internal work required to house the new servers;

e) Additional HR funding is required as the Service accelerates the previously paused recruitment. It is not unusual to receive in the region of 600 applications, all of which require additional officer time to process, and as other areas of work are demanding at this time and no capacity is available within recruitment, additional staffing is required;

f) With reference to the £38k virement relating to the Building Safety Regulator grant, it is noted that the Committee's approval is required for the virement, which technically enables the accounts to balance, and this is not a cost to the Service;

g) The entire costings for the new mobilising system can only be predicted at this stage due to several uncontrollable influences, including the impact of the Leicestershire Fire and Rescue Service withdrawing from the arrangement, which means that all costs are shared between Nottinghamshire and Derbyshire Services. As an initial response, the Authority had approved an additional £170k allocation to the capital programme. As the system servers will not be cloud-based, additional facilities are required to house them, hence the £100k spend for server costs with further costs anticipated;

h) Breathing apparatus washing facilities are required in 2 stations along with establishing a system to collect and deliver kit;

i) A significant increase in fuel costs was predicted and accounted for in next year's budget, but is yet to materialise, although prices continue to fluctuate;

j) Capital Programme expenditure is not significant and mainly applies to 17 new vehicles. With increasing market costs, it is possible that there will be an overspend on appliances, but this is difficult to predict and a delivery date is not yet confirmed, but payment is only due on delivery;

k) The buyer of the old Headquarters site has withdrawn, so other options are being considered and a long delay in selling is not anticipated;

l) Electric charging points across all buildings are for the benefit of the Service's light fleet vehicles which are either electric or hybrid. Staff also have access to charging points on a recharge at cost basis. Where available, grants have been drawn down for the installation charging points and any other funding opportunities to further improve the infrastructure and progress the Services' commitment to decarbonisation;

m) With regard to Prudential reporting, borrowing is purposely higher than the capital finance requirement as the Service took advantage of low interest rates but borrowing levels will return to required levels by the end of the year.

Resolved to:

1) note the report;

2) approve the plans and virements for using £927k of the forecasted underspends, as outlined in Sections 2.2 – 2.3 of the report;

3) approve the £38k virement relating to the Building Safety Regulator grant and the associated post (Section 2.4 of the report);

4) approve the transfer of the £147k Fire Protection Uplift grant to earmarked reserves (Section 2.13 of the report).

17 Corporate Risk Management

Matt Reavill, Head of Corporate Risk Management, presented the report.

The following points were highlighted and members' questions responded to:

a) The risk situation is much improved, and has stabilised from that of a year ago, when there was uncertainty around industrial action, pension liabilities, and the Council Tax precept level;

b) The report and register set out how risk levels are assessed and set from very hight to low risk;

c) Very high, high, and medium risk areas are summarised as follows:

Very High Risk	Mobilising (Risk 3)	No change
High Risk	Balanced budget (Risk 1)	Reduced from Very High
	Firefighters Pension Scheme (Risk 2)	Reduced from Very High
	Service reputation (Risk 15)	No change
	Preventable deaths (Risk 6)	No change
	Employee engagement (Risk 4)	No change
	Workforce sustainability (Risk 5)	No change
Medium Risk	Health, safety and welfare (Risk 7)	No change
	Availability of resources (Risk 9)	No change

d) Members are assured of constant monitoring to identify any emerging or escalating risks, and that an audit of risk management provided an outcome of ‘substantial assurance’.

Resolved to:

1) endorse the Service’s approach to managing the key risks to the Authority;

2) note the most recent version of the Corporate Risk Register attached at Appendix A to the report.

18 External Audit Plan 2021/22

Hassan Rohimun, External Auditor of Ernst and Young LLP, presented the Audit Planning report for the year ended March 2022, as of September 2022.

The following points were highlighted and members’ questions responded to:

a) the Audit was on track to be completed by October 2023, but the Audit Manager responsible for this Audit has been taken ill, the Audit conclusion will be delayed as other officers release capacity to undertake the work;

b) Section 1 of the Plan provides an overview of the strategy, including audit risks identified, with changes from the previous year highlighted;

i. Risk of fraud in revenue and expenditure recognition: Inappropriate capitalisation of expenditure;
ii. Misstatements due to fraud or error (as per international standards);
iii. Valuation of Pension Liabilities – LGPS;
iv. Valuation of land and buildings;
v. Valuation of Pension Liabilities – Firefighters’ Pension Scheme;

c) Set out in the report is a summary of the scope of the audit, including:

i. Overview of the audit strategy;
ii. Audit risks;

iii. Value for money risks;
iv. Audit materiality;
v. Scope of the audit;
vi. The audit team and timeline;
vii. Interdependencies;

d) No firm date can be provided yet for the predicted completion of the final Audit, nor the final cost as additional work may be required, but finance officers will be kept informed and a ‘worst-case-scenario’ estimate provided to members of the committee following the meeting;

e) The external auditors currently have no responsibility to review climate impact within the corporate sector, but this may become more relevant to future public sector audits;

f) The cost of the new External Audit contract for the new financial year will be significantly increased and expected to total approximately £95,000, although there has been some initial funding from Central Government to support these costs.

Whilst member of the committee acknowledged the additional National Audit requirements which have resulted in a significantly increased workload, along with the issues around availability of Auditors, concern was expressed that the cost has risen so significantly in recent years and that the Service and Local Authorities were expected to absorb this cost.

Resolved to note the report.

19 Becky Smeathers, Head of Finance and Treasurer to the Authority

As this is Becky Smeathers’ last meeting with the Authority, the Chair wished Becky well in her new ventures and thanked her for her work, dedication and professionalism.

Nottinghamshire and City of Nottingham Fire and Rescue Authority
Human Resources Committee

Minutes of the meeting held at Joint Fire / Police HQ, Sherwood Lodge, Arnold, Nottingham, NG5 8PP on 10 November 2023 from 10.00 am - 10.56 am

Membership

Present	**Absent**
Councillor Nick Raine (Chair)	
Councillor Robert Corden	
Councillor Tom Hollis	
Councillor Patience Uloma Ifediora	
Councillor Gul Nawaz Khan	
Councillor Johno Lee	

Colleagues, partners and others in attendance:
Candida Brudenell - Assistant Chief Fire Officer
Tracy Crump - Head of People and Organisational Development
Matt Sismey - Organisational Development and Inclusion Manager
Catherine Ziane-Pryor – Governance Officer

7 Apologies for Absence

None.

8 Declarations of Interests

None.

9 Minutes

The minutes of the meeting held on 23 June 2023 were confirmed as a true record and signed by the Chair.

10 Human Resources Update

Tracy Crump, Head of People and Organisational Development, presented the report which provides an overview of key human resources metrics for the period 1 July to 30 September 2023, whilst absence data is for the period 1 April 2023 to 30 September 2023, and equalities monitoring data for the period 1 April 2023 to 30 September 2023.

The following points were highlighted and members' questions responded to:

a) Due to a later agenda item on workforce planning, staffing numbers will be considered in further detail later in the meeting;

b) In addition to the commentary, the appendix to the report provides helpful charts illustrating sickness absence trends and attributes, individually across Whole-Time, On-Call, and non-uniform staff, and combined. In addition, absence performance data of this Service is compared against the other Fire and Rescue Services nationally;

c) In quarter 1, sickness absence significantly decreased, and then increased in quarter 2;

d) Absences due to covid are still tracked, and whilst much lower at 4.6% in quarter one and 5.8% in quarter two, there is an upward trend, so tracking will continue;

e) The Service provides flu vaccinations to staff via vouchers;

f) Long-term absences in quarter one accounted for 57.3% of sickness absence and 59.1% in quarter 2. This includes employees with significant health conditions;

g) Work-related sickness absence, including mental health and stress, has accounted for 13.5% of all sickness absence in Q1 and 14.7% of sickness absence in quarter 2;

h) The Service has a robust support system in place to help staff return to work, which includes regular contact, referrals to occupational health, and reasonable adjustments. With regard to some longer-term serious health conditions, some members of staff have now retired;

i) There were no dismissals or tribunal cases lodged during this reporting period;

j) Equality monitoring is reported every six months and so data is for the period 1 April to 30 September 2023;

k) The report provides a breakdown of equalities data across the Service including female, Black, Asian, and Minority Ethnic (BAME), Lesbian, Gay, Bisexual (LGB), and disabled, with Service statistics compared to population statistics for each grouping;

l) The increase in the number of employees declaring themselves LGB+ is welcomed as a reflection of employees' confidence in the environment and culture of the Service, and is welcomed as a positive result of a lot of work promoting equalities. This now needs to be duplicated for other groupings;

m) A further breakdown of male and female with in the BAME grouping can be provided to members following the meeting, along with the grading of roles occupied;

n) Identifying protected characteristics of the workforce supports cultural change;

o) Since disability was defined in the Equality Act 2010, the Service is very proactive in encouraging staff to consider, and where appropriate, declare non-visible disability and neuro diversity. Some staff may not consider themselves disabled, but the broadened definition of the Act may include their conditions. The methods of how disability can be declared have been revised and are much improved;

p) There are frustrations that work in addressing the gender pay gap is not progressing as quickly as hoped. However, incremental changes are being made and a new piece of work seeks to accelerate the change in the make up of the workforce, including deprivation, type of roles citizens apply for, and localised community reflection of the workforce. Proposals will be submitted to the Strategic Inclusion Board, but will require further investment and resources;

q) The Service actively encourages and facilitates staff development to management roles, but there needs to be a critical mass of BAME employees for take-up of the opportunities to reflect the broader local BAME population in management roles;

r) Service diversity is much improved, but further investment is required to progress diversity in management roles and work continues in targeted recruitment of diverse communities in an effort to increase the diversity of the Service to proportionally reflect that of the population.

Members of the Committee commented:

s) As the BAME population is smaller in the County than the City, consideration should be given to more intensive BAME targeted recruitment in the City;

t) It would be interesting to know if there are any Gypsy, Roma and Traveller (GRT) identifying employees in the Service as this too is a protected characteristic and there is a notable population in the Newark area;

u) It needs to be acknowledged that not everybody wants to declare their heritage/culture/sexuality, and so it’s important to include the ‘other’ option when requesting information;

v) It’s a concern that currently there are no senior managers identifying as BAME, and so additional support should be considered to help BAME staff engage for promotion;

w) The Service still has work to do but has increased the diversity of the workforce with very good recruiting campaigns which appeal to the broader community, for which officers should be proud.

Resolved to note the report.

11 Gender Pay Gap 2023

Candida Brudenell, Assistant Chief Fire Officer, presented the annual report which provides an update on the progress in addressing the gender pay gap, including the methodology applied, using data for the year ending 31 March 2023.

The following points were highlighted, and members' questions responded to:

a) Whilst there has been a slight improvement in narrowing the gender pay gap in the Service, it is noted that it will be very difficult to eradicate it as there are fewer women in the Service as a whole, and fewer women in the higher paid roles. However, the Service does offer support to female employees to develop their skills to advance their careers into the higher paid roles, if that is what they choose;

b) The Women's Network is valuable in providing a reference group for the development of strategies. Some actions stated are effective but need further impetus, as will be elaborated on in the strategic proposals report to the Strategic Equalities Board;

c) Although the way in which the Service has to report some elements is set nationally, members are assured that the Service does pay the living wage. This will be clarified in future reports;

Members of the Committee commented as follows:

d) The establishment of the Service's Women's Network is welcomed;

e) Excellent equalities work has been achieved so far, but more women still need to be recruited to entry level posts;

f) The Service needs to provide support in addressing some of the key issues which are preventing women from applying for the Service, but also further expand and promote the support available to women wanting to progress their careers;

g) Higher level male colleagues can mentor women in areas where there is currently a lack of female representation;

h) More involvement in project work could be a good way to expand the experience, confidence and visibility of women wanting to progress.

Resolved to note the outcomes from the report and support the action points set out within Paragraph 2.21 of the report, to maintain and enhance the career advancement of, and support provided to, women within the Service.

12 Review of Workforce Plan 2022-24

Tracy Crump, Head of People and Organisational Development, presented the report which provides an update on the workforce plan.

The following points were highlighted, and members' questions responded to:

a) the report provides a breakdown of how the Workforce Plan monitors and calculates projections of workforce elements which are then responded to in ensuring workforce resilience, including the workforce numbers and skill bases required;

b) Whole-time workforce numbers fell below those set out in the workforce plan as a result of the pause in recruitment due to the budget uncertainty. However, this is now being addressed through recruitment;

c) 27 new Firefighters have been recruited, mostly into apprentice Firefighter roles and although mostly starting training in April, they are due to be placed on stations during December;

d) 3 additional Firefighters have been recruited into the Fire Prevention Team as apprentices, but with time first spent on stations, which has proved valuable;

e) During this reporting period, 16 members of the workforce left the Service, mostly due to retirement, but generally approximately 9 leave for other reasons. These numbers align with the plan turnover predictions;

f) National advert for existing firefighters, specifically those with specialist skills, has been successful with 15 operational roles filled at different levels;

g) The current recruitment programme is three quarters completed, with a lot of positive action, including selection days on stations in evenings and at weekends;

h) It was decided to change the order of the selection process by holding fitness testing at an early stage and providing additional support to help candidates achieve the required level of fitness, which is set nationally for firefighters and the same for male and female candidates. Candidates who only just fail the fitness test now have the opportunity to take the test again in a different way after further fitness work. This approach will be evaluated;

a) 370 applicants are to be externally telephone screened, and if successful at that stage then they will be job related tested, with successful candidates progressing to the assessment centre in January. It is anticipated that up to 32 new Firefighters could be in post over next year;

b) The Service does provide a lot of support to applicants in advance of fitness testing to help them build their fitness to the required standard. This includes working with a fitness advisor, which has been particularly beneficial approach for some female candidates as historically this was the stage at which most failed. More information on the fitness test and what it involved can be found on the Service's website;

c) Resourcing to risk has identified different approaches to ridership which resulted in the release of 4 operational posts. Work is ongoing to determine where these posts should now be placed;

l) Promotions are set out in the report across every level as part of succession planning;

m) As agreed by the Authority, Ashfield Fire Station is due to return to full time crewing as of 30 November 2023;

n) 13 new On-Call Trainee appointments have just started. During this reporting period the Service has not experienced the usual anticipated level of turnover of On-Call Firefighters, which is welcomed;

o) Support Staff turnover has slowed significantly from the 24% of the post-covid period, with 10 leavers and 14 starters in the past 6 months;

p) The pay settlement has now been agreed as a flat sum of £1,925, which will also help with recruitment and retention of staff;

q) The Futures25 efficiency programme is reviewing Prevention activities. It is anticipated that there will be workforce implications, with a report submitted to members towards the end of the year;

r) The Service works hard to provide an outstanding Employee Wellbeing Service and support. A recently introduced scheme to enable an advance of up to £1,000 to purchase white goods, with repayment over several months as a deduction from wages, has been put in place to support employees manage their finances in difficult times.

Resolved to note the report.

13 Confidential Reporting of Employee Concerns

Candida Brudenell, Assistant Chief Fire Officer, presented the report which sets out the process for confidential reporting and the reporting data for the period 31 March 2022 to 31 March 2023, as required following the findings of the Independent Cultural Review of London Fire Brigade, and concerns raised nationally by HMICFR.

The following points were highlighted, and members' questions responded to:

a) Members are assured that there is now a new confidential reporting route via the independent organisation 'Say So';

b) The report sets out:

   i. how 'Say So' has been procured;
   ii. the service it provides;
   iii. staff accessibility;
   iv. how it has been promoted to staff;
   v. how the information provided is gathered and forwarded to senior officers;
   vi. the response requirements/agreement of senior officers;
   vii. the monitoring and reporting of themes, trends and take-up;

c) It is noted that existing routes for reporting concerns are still available, including as detailed in the Whistleblowing Policy, through line managers, through the Human Resources Team, or to trade union representatives.

Members welcomed the progress and assured the workforce that members were not complacent in addressing any issues identified.

Resolved to note the report.

14 Candida Brudenell

As this was Assistant Chief Fire Officer Candida Brudenell's last meeting prior to her retirement, the Chair thanked Candida for her work with the Service and wished her well in her retirement.

Nottinghamshire and City of Nottingham Fire and Rescue Authority Policy and Strategy Committee

Minutes of the meeting held at Dunkirk and Beeston Suites - Highfields Fire Station, Hassocks Lane, Beeston, Nottingham. NG9 2GQ on 17 November 2023 from 10.00 am - 11.15 am

Membership

Present	Absent
Councillor Michael Payne (Chair)	Councillor Sybil Fielding
Councillor Patience Uloma Ifediora	Councillor Jonathan Wheeler
Councillor Nigel Turner	
Councillor Tom Hollis	
Councillor Richard Butler	
Councillor Gul Nawaz Khan	

Colleagues, partners and others in attendance:

Craig Parkin – Chief Fire Officer
Mick Sharman - Assistant Chief Fire Officer
Damien West – Assistant Chief Fire Officer
Mark Kimberly - Interim Treasurer and Section 151 Officer
Malcolm Townroe – Clerk and Monitoring Officer
Tracey Stevenson - Interim Head of Finance
Nick Linthwaite - Human Resources Manager.
Catherine Ziane-Pryor – Governance Officer

1 Apologies for Absence

Councillor Sybil Fielding (Councillor Gul Khan substituting)
Councillor Jonathan Wheeler (Councillor Richard Butler substituting)

2 Declarations of Interest

None.

3 Minutes

The minutes of the meeting held on 28 April 2023 were confirmed as a true record and signed by the Chair.

4 Local Firefighter Pension Annual Report 2022/23

With a temporary vacancy of a Pension Scheme Manager, Craig Parkin, Chief Fire Officer, presented the detailed report with further financial information provided by Mark Kimberley, Interim Treasurer and Section 151 Officer, and Human Resources information by Nick Linthwaite, Human Resources Manager. Tracey Stevenson, (Interim Head of Finance) was also in attendance to respond to any specific queries from members.

The following summarises highlighted points and responses to members' questions:

a) The report sets out the constitution of the Pensions Board, which has been in place since 2015, including membership and representation, the format of Board meetings and training requirements;

b) The two main issues for the Board activity are focused on:

   i. the transitional protection for pension members moving from the 2006 scheme to the 2015 pension scheme, and the McCloud judgement as a result of an employment tribunal, appeals, and High Court Judgement around pension scheme discrimination and following discrimination claims. Tax implications were also raised as a concern, and as a result, the finalised legislation 'Firefighters Pension (Remedial Service) Regulations 2023', came into effect on 1 October 2023;

   ii. the outcome of the Matthews and O'Brien case, regarding discrimination of On-Call Firefighter pension members now being allowed to retrospectively join the 2006 pension scheme;

c) New guidance has now been issued by Central Government and is effective from October 2023. Prior to the issuing of that guidance, the Authority had agreed to continue to work to the terms of a Memorandum of Understanding which although agreed by Central Government, was later withdrawn;

d) It is a concern that historic pension records are not necessarily available for all members of pension schemes due to the changes in pension scheme administrators, changes to data legislation, and required data cleansing exercises. This has resulted in a lot of additional work tracing and confirming the historic employment details of the staff concerned;

e) The pension scheme discrimination was caused by the National Pensions Regulations, so to lighten the financial burden on Services, including the additional resources now required to gather, collate and recalculate historic data, Central Government has granted Fire Authorities a funding contribution of £125,000, some of which this Service has used to appoint an additional Pensions Manager to work with the Human Recourses Section and assist with implementing the new legislation and ensuring that all scheme members receive their rightful entitlement. The Service holds an earmarked reserve of £200,000 to assist with the cost;

f) Compilations arose with regard to firefighters on the verge of retiring (Category 1) and determining the how their pensions should be calculated on which schemes. The committee had previously decided to continue work on Category 1 pensions. Work has now commenced on Category 2 cases regarding staff who have already retired. All current staff are now members of the 2015 scheme;

g) Central Government has since made the offer to settle injury to feelings claims at the rate of £7,250 for those specifically aggrieved, and £3,750 for all others;

h) The West Yorkshire Pension Fund is the Service's pension scheme administrator, along with 18-20 other Fire and Rescue Services, and provides an excellent Service;

i) Work to address the O'Brien On-Call discrimination cases is ongoing;

j) The report outlines recent Scheme Manager activity and the important role of the Scheme Advisory Board, the cost of which to the Service is £3,705 per year;

k) The final remedy costs from the McCloud case will be substantial and potentially in the region of £2.5 million annually, with £2.3 million annually expected contribution from Central Government until 2024, when the value of any future reimbursement is uncertain;

l) Pension funds are placed into a central pot without any gains or costs. The top-up grant may be different from that shown in the appendices, but this is a timing issue and there is in fact, overall, neither a cost or gain;

m) With regard to the 'injury to feelings' settlement, this has been arrived at nationally with the Unions, whereby the Unions have identified those most affected to receive the higher-level compensation and it will be for the individuals who have not been identified to demonstrate if they too have been affected. This will be dealt with by the Scheme Provider and not the Service;

n) The multiple different schemes had different benefits and mechanisms varying from final salary scheme, tapered to transition and career average and tiered schemes. As of April 2022, all members would have transferred to the current scheme.

Members commented as follows:

o) Members still have concerns regarding ethical investment routes when there are very few investment options available for public pension funds and no other pension schemes available;

p) As the top-up grant from Central Government is not covering the full cost of the National Pensions Board's mistake it is effectively financially penalising the Fire Service Sector which could use these funds elsewhere for the benefit of the community.

Resolved to note the activity of the Pension Board and Pension Scheme Manager along with the update on current pension issues.

5 Exclusion of the Public

Resolved to exclude the public from the meeting during consideration of the following item in accordance with Section 100A of the Local Government Act 1972 (under

Schedule 12A, Part 1, Paragraphs 3) on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

6 Resilience Update

Damien West, Assistant Chief Fire Officer, presented the report which provides the committee with an update on resilience arrangements.

Resolved to approve the recommendations as set out in the report.

7 Refurbishment of facilities at the Service Development Centre

The Chair of the Committee agreed that this item, although not on the agenda, could be considered as a matter of urgency in accordance with Section 100B(4)(b) of the Local Government Act 1972, because to delay a decision could incur a significant financial cost to the Service.

Craig Parkin, Chief Fire Officer, presented the report.

Resolved to approve the recommendations as set out in the report.

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