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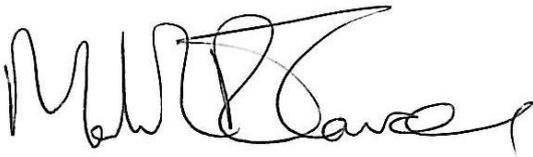
NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

MEETING OF THE AUTHORITY

Date: Friday, 23 September 2016 **Time:** 10.30 am

Venue: Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5
8PD

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

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| 2 | DECLARATIONS OF INTERESTS | |
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| 7 | EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE 2015/16 Joint Report of the Chief Fire Officer and the Treasurer to the Fire and Rescue Authority | To Follow |
| 8 | TREASURY MANAGEMENT ANNUAL REPORT 2015/16 Report of the Treasurer to the Fire Authority | 27 - 36 |
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| 14 | ENVIRONMENT AND SUSTAINABILITY POLICY STATEMENT Report of the Chief Fire Officer | 153 - 158 |
| 15 | COMMITTEE OUTCOMES FOR NOTING Report of the Chief Fire Officer | 159 - 176 |
| 16 | EXCLUSION OF THE PUBLIC To consider excluding the public from the meeting during consideration of the remaining items in accordance with Section 100A(4) of the Local Government Act 1972 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 by virtue of Paragraphs 1 and 3 of Part 1 of Schedule 12A of the Act. | |
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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 CONSTITUTIONAL SERVICES OFFICER SHOWN ON THIS AGENDA, IF POSSIBLE BEFORE THE DAY OF THE MEETING.

**Constitutional Services Officer: James Welbourn
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**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY**

NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY

**MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge,
Arnold Nottingham NG5 8PD on 3 June 2016 from 10.30 - 11.15**

Membership

Present

Councillor Darrell Pulk (Chair)
Councillor Mike Pringle
Councillor John Allin
Councillor Chris Barnfather
Councillor Eunice Campbell
Councillor John Clarke
Councillor Sybil Fielding
Councillor Brian Grocock (Vice Chair)
Councillor Patience Uloma Ifediora
Councillor Roger Jackson
Councillor Michael Payne
Councillor Ken Rigby
Councillor Gordon Wheeler
Councillor Malcolm Wood
Councillor Liz Yates

Absent

Councillor Liaqat Ali
Councillor Dave Liversidge
Councillor Jason Zadrozny

Colleagues, partners and others in attendance:

| | |
|-----------------|--------------------------------------|
| Wayne Bowcock | - Deputy Chief Fire Officer, NFRS |
| John Buckley | - Chief Fire Officer, NFRS |
| Mark Leavesley | - Governance Officer |
| Sue Maycock | - Head of Finance, NFRS |
| Craig Parkin | - Assistant Chief Fire Officer, NFRS |
| Neil Timms | - Treasurer to the Authority |
| Malcolm Townroe | - Clerk to the Authority |

1 APPOINTMENT OF CHAIR

**RESOLVED to appoint Councillor Darrell Pulk as the Chair for the municipal year
2016/17.**

2 APPOINTMENT OF VICE-CHAIR

RESOLVED to appoint Councillor Brian Grocock as Vice-Chair.

3 APOLOGIES FOR ABSENCE

| | | |
|-----------------------|---|--------------|
| Councillor Ali |) | |
| Councillor Liversidge |) | annual leave |
| Councillor Zadrozny |) | |

4 DECLARATIONS OF INTERESTS

None.

5 MINUTES

Councillor Wheeler asked the Chair for an update on minute 66, point 'n'. The Chair informed the Authority that there had been discussions with three of the Police and Crime Commissioner candidates, followed by presentations from them.

After this update, the minutes of the meeting on 26 February were agreed as a correct record and signed by the Chair.

6 CHAIRS' ANNOUNCEMENTS

The Chair made the following announcements:

- Councillors Liaqat Ali and Patience Ifediora were welcomed to the authority. There was also a 'welcome back' for Councillor Sybil Fielding;
- a letter of thanks was sent to Councillors Jon Collins, Neghat Khan and Yvonne Woodhead, all of whom had stood down;
- following his move to the Home Office, Dan Greaves, Senior Civil Servant, visited Nottinghamshire Fire and Rescue;
- The Home Secretary had given a speech on fire reform (this document was circulated to Members present);
- the Chair attended a Westminster briefing with Matt Wrack (FBU) and Lord Rosser, alongside the Chief Fire Officer (CFO). He also attended the CFOA Spring Conference in Nottingham with Councillor Brian Grocock;
- the CFO briefed Members at a seminar in April 2016 on Police and Crime Commissioner legislation and upcoming events;
- there has been a request for procurement information, and this will go to the Finance and Resources Committee for information;
- the Policing and Crime Bill is now in the House of Lords;
- a Health Summit was held at Bestwood Lodge HQ to explore where the Fire Authority can have greater impact on the Health agenda. Outcomes will be developed through the City and County Health and Wellbeing Boards;

- the '50 years of Stockhill Fire Station' open day went well, and included a history of the service, along with some vintage engines;
- the Firefighters' Memorial celebrations took place in Nottingham. There are also some future events planned (information sheets circulated to Members);
- the CFO and his team are raising money for the Firefighters' Charity throughout the year. They are undertaking a range of activities during the summer based on a theme of 10,000, with the aim of raising £10,000. Already completed are:
 - 100km dummy carry at the Nottinghamshire County Show in Newark (the CFO did 3km!);
 - 10km of hose was run out at Misterton;
 - 230km on an exercise bike at Lidl in Arnold.

7 MEMBERSHIP OF THE AUTHORITY, REVIEW OF COMMITTEES, APPOINTMENTS TO COMMITTEES AND BOARDS AND DATES OF FUTURE MEETINGS

During consideration of this item, Councillor Wheeler highlighted the attendance record at a sub-committee during 2015/16 of a member. In response, the member concerned outlined their reasons for not being able to attend every meeting and assured the Authority of their commitment to the role they have been given previously, and their continued commitment to the role for the coming municipal year.

RESOLVED

- (1) **to note the appointments to the Fire and Rescue Authority for the municipal year 2016/17:**

City Council members:

**Councillor Liaqat Ali
Councillor Eunice Campbell
Councillor Brian Grocock
Councillor Patience Uloma Ifediora
Councillor Dave Liversidge
Councillor Malcolm Wood**

County Council members:

**Councillor John Allin
Councillor Chris Barnfather
Councillor John Clarke
Councillor Sybil Fielding
Councillor Roger Jackson
Councillor Michael Payne
Councillor Mike Pringle
Councillor Darrell Pulk
Councillor Ken Rigby
Councillor Gordon Wheeler
Councillor Liz Yates
Councillor Jason Zadrozny**

- (2) **to approve the committee structure of the Fire and Rescue Authority;**

(3) to approve the following appointments, Chairs and dates of meetings:

Nottinghamshire and City of Nottingham Fire and Rescue Authority (10.30am)

23 September 2016
16 December 2016
24 February 2017
9 June 2017 AGM

Policy and Strategy Committee (10.00am)

| | |
|------------------|---------------------------------|
| 8 July 2016 | Councillor Darrell Pulk (Chair) |
| 11 November 2016 | Councillor Chris Barnfather |
| 3 February 2017 | Councillor Sybil Fielding |
| 28 April 2017 | Councillor Brian Grocock |
| | Councillor Gordon Wheeler |
| | Councillor Malcolm Wood |

Human Resources Committee (10.00am)

| | |
|-----------------|----------------------------------|
| 1 July 2016 | Councillor Michael Payne (Chair) |
| 4 November 2016 | Councillor Liaqat Ali |
| 27 January 2017 | Councillor Eunice Campbell |
| 21 April 2017 | Councillor Mike Pringle |
| | Councillor Liz Yates |
| | Councillor Jason Zadrozny |

Community Safety Committee (10.00am)

| | |
|-----------------|------------------------------------|
| 17 June 2016 | Councillor Eunice Campbell (Chair) |
| 7 October 2016 | Councillor Sybil Fielding |
| 13 January 2017 | Councillor Patience Uloma Ifediora |
| 24 March 2017 | Councillor Roger Jackson |
| | Councillor Dave Liversidge |
| | Councillor Ken Rigby |

Finance and Resources Committee (10.00am)

| | |
|-----------------|---------------------------------|
| 24 June 2016 | Councillor Malcolm Wood (Chair) |
| 14 October 2016 | Councillor John Allin |
| 20 January 2017 | Councillor Chris Barnfather |
| 31 March 2017 | Councillor John Clarke |
| | Councillor Dave Liversidge |
| | Councillor Gordon Wheeler |

Personnel Committee

| | |
|---------------------|---------------------------|
| to meet as required | Councillor Liaqat Ali |
| | Councillor John Allin |
| | Councillor Michael Payne |
| | Councillor Mike Pringle |
| | Councillor Darrell Pulk |
| | Councillor Liz Yates |
| | Councillor Jason Zadrozny |

Appointments Committee

| | |
|---------------------|-------------------------|
| to meet as required | Councillor Darrell Pulk |
| | Councillor John Allin |

**Councillor Brian Grocock
Councillor Ken Rigby
Councillor Gordon Wheeler
Councillor Malcolm Wood**

8 COMMITTEE OUTCOMES FOR NOTING

John Buckley, Chief Fire Officer, informed members of the business and actions of the Fire Authority sub-committee meetings which took place during April 2016.

RESOLVED to note the information.

9 EXCLUSION OF THE PUBLIC

RESOLVED to exclude the public from the meeting during consideration of the remaining item in accordance with section 100A(4) of the Local Government Act 1972 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, as defined in paragraphs 1 and 3 of Schedule 12 A to the Act.

10 VOLUNTARY REDUNDANCY APPLICATION

John Buckley, Chief Fire Officer, introduced a report regarding a voluntary redundancy application.

RESOLVED to approve the recommendations as set out in the report.

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

ANNUAL GOVERNANCE STATEMENT 2015/16

Report of the Chief Fire Officer

Date: 23 September 2016

Purpose of Report:

To seek the approval of the Nottinghamshire and City of Nottingham Fire and Rescue Authority to the signing of the Annual Governance Statement by the Chair of the Authority and the Chief Fire Officer.

CONTACT OFFICER

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Head of Finance

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1. BACKGROUND

- 1.1 The Fire and Rescue Authority is required to include an Annual Governance Statement within its annual Statement of Accounts. The Annual Governance Statement contains details of the most recent review of governance arrangements and sets out challenges for those arrangements going forwards.
- 1.2 The Authority must approve the Annual Governance Statement each year prior to adopting the Statement of Accounts. Once approved by the Authority, the Chair of the Authority and the Chief Fire Officer can sign the Annual Governance Statement.
- 1.3 The Annual Governance Statement is underpinned by the Authority's Local Code of Corporate Governance. In April of this year, the Policy and Strategy Committee received a report entitled "Review of the Local Code of Corporate Governance" and approved the report's recommendation to ratify the use of the existing local code as the basis of the 2015/16 Annual Governance Statement. This was pending a full review of the Code in the light of a revised framework for local authority governance which was due to be published at that time.

2. REPORT

- 2.1 In April 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) together with the Society of Local Authority Chief Executives and Senior Managers (SOLACE) published a revised framework and guidance notes for delivering good governance in local authority organisations. These documents will form the basis of a full review of the Authority's existing governance arrangements involving both Officers and elected Members and a new local code will be presented to the Policy and Strategy Committee in due course.
- 2.2 The Annual Governance Statement 2015/16 sets out how the Service has complied with the current local code of corporate governance during the year and also meets the requirements of the Accounts and Audit Regulations 2015 with regards to the preparation and approval of an annual governance statement.
- 2.3. The Annual Governance Statement 2015/16 is attached to this report as appendix A.
- 2.4. A review of governance was carried out in 2015/16 and highlighted some notable changes which have impacted upon governance. These include:
 - Changes to the Principal Management Team, reducing from four to three Officers and the consequent changes to responsibilities for some of the Officers within the Strategic Leadership Team. The review of the role of Chief Financial Officer to ensure continuation of good financial governance following the deletion of the Director of Finance role.

- Winter conferences held for staff across the Service, with the aim of engaging with Principal Officers on the future challenges facing the Service.
- The completion of a Peer Challenge which specifically examined and reported on the themes of leadership and governance.

2.5. The review identified a number of key future challenges impacting on governance:

- Reductions in government funding will require significant savings to be made in the future, whilst maintaining the delivery of high quality services.
- The continuing austerity environment, its potential impact on risk management controls and the monitoring of any significant changes in this area.
- The change in lead government department from Communities and Local Government to the Home Office in January 2016.
- The proposed Policing and Crime Bill, with its duty for emergency services to collaborate and changes to the Police and Crime Commissioner role with regards to the fire function.
- Proposals for a fire inspectorate.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this 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 IMPLICATIONS

The Annual Governance Statement contains the Authority's approach to inclusion and equality as part of its governance framework.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The Accounts and Audit Regulations 2015, Part 1 Section 6 set out the requirement for an Authority to conduct an annual review of governance and prepare an annual

governance statement. It also provides that an Authority must consider the findings of the review and approve the annual governance statement in advance of approving the Statement of Accounts.

8. RISK MANAGEMENT IMPLICATIONS

The governance framework of the Authority is the collection of systems, processes, culture and values which direct and control decision making and policy development within the organisation. The risk of not reviewing governance activity against this framework is that any weaknesses in governance may not be identified and rectified, thereby putting the organisation at risk of not achieving its objectives.

9. RECOMMENDATIONS

It is recommended that Members approve the Annual Governance Statement 2015/16.

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

None.

John Buckley
CHIEF FIRE OFFICER

**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE
AUTHORITY**

ANNUAL GOVERNANCE STATEMENT

1.0 SCOPE OF RESPONSIBILITY

- 1.1 Nottinghamshire and City of Nottingham Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, use of its resources and including arrangements for the management of risk and the maintenance of an effective internal control environment.
- 1.3 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*.
- 1.4 This statement sets out how the Authority has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement.

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems, processes, cultures and values for the direction and control of the Authority and the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is part of an on-going process designed to identify and prioritise the risks to the achievement of Nottinghamshire Fire and Rescue Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 A key element of the Internal Control Environment is the development and maintenance of Strategic, Corporate and Departmental risk registers which are understood and managed by senior managers.

2.4 The governance framework has been in place at the Authority for the year ended 31st March 2016 and up to the date of approval of the Statement of Accounts.

3.0 THE GOVERNANCE FRAMEWORK

3.1 In addition to the Annual Governance Statement the Authority has a Code of Corporate Governance that the Authority will commit to in carrying out its duties and responsibilities. In this document, officers have identified against each of the Code's principles what source documentation or existing practice demonstrates how the Authority complies with the principles that make up the Code.

3.2 In developing a code of corporate governance the Authority has sought compliance with the CIPFA/SOLACE guidelines but has also sought to develop internal governance structures that also follow the broader Organisation for Economic Co-operation and Development principles which provide a strong framework for internal decision making.

3.3 The CIPFA/SOLACE framework for good governance in local authority organisations has been updated and the revised framework will be published during 2016. At this point a full review of the Authority's local code of corporate governance will be carried out, but a minor review was undertaken in 2015/16 to bring the local code in line with current governance arrangements.

3.4 Summarised below are some of the key elements of the systems and processes that underlie the Authority's governance arrangements:

3.5 **Identifying and Communicating the Authority's vision and outcomes for citizens and service users:**

3.5.1 After consulting with the citizens of Nottinghamshire and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the vision and service objectives for the organisation. The latest IRMP covers the period 2014–2019 and the Authority consults with citizens and other stakeholders to formulate its business plans for each financial year within this plan.

3.5.2 The Authority's vision is "Creating Safer Communities" and it strives to deliver this by developing a set of cohesive business plans and working in partnership with others to provide an excellent, affordable service to all the diverse communities of Nottinghamshire. To deliver this the Authority has established six Service Priorities:

Service Delivery

We will deliver a professional, effective and value-for-money emergency response service to all those who live, work and travel in the county of Nottinghamshire.

What this means

We will continue to use a risk-based approach to improve our service to individuals, communities and local businesses with an emphasis on creating safer communities, and reducing death and injuries. We will do this through our key themes: preparedness, response, prevention and protection.

Employees and Workforce

We will maintain, support and develop our workforce to ensure an environment in which we can deliver a professional and effective service to the people of Nottinghamshire.

What this means

We will ensure that our employees have the capacity and skills to meet our delivery objectives and provide a work place where our employees feel supported, valued and competent to undertake their roles.

Improvement and Governance

We will look to continuously improve upon previous achievements and assure our stakeholders that the organisation has an appropriate infrastructure for governance to support future success.

What this means

With increasing demand for services likely across the public sector, NFRS will be required to base its decisions upon robust intelligence and work alongside its partner/agency service providers in a more collaborative manner.

Engagements and Partnerships

We will look to develop and maintain effective strategic and community partnerships.

What this means

We will continue to work closely with our partners and community organisations in order to identify and keep safe those members of our communities who are most at risk.

Environment

We aim to reduce the Service's impact on the environment through a combination of measures including considering the environment when making decisions, investing in technology and delivering training and education initiatives.

What this means

We will continue to be committed to minimising our impact on the environment by integrating environmental considerations in all aspects of our work, by meeting legal standards, seeking competent advice and adopting best practice.

Inclusion and Equality

We will provide services tailored to meet the needs of our communities.

What this means

Nottinghamshire Fire and Rescue Service prides itself on its approach to inclusion and equality. We work on the principle that to treat people equally, we may need to treat them differently.

3.6 Monitoring the achievement of the Authority's objectives through a comprehensive performance management framework:

3.6.1 The Service operates a system of cascading business plans. The IRMP is the highest level and from this a series of departmental and functional business plans are produced. Progress against these plans is reported on regularly and Officers report on progress and outcomes to the relevant committees.

3.6.2 The Executive Delivery Team, which comprises Heads of Departments within the Service, monitors performance against business plans regularly and reports any issues to the Strategic Leadership Team for consideration.

3.7 The Internal Control Environment:

3.7.1 The Authority's internal control environment comprises many systems, policies, procedures and operations. In reality these split into risk management, internal check/financial control and internal audit. Internal check and financial control are clearly targeted towards financial matters whereas risk management has a much broader brief and is more associated with the risk of non-achievement of objectives and targets. The system cannot eliminate all risks of failure to achieve the Authority's aims and objectives. Once a risk has been identified the Authority, where possible, will eliminate that risk. If this is not possible then procedures are established to manage the risk effectively, efficiently and economically. Some of the significant control processes are outlined below:

3.7.2 Policy and Decision Making Process

The Authority has democratic control over its activities via an approved committee structure with agreed powers and duties that are periodically reviewed. The Authority has a written constitution that sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable. There is a formal briefing process prior to reports being finalised for Committee or Fire Authority meetings thus allowing key Members an opportunity to scrutinise proposed reports in detail. The Authority also runs Member seminars and training sessions to help Members discuss issues in more detail and in an informal environment.

3.7.3 Management Structure

The Authority has a clear management structure with defined roles and responsibilities. The Strategic Leadership Team includes all department heads as well as the Principal Officers. The current structure empowers managers to make appropriate decisions but also places accountability at the centre of this process.

The Authority has an Executive Delivery Team which is comprised of all the Departmental Heads and augmented by specialists as required. As part of a more empowering style of management this group has decision making powers with only the most significant or challenging decisions reserved for the Strategic Leadership Team. These arrangements enable good quality decision-making.

The Authority has an approved scheme of delegation to officers that is reviewed periodically by the Chief Fire Officer and the Clerk to the Fire Authority, with any changes being approved by the Fire Authority.

During 2015/16 the Principal Officer team was restructured and the post of Head of Finance and Resources was deleted, reducing the number of Principal Officers from four to three. The managerial responsibilities of this post were divided between other existing roles and the strategic financial responsibilities were allocated to a newly created Head of Finance post. This new post replaced the existing Principal Accountant post and added strategic finance to its existing duties. The role of this post, including responsibility for financial governance, was reviewed in line with the CIPFA document *The Role of the Chief Financial Officer* to ensure that the financial governance framework remained robust under the new structure.

3.7.4 Established Policies, Procedures & Regulations

The Authority ensures compliance with established policies, procedures, laws and regulations. The information regarding policies and procedures is held on the intranet, and these are continually enhanced and developed through the introduction of new policies and procedures as and when required. The Authority has established policies on anti-fraud, fraud response and confidential reporting. The Authority carries out a regular review of financial regulations which clearly define how decisions are taken and the processes and controls required to manage risk. The list below outlines some of the key policies and process in place to enhance the internal control system, which are reviewed as and when required:

- Treasury Management Strategy
- Procurement Strategy
- Financial Regulations & Standing Orders
- Scheme of Delegation
- Anti-Fraud and Corruption Policy
- Whistleblowing Policy
- Complaints procedure
- Code of Corporate Governance

- Constitution
- Code of Conduct
- Equality and Diversity schemes
- Workforce plan and establishment model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedures, discipline processes, through to performance development reviews

3.7.5 Internal Audit Function

The Authority has a strong Internal Audit function arrangement with Nottinghamshire County Council, and has well-established protocols for working with External Audit.

3.7.6 Risk Management Strategy

The Authority has a well-established and embedded risk management strategy. This is managed on two levels, firstly at the corporate/strategic level by The Finance and Resources Committee which receives regular reports on risk exposures both in terms of existing and emergent risk. Members scrutinise risk registers and receive explanations for changes. The Committee is advised by the Head of Finance and the Authority's Risk Manager on behalf of the Chief Fire Officer. In addition, the Service also maintains an approach to Risk via its business plan monitoring which is administered through its Corporate Support Department. This ensures the service's Risk Manager can support departmental heads in robustly assessing the risks to the achievement of the services objectives.

3.7.7 Best Value Duty

The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty. The requirement to deliver services within a reducing budget over recent years has increased the focus on Best Value and the Authority has procurement policies in place, providing a framework within which to buy goods and services which offer good value for money.

3.7.8 Financial Management

Financial management in the Authority and the reporting of financial standing is undertaken through a financial system which integrates the general ledger, sales ledger and purchase ledger functions and facilitates good budgetary control. Budget Managers have received refresher training this year in the use of this system.

4.0 REVIEW OF EFFECTIVENESS

- 4.1 The Authority has responsibility for conducting a review of the effectiveness of its governance framework including the system of internal control, at least annually. The review of effectiveness is informed by the work of the Strategic

Leadership Team and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 Maintaining and reviewing the effectiveness of the governance framework throughout the financial year has been carried out by the following:

- The Authority and its Committees
- Management Review
- Internal audit
- External bodies
- Operational Assessment and Fire Peer Challenge (June 2015)

4.3 **The Authority and Its Committees**

4.3.1 **The Authority**

The Authority has reviewed the vision and strategic service objectives as part of the budgeting process which was undertaken between October 2015 and February 2016. This process also had a measure of Member scrutiny with the Chair of the Finance and Resources Committee taking an active role.

At the annual general meeting in May the format and structure of its democratic decision process was reaffirmed and approval was given to the powers and make-up of the following committees:

- The Policy and Strategy Committee
- The Finance & Resources Committee
- The Community Safety Committee
- The Human Resources Committee

In addition to the above there are also panels for appointments, Equalities and Personnel matters

Terms of reference and responsibilities for all of these Committees form part of the Authority's Governance arrangements.

4.4 **Management Review**

4.4.1 Included in the day to day management of the organisation are a number of key officers, systems and procedures designed to provide core elements of the internal control mechanism, with a nominated lead officer responsible for reviewing the effectiveness of these systems.

4.4.2 There is a comprehensive system of performance management and review embedded within the Authority's management structure and processes. The 2014/19 Integrated Risk Management Plan sets out the Authority's key objectives and these are reflected in annual departmental business plans. These plans are then monitored by

Corporate Support and managed by the individual departmental management teams.

4.4.3 Risk management at the strategic / corporate level forms part of the overall responsibilities of The Finance and Resources Committee and Members of this committee take a keen interest in Risk Management. This Committee has considered the desirable risk appetite of the organisation in a proactive way, and set risk targets for the Service to report against. Risk Management is an integral part of project management and business planning within the Corporate Support department and both this and operational risk management, which is managed within the Risk Response function, are considered strong. The Service also maintains a comprehensive approach to health and safety which is undertaken by the Service's Health and Safety advisor and monitored by the Health Safety and Wellbeing Committee.

4.4.4 The Authority employed appropriate professional staff:

- A Statutory Monitoring Officer is responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. No actions of the Authority were deemed ultra vires in the year and all relevant laws and regulations have been complied with. The monitoring officer is a qualified solicitor provided on a contractual basis to the Authority by the Legal Services Department of Nottingham City Council. This arrangement also includes support for the Authority's wider governance structure.
- A Responsible Finance Officer has been appointed as the independent Treasurer to the Authority to ensure the proper and effective administration of the financial affairs of the Authority. The Strategic Leadership Team ensure that the Authority approves a realistic and affordable financial plan for both revenue and capital expenditure which links to the IRMP. The Authority continued to ensure it had good arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and understood across the Authority by staff and Members. An in house financial team managed by the Head of Finance maintains the correct competencies and ensures that the Strategic Leadership Team receives all appropriate information to support the key decisions and objectives of the service.

4.4.5 In addition to the Treasurer the Authority also employs a Head of Finance who fulfils the role of Chief Financial Officer. This post holder is responsible for advising both senior managers and elected members on all financial matters. This is a role shared with the Treasurer who is seen to act independently of the Strategic Leadership Team's advice to the Fire Authority. In reality these two officers work very closely together. Both of these officers are professionally qualified and have many years' experience within Local Government finance.

- 4.4.6 A full review was carried out this year of the role of Chief Financial Officer and, always accepting that the key statutory responsibilities under Section 114 and Section 151 are held by the Treasurer, all of the principles set out in the CIPFA document *The Role of the Chief Financial Officer* are met.
- 4.4.7 Budget monitoring remains robust at both strategic and service level via the production of monthly financial monitoring reports for both Capital and Revenue budgets. These reports as well as being scrutinised by budget managers are also reported monthly to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.
- 4.4.8 Functional Heads also exercise a detailed degree of budget monitoring against the capital programme.
- 4.4.9 The External Auditor approved an unqualified Statement of Accounts for 2014/15 and it is anticipated this will be repeated in 2015/16. A presentation by the previous Director of Resources on the final accounts together with a detailed year-end report to the Authority helped communicate the year-end position to Members in a clear and understandable format.
- 4.4.10 During the year, a number of conferences were held for employees with approximately one fifth of the workforce attending. At these conferences the Chief Fire Officer communicated to employees three objectives for employees to aim to achieve at all times. These were:
- to deliver high quality services
 - with an engaged and motivated workforce
 - within a framework of financial stability and strong governance.

This emphasis on strong governance has thus been made to a significant proportion of the workforce who, it is expected, will pass this information onto colleagues.

- 4.4.11 An Operational Assessment and Fire Peer challenge was carried out in June 2015 by the Local Government Association working with the Chief Fire Officers Association. One of the areas assessed was the effectiveness of leadership and governance at the Authority and the result of this was an overall positive one with a number of strong areas identified. Some areas to explore further were also identified and these will be taken forward next year.
- 4.4.12 A Local Firefighter Pension Board was established this year, under the provisions of the Public Service Pensions Act 2013. This Board is constituted to assist with securing compliance with pension scheme regulations and to ensure the effective and efficient governance and administration of the firefighter pension schemes. This legal requirement has been discharged by Nottinghamshire County Council in respect of the Local Government Pension Scheme.

- 4.4.13 During the year the business risk management function was transferred from the Finance department into the Corporate Support department, where business risk management has now been integrated with business planning and business continuity management with the aim of creating a more cohesive approach to these work areas. As risk management is a core aspect of the governance framework this should strengthen governance.
- 4.4.14 The Authority agreed during the year that the arms-length trading company would change its name with effect from 1st April 2016 to ensure that the company was not associated with the Authority's brand through its name. The company is now called Nottinghamshire Fire Safety Limited.

4.5 Internal Audit

- 4.5.1 The Authority procured its internal audit service under a contract with Nottinghamshire County Council and the arrangement and service was in accordance with the UK Public Sector Internal Audit Standards. The internal audit plan for 2015/16, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Finance and Resources Committee during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the Chief Fire Officer, the Head of Finance and the relevant managers as appropriate. All finalised reports were submitted to the Finance and Resources Committee acting in its role as Audit Committee.

The Annual Internal Audit Report, which will be reported to the Finance and Resources Committee during 2016 concluded that:

“From the work carried out during the 2015/16 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management”.

4.6 External Review

- 4.6.1 The External Auditors are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority's financial statements with those charged with governance. This communication is in the form of a written report which was presented to Members in September 2015.
- 4.6.2 The principal purposes of the Auditors' report are:
- To present key issues identified during the audit of the financial statements for the year ended 31 March 2015 and any material misstatements in the accounts
 - To report on any key issues for governance

- To report on the Auditors' Value for Money conclusion
- To give an "audit opinion" on the financial statements
- To report on the implementation of any recommendations in the previous year's ISA 260 report
- To seek approval to the management representation letter, which confirms the Authority's responsibilities and actions in relation to the financial statements

4.6.3 The ISA 260 report confirmed that the accounts production and audit processes were good, with no matters of any significance arising from the audit work. Three issues in respect of the control environment were noted at the interim audit stage but all were dealt with appropriately at the time.

5.0 SIGNIFICANT ISSUES FOR GOVERNANCE IN 2016/17

- 5.1 Expected reductions in central government grant will mean the Authority will have to continue to make significant savings over the next two to three years at least, whilst continuing to maintain a service which meets public expectations. Change will need to be managed effectively and change management training for managers has been programmed during 2016/17.
- 5.2 The Authority's prudent financial management, as shown in the Medium Term Financial Strategy, will allow it to phase in the impact of budget reductions which will be planned for over the next year. This will help to provide continuous stability during a period of transition.
- 5.3 The continuing environment of austerity may start to impact on the Authority's overall risk appetite and it may become too costly to eliminate risk entirely in some instances. In this scenario, risk will be managed within the resources available and any significant change to the level of acceptable risk will be reported to Members.
- 5.4 During the coming year, the Service will seek to address the above matters through its current structures and processes to further enhance governance arrangements. In addition the proposed Policing and Crime Bill, which makes provision for Police and Crime Commissioners to take over responsibility for Fire and Rescue Services where a business case is made and which will place a duty to collaborate onto the three emergency services, is likely to start to impact on the Authority and its governance arrangements later in the year if the Bill becomes law. The lead government department for fire and rescue changed from Communities and Local Government to the Home Office in January 2016.

Signed.....
Cllr Darrell Pulk
CHAIRMAN

Signed.....
John Buckley
CHIEF FIRE OFFICER

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

TREASURY MANAGEMENT ANNUAL REPORT 2015/16

Report of the Treasurer to the Fire Authority

Agenda Item No:

Date: 23 September 2016

Purpose of Report:

To provide Members with an update on treasury management activity during the 2015/16 financial year.

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1. BACKGROUND

1.1 Treasury management is defined as:

“The management of the local 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. ”

1.2 The Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised in 2011) was adopted by the Fire Authority on 9 April 2010.

1.3 The primary requirements of the Code are as follows:

1. The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority’s treasury management activities.
2. The creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
3. 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.
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.
5. Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Finance and Resources Committee.

1.4 This annual report has been prepared in compliance with CIPFA’s Code of Practice, and covers the following:

- An economic review of 2015/16
- A review of Capital Activity during 2015/16 and the impact of this on the Authority’s Capital Financing Requirement
- A review of the Investment and Cash Management Strategy during 2015/16
- Investment and Cash Activity during 2015/16.
- A review of the Year End Investments and Cash Position and Usable Reserves
- A review of the Borrowing Strategy and Borrowing Activity during 2015/16

- A summary of compliance with Treasury and Prudential Limits for 2015/16.

1.5 The Authority has appointed Capita Asset Services as its external treasury management adviser.

2. REPORT

Economic Review

- 2.1 The original expectation of the market was that the Bank Rate would rise in the second quarter of the 2015/16 financial year, but the forecasted rise was soon moved back to the final quarter. However, by the end of the 2015/16 financial year market expectations had changed yet again, with the expected rate rise being moved back to the first quarter of 2018/19. This change was due to a number of factors, including concerns over slowing economic growth in China, the continuation of the collapse in oil prices during 2015, and continuing Eurozone growth uncertainties. These concerns have caused sharp market volatility in equity prices during the year, with corresponding impacts on bond prices and bond yields as investors sought to move funds to safe havens. The Bank Rate therefore remained at 0.5% for the seventh successive year.
- 2.2 Economic growth (GDP) fell steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.
- 2.3 The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back.
- 2.4 The European Central Bank commenced a quantitative easing (QE) programme in March 2015. This put downward pressure on Eurozone bond yields. There was a further increase in the programme of QE in December 2015.
- 2.5 The US economy has continued to grow as a result of consumer demand. The US central rate increased in December 2015, but concerns around the risks to world growth meant that expectations around further rate rises were pushed back.
- 2.6 The UK elected a majority Conservative Government in May 2015 which increased political stability in the short term, but the promise of a referendum on the UK remaining part of the European Union led to an increase in economic uncertainty. The government maintained its tight fiscal policy stance, but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

Review of Capital Activity in 2015/16

- 2.7 The Authority undertakes capital expenditure on long term assets. These activities may either be:
- Financed immediately by way of capital or revenue resources (capital receipts, capital grants, revenue contributions), which does not give rise to a requirement to borrow; or
 - If insufficient financing is available, or if a decision is taken not to apply resources, the capital expenditure will need to be financed by borrowing.
- 2.8 Actual capital expenditure forms one of the required prudential indicators. The table below shows actual capital expenditure in the year and how this was financed.

| | 2014/15 Actual | 2015/16 Estimate | 2015/16 Actual |
|------------------------------------|-------------------|---------------------|-------------------|
| | £000's | £000's | £000's |
| Capital Expenditure | 4,467 | 6,482 | 5,282 |
| Resourced By: | | | |
| - Capital Grants | 1,534 | | 440 |
| - Capital Receipts | 2,180 | | 30 |
| - Revenue Contributions | 0 | | 109 |
| - Internally Financed | 753 | | 4,703 |
| - Borrowing | 0 | | 0 |
| Total Financed Capital Expenditure | 4,467 | | 5,282 |

- 2.9 The 2015/16 prudential indicator for Estimate of Total Capital Expenditure to be incurred was £4,869k, and this indicator excluded any capital slippage from 2014/15. The actual amount of slippage from 2014/15 was £3,075k, so the amount of capital expenditure excluding slippage was £2,207k which is within the prudential indicator. At 31 March 2016, the Authority's capital financing requirement was £25,758k, which was within the prudential indicator set of £27,981k. The Capital Financing Requirement (CFR) figure represents the Authority's underlying need to borrow to fund capital expenditure and equates to un-financed capital expenditure which has not yet been paid for by revenue funding or other resources such as capital grants or receipts. The CFR is reduced over time by way of a statutory Minimum Revenue Provision charge to revenue which effectively charges the revenue budget for the use of capital assets over their asset lives.

Review of the Investment and Cash Management Strategy

- 2.10 The Treasury Management Strategy approved by the Authority set out the policies for managing investments and for giving priority to the security and liquidity of those investments. The risk appetite of this Authority is low in order to give priority to security of its investments. Accordingly the following types of low risk specified investments may be made:

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

During the year, all investments were made with banks, building societies (either term deposits or call deposits) and other local authority bodies.

2.11 The Authority will aim to limit its investment with any single counterparty to £2m although the strategy noted that this was sometimes difficult to achieve. No term deposits will be made for more than 1 year without the prior approval of the Treasurer and the Chair of Finance and Resources Committee. The selection of counterparties with a high level of creditworthiness will be achieved by reference to Capita's weekly credit list of potential counterparties. The Capita weekly credit list shows potential investment counterparties, which are colour-coded to indicate the maximum period it is recommended that investments are made for. The Authority will therefore use counterparties with the following durational colour codes:

- Blue - investments up to 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange – investments up to 1 year
- Red – investments up to 6 months
- Green - investments up to 100 days

The Authority has made all investments with counterparties during the year in accordance with the maximum periods advised by Capita.

2.12 The Authority will avoid locking into longer term deals while investment rates are down at historically low levels unless exceptionally attractive rates are available which make longer term deals seem worthwhile.

2.13 In terms of cash resources, the strategy is to maintain a bank overdraft facility of £200,000, to continue to use cash flow forecasting to predict cash surpluses and shortfalls so that these can be managed and to invest current account balances in the Business Premium Account on a daily basis if the interest rate is favourable.

2.14 All aspects of the treasury management strategy outlined for 2015/16 remained in place throughout the year. The Strategy included a forecast for the bank rate, which showed that this was expected to be at 0.75% by 31 March 2016. The bank rate has remained at 0.5% throughout the year due to reasons outlined in paragraph 2.1.

Investment and Cash Activity in 2015/16

2.15 As at 31 March 2016, the Authority held £5.485m of principal as short term investments. This comprised 5 separate investments with 3 different counterparties, all of which were £2m or less. Four of the investments were call accounts held with one bank and one building society, and one was an

overnight investment in the Business Premium Account. At the time of writing this report, the amounts held in the four call accounts were unchanged.

- 2.16 During the course of the year, 13 investments were made, excluding the overnight sweep to the Business Premium Account. None of these exceeded £2m in value. All investments were made in accordance with the Authority's credit rating criteria policy. There were occasions when the amount invested with the Authority's own bank (Barclays Bank) exceeded £2m due to difficulties at those times in placing funds with counterparties meeting our credit rating criteria. The majority of investments were held for less than 365 days, however two of the call accounts were held for more than 1 year. These two call accounts have notice periods of 1 day and 95 days respectively, and their creditworthiness was continually monitored against Capita's credit listings. Had it looked likely that the maximum recommended investment term for these institutions would have fallen below the call account notice period, then the funds would have been withdrawn.
- 2.17 The 3 Month LIBID benchmark rate for the year was 0.46%. The Authority's investments earned an average rate of 0.64% during the year resulting in total investment (including overnight savings interest on the current account) income earned of £50k, against a budgeted sum for investment income of £76k.
- 2.18 Nottinghamshire Fire and Rescue Service (Trading) Limited was set up as a subsidiary company during 2010/11 (the name of the company changed on 1 April 2016 to Nottinghamshire Fire Safety Limited). A bank account for the company was opened with Barclays Bank, who required funding to be paid into the account to cover possible working capital shortfalls. To accommodate this, a loan of £54,999 was made to the company in the form of a revolving credit facility which can be repaid at any time with one week's notice by either party. An arms-length variable interest rate was agreed at 15 basis points above the Bank of England bank rate. The loan was shown as a short term investment in the Authority's accounts and as a loan in the trading company's accounts. During 2015/16 the outstanding loan balance of £19,999 was repaid in full.
- 2.19 During the year, there was no requirement to use the Authority's overdraft facility.

Review of Investments / Cash Position and Usable Reserves

- 2.20 Members will be aware that the Authority's "usable" reserves i.e. the General Fund and Earmarked Reserves have not been fully cash backed in the past due to the internal financing of capital expenditure in previous years. Following the "credit crunch" in 2008 a decision was taken to delay borrowing, thereby avoiding an increase in cash balances whilst the money markets were suffering a degree of turmoil and credit ratings were volatile. Furthermore, investment interest rates have been substantially lower than debt interest rates so the use of reserves rather than borrowing to finance capital expenditure over the past three years has resulted in better value for money in the short term.

2.21 At 31 March 2016 the value of the Authority's usable reserves totalled £11.243m. The balance sheet as at the same date shows that short term investments were valued at £3.415m and cash held totalled £2.101m. This means that reserves are not fully cash-backed to the tune of £5.727m which has increased from £3.477m at the end of 2014/15. This situation has arisen because no new borrowing has been taken since 2010, so capital expenditure has largely been internally financed. The Authority's treasury management advisers have indicated that borrowing should be delayed if cash flow allows for this, due to the differential between borrowing and investment interest rates mentioned in paragraph 2.20 above. This approach has generated significant savings for the Authority. The average rate for a PWLB 25 year maturity loan was 3.55% during 2015/16, whilst the average weight of return on investments was 0.64%. The Authority therefore saved around 2.91% by internally borrowing, which equates to approximately £166k on a balance of £5.727m. Members can be assured that if the Authority needs to spend some of its usable reserves, there is sufficient liquidity in its financial position to be able to do so, and borrowing can be arranged at short notice if required.

Review of the Borrowing Strategy and Borrowing Activity in 2015/16

- 2.22 The strategy recommended that a combination of capital receipts, capital grant, internal funds and borrowing would be used to finance capital expenditure during 2015/16. Capital grants totalling £440k and capital receipts of £30k were applied to finance expenditure.
- 2.23 No borrowing was undertaken during 2015/16 as explained in paragraph 2.21.
- 2.24 The treasury management limits to loan maturity were set in 2015/16 and are shown below:

| Loan Maturity | | |
|----------------------|---------------------------|---------------------------|
| | <i>Upper Limit</i> | <i>Lower Limit</i> |
| 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% |

- 2.25 No rescheduling of debt took place, as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.
- 2.26 The Authorised Limit is the affordable borrowing limit above which the Authority does not have the power to borrow. This was set at £30.883m for 2015/16. Total borrowing as at 31 March 2016 was £20.337m, which was well within the Authorised limit.
- 2.27 The Operational Boundary is the expected borrowing position of the Authority within the year. This was set at £28.076m for 2015/16, and was not exceeded at any point during the year.

Summary of compliance with treasury and prudential limits

- 2.28 The following indicators were approved by Members for the 2015/16 financial year. Actual performance is shown in the final column of the table below.
- 2.29 The indicator for the Ratio of Financing Costs to Net Revenue Stream shows an actual result of 4.6% compared to an estimated ratio of 5.3%.
- 2.30 The indicator for the Incremental Impact of New Capital Investment Decisions on Council Tax shows an actual result of -£0.29 (i.e. a reduction in impact) compared to an estimate of £0.18. The result for this indicator was affected by underspending capital financing budgets in 2015/16. The minimum revenue provision charges were lower than anticipated due to an underspent capital programme in 2014/15. The budget for interest charges underspent because a decision was made to delay the replacement of a loan which matured in 2014/15 and to delay further borrowing until economic circumstances become more favourable.
- 2.31 The table below shows that the limit for 12 months to 5 years loan maturity has once again been breached, with the proportion of debt within this maturity band being 49.9%. This is due to two reasons, the first of which being that no new borrowing has taken place since 2010 which has meant that the opportunity to re-balance the debt maturity profile could not be taken. The second reason is that the interest rate of the £4m Lender Option Borrower Option loan held by the Authority can be revised by the lender at five year intervals, with the next opportunity for revision being in March 2018. If the lender chooses to exercise this option then the Authority could choose to repay the loan if the newly offered interest rate is not advantageous. This loan is therefore categorised as maturing in March 2018 for the purposes of calculating the loan maturity prudential indicator, even though it is extremely unlikely that the lender will exercise their option and so the loan agreement will almost certainly continue beyond this period. This same issue has resulted in a breach of the indicator for debt with a loan maturity of over 20 years (24.1% against a lower limit of 30%). Members can be assured that neither of these issues poses a risk for the Authority.

| Treasury or Prudential Indicator or Limit | Approved for 2015/16 | Actual for 2015/16 |
|---|-----------------------------|---------------------------|
| <i>Estimate of Ratio of Financing Costs to Net Revenue Stream</i> | 5.3% | 4.6% |
| <i>Estimate of the Incremental Impact of New Capital Investment Decisions on the Council Tax (Band D)</i> | £0.18 | -£0.29 |
| <i>Estimate of Total Capital Expenditure to be Incurred</i> | £4,869,000 | £5,282,000 |
| <i>Estimate of Capital Financing Requirement</i> | £27,981,000 | £25,758,000 |
| <i>Operational Boundary</i> | £28,076,000 | Not exceeded |
| <i>Authorised Limit</i> | £30,883,000 | Not exceeded |
| <i>Upper limit for fixed rate interest exposures</i> | 100% | 100% |

| | | |
|---|----------------------|----------------|
| <i>Upper limit for variable rate interest exposures</i> | 30% | 0% |
| <i>Loan Maturity:</i> | <u>Limits:</u> | <u>Limits:</u> |
| <i>Under 12 months</i> | Upper 20% Lower 0% | 9.8% |
| <i>12 months to 5 years</i> | Upper 30% Lower 0% | 49.9% |
| <i>5 years to 10 years</i> | Upper 75% Lower 0% | 16.1% |
| <i>10 years to 20 years</i> | Upper 100% Lower 0% | 0% |
| <i>Over 20 years</i> | Upper 100% Lower 30% | 24.1% |
| <i>Upper Limit for Principal Sums Invested for Periods Longer than 364 Days</i> | £2,000,000 | £2,000,000 |

Update on the Sovereign Credit Rating for Investments

- 2.32 When approving the Treasury Management Strategy for 2016/17, The Authority determined that it would only use approved counterparties for investments from countries with a minimum sovereign credit rating of AA from Fitch Ratings. This provided an opportunity to invest with banks and institutions from a number of countries, including the U.K. which was rated AA+ by Fitch at the time the strategy was approved.
- 2.33 Following the outcome of the EU Referendum in June 2016 and the resulting economic and political uncertainty, Fitch downgraded the sovereign rating of the UK by one notch on 28th June 2016 to AA, the minimum approved rating within the Authority's current investment strategy as highlighted above. The ratings agency also placed the UK on "negative outlook" which raises the potential for the agency to downgrade the UK further within the next eighteen months, if the economic outlook for the UK deteriorates. This issue will be considered at the next meeting of the Finance and Resources Committee.

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. EQUALITY IMPACT ASSESSMENT

An equality impact assessment has not been done because this report gives a review of activities rather than introducing a new policy.

6. CRIME AND DISORDER IMPLICATIONS

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

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

Risk management is a key aspect of treasury management, and the Treasury Management Strategy sets out the parameters within which activities will be carried out with a view to managing credit risk, liquidity risk, re-financing risk and market risk. The Authority has approved a prudent approach to treasury management and this report allows Members to review how well risks have been managed during the year.

9. RECOMMENDATIONS

It is recommended that Members note the contents of this report.

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

None.

NEIL TIMMS
TREASURER TO THE FIRE AUTHORITY



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

MEDIUM TERM FINANCIAL STRATEGY 2016/17 TO 2019/20

Joint Report of the Chief Fire Officer and Treasurer

Date: 23 September 2016

Purpose of Report:

To present an update to the Medium Term Financial Strategy to the Fire Authority for approval.

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1. BACKGROUND

- 1.1 The Fire Authority has a number of strategies in place to support good financial management and governance of the Authority.
- 1.2 This Medium Term Financial Strategy provides an overarching view of the way in which the Authority's finances will be managed and it brings together various related financial strategies in one cohesive document. It also explains how the financial strategy supports the Authority's other key strategies and plans.
- 1.3 This updated iteration of the Medium Term Financial Strategy builds on the strategy approved by the Fire Authority in September 2015 and covers the four year period from 2016/17 through to 2019/20. In addition it includes two new appendices which meet requirements introduced by central government this year.

2. REPORT

- 2.1 The Medium Term Financial Strategy is attached in full to this covering report. It includes the following sections:

- Objectives of the Strategy
- Context of the Strategy
- Financial Management
- Funding Priorities and Service Improvement
- Impact of UK Economic Environment
- Medium Term Risks
- Components of the Strategy
- Collaborative Working
- The Regional Dimension
- Outlook for 2017/18, 2018/19 and Beyond

- 2.2 The Strategy also includes a number of appendices, which are:

- The Treasury Management Strategy 2016/17
- Prudential Code Indicators and Targets 2016/17
- Capital Programme 2016/17 to 2018/19
- Revenue Budget 2016/17 Cash Limited Subjective Analysis
- Flexible Use of Capital Receipts Strategy 2016/17
- Sustainability Plan 2016/17 to 2019/20

- 2.3. The Flexible Use of Capital Receipts Strategy 2016/17 (Appendix E of the Medium Term Financial Strategy) is a new appendix and meets the requirement for local authority bodies to have such a strategy in place for each of the years 2016/17, 2017/18 and 2018/19. This follows an announcement by the Chancellor of the Exchequer in the Spending Review 2015 that local authorities would be given powers to spend their capital receipts from the sale of assets on the revenue cost of reform projects which are designed to

generate on-going savings. Although this power is a departure from the existing regulations governing the use of capital receipts, it is a temporary measure for the next three years and carries with it strict criteria covering eligibility, timing, reporting and transparency.

- 2.4. The guidance on this new flexibility was not issued by the government until after the Fire Authority had approved the capital and revenue budgets for 2016/17, and these budgets had already been prepared on the basis that capital receipts would be used either to finance new capital expenditure or to repay loans. The strategy for the current year is therefore not to use any capital receipts to fund the revenue costs of reform projects, however the Fire Authority can approve a change of strategy later in the year if it felt that this would be financially advantageous. The strategies for 2017/18 and 2018/19 will be included within the future budget reports for the relevant years.
- 2.5. The second new appendix to the Medium Term Financial Strategy is the Sustainability Plan 2016/17 to 2019/20. As previously reported to Members, the government has offered local authority bodies a four year finance settlement covering the period from 2016/17 to 2019/20 in return for the publication of a four year Efficiency Plan by 14th October 2016. The acceptance of this offer will provide the Authority with an element of certainty over future funding and this, in turn, will assist the Authority in planning for the future. Appendix F to this Strategy meets the requirements for an Efficiency Plan, as set out in a letter from the Home Office earlier this year. It has been called the Sustainability Plan because it links directly to the Sustainability Strategy for 2020 reported to the Fire Authority in February 2016.
- 2.6. The Sustainability Plan sets out an estimate of the amount of savings which will need to be achieved over the next three to four years, as reported to Members in the Budget paper earlier this year. It also explains the wider context within which this will be achieved and relates back to some of the key principles within the main financial strategy. Four broad areas within which savings will be sought are detailed in section 3 of Appendix F, with each area allocated an estimated savings target. The actual amount of savings achievable in each area will emerge from the budget process this year and next and also from the work being undertaken by the Shaping the Future Team, as well as from the results of consultation and decision-making by the Fire Authority. The four areas are:
 - Seek collaborative opportunities to deliver cost savings and / or improved outcomes
 - Drive efficiencies through effective procurement
 - Maximising the Benefit and Value of our Assets
 - Redesign of Service Delivery
- 2.7. It is a requirement that the Sustainability Plan is published on the Authority's website, and the letter sent from the Authority to the Home Office to communicate acceptance of the four year settlement offer must include a link to the published document. In future, an annual report on progress against the Sustainability Plan will be published as part of the Authority's annual Statement of Assurance.

- 2.8 It is proposed that the Authority approves this Medium Term Financial Strategy, which will be published on the Authority's website, and continue to review it annually.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this 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 IMPLICATIONS

An equality impact assessment has not been undertaken because this report is reporting on matters relating to finance.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 to set a balanced budget. The medium term financial strategy is part of the process designed to assist in delivering the budget requirements and implications for each year.

8. RISK MANAGEMENT IMPLICATIONS

The establishment of a robust framework for financial management and the allocation of resources to corporate priorities will do much to minimise the risks to the achievement of the organisation's objectives.

9. RECOMMENDATIONS

It is recommended that Members:

- 9.1 Approve the Medium Term Financial Strategy 2016/17 to 2019/20.
- 9.2 Consider acceptance of the government's offer of a four year financial settlement through the submission of the Sustainability Plan 2016/17 to 2019/20.

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

None.

John Buckley
CHIEF FIRE OFFICER

Neil Timms
TREASURER



NOTTINGHAMSHIRE
Fire & Rescue Service

APPENDIX A

MEDIUM TERM FINANCIAL STRATEGY

2016/17 to 2019/20

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| Other References | <ul style="list-style-type: none">• Property Strategy• Fleet Strategy• ICT Strategy• IRMP• Community Safety Plan• Workforce Plan |

SECTION 1: OBJECTIVES OF THE STRATEGY

1.1 The objectives of the Authority's financial strategy are as follows:

1. To provide a stable financial foundation to assist the decision making process.
2. To be fully cognisant of other supporting plans and strategies such as the workforce plan, equalities objectives and ICT strategies in order to provide a cohesive framework.
3. To enable the Authority to be proactive rather than reactive in terms of financing.
4. To show how resources support the Authority's Service Plan over its full term.
5. To support sustainable service delivery by the use of revenue budgets, reserves and balances.
6. To seek to minimise the impacts on the Council Tax payer of fluctuations in demand for resources.
7. To hold a working balance sufficient to respond to unexpected events and/or opportunities.
8. To be flexible and responsive to changes in needs and legislation.
9. To support the continuance of the Authority's core services and strategies.
10. To ensure that the capital base of the Authority can be maintained within affordable and sustainable limits.
11. To provide forward looking indications of Council Tax levels.

Within this overall set of objectives the strategy must seek to find creative ways of using resources to minimise the impact of reducing funding from Central Government.

1.2 A number of principles have been developed to underpin these objectives:

1. Resources will be prioritised to meet the core aims of the Service as set out in the Integrated Risk Management Plan and its updates.
2. Priorities will be reviewed in the light of available resources and financial performance.
3. Capital Receipts will mainly be applied to the redemption of debt or the financing of additional capital assets subject to the Flexible Use of Capital Receipts Strategy (Appendix E).

4. Capital will be financed using the most advantageous method prevailing at the time finance is required within the requirements of the Prudential Code. Full options appraisal will be carried out before financing decisions are taken.
 5. Capital development will only be carried out where there is a synergy with existing plans and where the investment fits into the sustainable capital plan.
 6. The return on investments will take account of the advice received from the Authority's external advisors.
 7. Investment decisions will be based on a balance of risk and return, remain biased towards low risk activity and follow the CIPFA principles of Security, Liquidity, and Yield in that order.
 8. Council Tax rates will be transparent and sustainable. This means that budgets will not be lowered and supported by balances unless this is part of a long term sustainable strategy and approved by Members.
 9. Charging for services will remain sensitive to the needs of communities and their expectations of the service.
 10. Sponsorship funding will not be sought to underpin front line or core service delivery unless a long term plan for sustainability has been developed.
 11. The Authority will continue to direct resources to the areas of greatest need in our communities and seek to address the wider safety agenda.
 12. The Authority will actively seek to collaborate with partner organisations in both setting and delivering priorities.
 13. The Authority will apply any year end surpluses to balances and/or reserves.
 14. Longer term financial planning will take account of the possible use of reserves and balances to minimise the effect of reductions in funding as a means of transition but not of permanent support.
- 1.3 There are a number of key outputs which will help to both assure and monitor the effectiveness of this strategy and the underlying principles. The following list is not exhaustive but provides a flavour of the outputs that may be expected:
- Production of the three year revenue and capital budgets, including associated briefing papers, consultations and seminars.
 - The production of longer term strategies for ICT, Transport, Property and Equipment such that financial planning can be carried out both within and beyond the window of the medium term financial strategy.

- Production of quarterly monitoring statements for both Capital and Revenue including project based performance as appropriate.
- Supporting information provided to all Council Taxpayers via the internet
- Treasury Management Strategy
- Prudential Code Monitoring Reports produced quarterly
- Flexible Use of Capital Receipts Strategy
- Sustainability Plan (Efficiency Plan)
- External Audit reports
- Risk based approach to the maintenance of Balances and Reserves
- Internal Audit reports reviewed by the Finance and Resources Committee
- Grant Claims etc. submitted on time.

SECTION 2: CONTEXT OF THE STRATEGY

- 2.1 The primary focus of the organisation is set out in a fundamental strategy document, the Integrated Risk Management Plan (IRMP). This plan sets out the business of the organisation over the period until 2019. This represents the Service delivery commitments to the general public and it is therefore essential that resources are effectively managed to achieve the outcomes set out in this plan.
- 2.2 A Medium Term Financial Strategy sets out how finances are to be managed in such a way as to manage levels of Council Tax, Reserves and Balances. In simple terms it will set out how a stable and robust financial platform can be created such that developments and improvements in services set out in the IRMP can both be achieved and sustained over time.
- 2.3 This strategy is set against a backdrop of consistently reducing central government funding; a situation which is unlikely to improve going forward. It has therefore been necessary to adopt a more assertive position in relation to budgets.

SECTION 3: FINANCIAL MANAGEMENT

- 3.1 The External Auditors of the Authority have consistently issued unqualified audit reports and positive management letters to the Fire Authority in respect of their audit of accounts and their conclusion on the effective arrangements in place to achieve value for money.
- 3.2 The Authority's external auditor is currently KPMG and this will continue up to and including the audit of accounts for 2017/18. Beyond this date, the contract will be subject to tender.

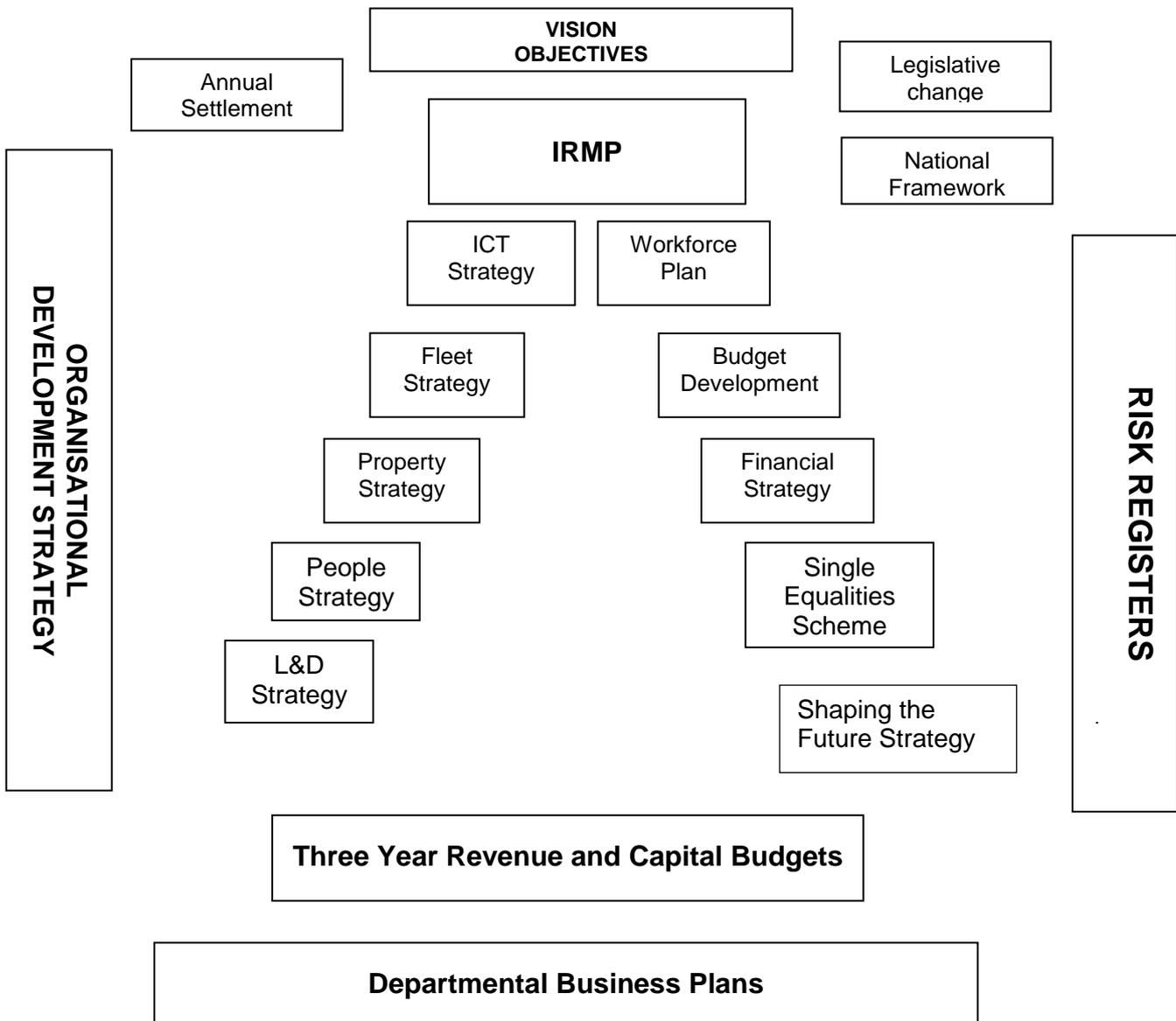
- 3.3 Although the process of external assessment by the Audit Commission has been discontinued, the Service recognises that the high standards achieved as part of this process can be continued and developed.
- 3.4 The prevailing economic climate has caused increased financial pressures to be placed upon all public sector bodies and the Fire Service is no exception. There have been a number of significant changes to the funding mechanism and it is clear that the overall funding position is expected to continue to worsen over the next three years.
- 3.5 The challenge of the organisation however is not how to survive in this period of austerity but how to continue to both provide and develop high quality services for the communities it serves. Finance is a clear enabler in this context and sound financial management is essential to ensure that maximum value can be achieved with the resources available.
- 3.6 The organisation will continue to manage its financial resources to the highest professional standards and back this up with a strong governance framework which will include scrutiny by the Finance and Resources Committee (both generally and as an Audit Committee), regular reporting to elected members and the Strategic Leadership Team. In addition an independent Internal Audit function is maintained to give additional assurances to both Members and Senior Officers.
- 3.7 The post of Head of Finance is responsible for developing and maintaining the Medium Term Financial Strategy and this post reports directly to the Chief Fire Officer.
- 3.8 The Authority continues to have the support and advice of an independent Treasurer who will work closely with the Head of Finance to advise the Fire Authority on financial matters and provide an independent source of advice when required. The Treasurer plays a key role in financial strategy and this again strengthens the financial management role.

SECTION 4: FUNDING PRIORITIES AND SERVICE IMPROVEMENTS

- 4.1 The challenge for the organisation in times of financial constraint is to find a way to continue to develop and improve the service against this backdrop of uncertainty. This will require both strong leadership and financial stability.
- 4.2 The funding priorities of the Authority relate entirely to those objectives set out in the IRMP and underpin the three guiding principles of the organisation. These are:
- To deliver a high quality service
 - To maintain high standards of governance and financial stability
 - To have an engaged and motivated workforce
- 4.3 This approach is mirrored through into the budget and resource planning processes. The detailed working underlying the Authority's budget proposals for 2016/2017 to 2018/19 shows a clear commitment by both officers and

Members to the delivery of these broad priorities and also resourcing the individual projects and activities which will ensure their delivery.

- 4.4 It is also important to appreciate that the aspirations of the Authority in respect of equality and inclusion remain of paramount importance both within the workforce principle and the service delivery principle. It is recognised that these aspirations are not wholly internal and all members of the various communities served by NFRS must be able to access the full range of services in ways appropriate to them.
- 4.5 Notwithstanding the primacy of the IRMP there is a framework of interrelated plans and strategies which together provide the basis for the continued provision of and development of the service. This is best illustrated by the following diagram:



- 4.6 The development of departmental plans and strategies and the alignment of these with other plans, both departmental and corporate, is overseen by the Service's Executive Delivery Team.

- 4.7 The Executive Delivery Team comprises senior managers who, as a group, are empowered to make decisions on day to day business issues. This approach has allowed the Strategic Leadership Team to focus on issues which are more strategic in nature. Decisions are therefore made at a more appropriate level.
- 4.8 These changes have allowed budget holders, service managers, Finance, HR and other support functions to work together to develop plans which consider interdependencies, pressure on both financial and non-financial resources, and relative priority of proposed developments and their relevance to the plan. This process has also made a positive contribution to medium term revenue and capital planning.
- 4.9 Developments in the Service will be resourced from a number of sources including:
- Recycling resources released by efficiency savings
 - Reassessment of service priorities
 - Additional revenue budget allocation where appropriate
 - Government Grant Funding
 - From efficiency savings arising from collaborative working
 - Sponsorship (where resources are temporary or not core activity)
- 4.10 It is likely that there will need to be changes in the way services are delivered and requirements for staffing reductions to enable the budgets to be brought into balance. Indicative finance settlement figures for the next 3 years suggest that this may need to be the case.
- 4.11 The performance management framework will need to be strengthened in appropriate areas in order to bring together financial and non-financial performance to enable the achievement of service priorities to be monitored and strive to achieve continuous improvement.
- 4.12 Time limited and specifically targeted government funding will be used to fund specific and non-recurring cost items and fund capacity building around service improvement.
- 4.13 The operation of the Prudential Code for Local Authorities creates opportunities for capital investment and asset planning which were not possible under the old capital financing regime. This will enable the Authority to make maximum use of capital investment to support the achievement of objectives.
- 4.14 A pro-active approach to the achievement of Value for Money by seeking to embed VFM principles continues to release resources to improve service delivery.
- 4.15 The Authority's Trading Company will continue to operate and seek to broaden its trading base to maximise profits. It is hoped that the dividends arising from these profits may be recycled into community based initiatives in future years.

- 4.16 It may be possible going forward to consider alternative investment strategies to maximise earnings potential but this would always be subject to the approval of the Finance and Resources Committee or full Fire Authority.

SECTION 5: IMPACT OF UK ECONOMIC ENVIRONMENT

- 5.1 A Medium Term Financial Strategy must take account of the current economic position in the UK and consider how its effects might be managed and/or mitigated.
- 5.2 The current economic position is positive in some respects, with low inflation, low unemployment and modest growth in Gross Domestic Product (GDP). However underlying these headline figures is a potential slowdown arising from the decision taken by the people of the UK to leave the European Union. At the time of writing (August 2016) there is insufficient data since the EU referendum result to assess whether or not the UK is heading into another recession. GDP growth in July and August slowed and UK consumer confidence has fallen. Inflation is now predicted to rise due to the fall in the value of sterling and the current low unemployment level may lead to pressure on wages – both of these issues could lead to budgetary pressures for the Service.
- 5.3 By far the most significant consideration for the Medium Term Financial Strategy is the state of public finances. The UK as a whole remains in deficit and central government is continuing with its austerity programme to turn this situation around, albeit within a slightly longer timescale than previously announced. The indicative finance settlement figures covering the period 2016/17 to 2019/20 show total reductions in external funding of 21% for the Service.
- 5.4 The main focus of investing surplus cash will be to protect the Authority's capital, and higher interest rates will not be taken at the expense of security. Regular risk assessments will continue to take place which will result in regular amendments to the approved counterparty list.

SECTION 6: MEDIUM TERM RISKS

- 6.1 The Authority's Strategic Risk register has identified that there are a number of risks over and above budget reductions which can affect this strategy in the medium term, some of which are beyond the direct control of the Authority. The rapidly changing economic climate at the present time, for example, brings with it a number of risks any one of which could significantly impact upon this strategy.
- 6.2 *Investment Interest Rates.* The Authority has accumulated reserves of cash both in respect of working balances and other reserves. These cash balances are invested to generate income from interest. The outlook for rates is still very low which means that vetting and the choice of investment counterparty is becoming more important. The process for managing these funds is set out in the Treasury Management Strategy document which is approved by the Fire Authority in February of each year.

- 6.3 *Loan Interest Rates.* As the Authority matures and outstanding debt becomes a more significant burden on the revenue budget there is naturally an increased exposure to movements of interest rates. Although the Authority has adopted a general policy of using fixed interest rate vehicles to minimise this risk in the longer term there is still an exposure from the loan charges on new capital being greater than anticipated. It may be prudent for the Authority to allocate any underspends arising from lower than expected interest costs (e.g. because borrowing has been deferred) to an “interest equalisation earmarked reserve” which can then be used to mitigate the impact of higher than budgeted charges.
- 6.4 It is common in the Public Sector to use maturity loans as the most appropriate vehicle for capital financing. These loans do not repay any capital until maturity but interest charges only, and they therefore present a refinancing risk at the end of their term. They are currently the most cost effective way of borrowing but it is considered essential that the Authority has sufficient accumulated cash to repay principal at term. This ensures that the authority retains control of overall debt levels.
- 6.5 In order to assist this, the authority will take opportunities to make voluntary MRP contributions as they arise.
- 6.6 The Authority has adopted a medium term strategy to hold long term debt at low rates but reschedule this at a later date if rates are more advantageous. The overall strategy for borrowing is set out in the Treasury Management Strategy document and in the Prudential Code Report. This strategy needs to “follow through” in terms of eventually seeking to mirror the debt outstanding profile with the profile of asset lives. This will be possible by rescheduling debt again if shorter term interest rates fall in relation to long rates however there is no sign of this at present.
- 6.7 The Authority will remain at risk of breaching its own prudential code targets for loan maturity if borrowing is deferred and internal cash resources are used to finance capital expenditure due to an adverse cost of carry (the difference between borrowing and investment interest rates). Such breaches will not pose a significant risk to the Authority and can be resolved when borrowing is eventually taken.
- 6.8 *Pensions* There are a number of risks associated with pensions:
- That employers contributions for non-uniformed personnel will rise significantly.
 - That employers contributions for uniformed personnel will rise significantly.
 - That the pattern of early retirements and Ill Health retirements in the service will have a serious impact on budgets if unchecked. The Authority has little control over Ill Health retirements but early retirements for non-uniformed staff can be managed.

- 6.9 In the first scenario, it is likely that employers' contributions to the local government pension scheme will continue to rise. However, recent consideration of this issue shows that this is unlikely to be significant unless the Authority's record of low rates of early and ill health retirements worsens.
- 6.10 Since the passing of annual pension liabilities for fire fighters to central government (now the Home Office), employers have been required to make a 21.7% of salary contribution to the scheme for those staff in the 1992 fire pension scheme. For the 2006 and 2015 fire pension schemes the contribution rates are 11.9% and 14.3% respectively. The Government Actuary Department is currently undertaking the triennial valuation of fire pension schemes and this may result in a change to employer contribution rates, although the cost cap mechanism will limit this to no more than 2% above the current rate.
- 6.11 Recent revisions to the Local Government Pension scheme (now a career average scheme) may also help to keep employer contributions steady or may even reduce them over time.
- 6.12 A big risk in the short and medium term however remains in the area of Ill Health retirement mentioned above. All the costs from such retirements now fall directly on to Authority budgets and costs per early retiree could be as high as £120,000. The Authority continues to maintain a budget for ill health retirements based on historical data and also has set aside a specific reserve to ensure that the volatility of these payments is "smoothed" through to the revenue account in a manageable fashion.
- 6.13 The main concern is that with firefighters now expected to work longer before retirement there may be an increase in ill health retirements if staff are unable to meet fitness standards.
- 6.14 *Grant Funding.* The government has announced plans to eliminate revenue support grant by the end of this parliament and to move to a system of locally retained business rates. The implications for the fire sector are not entirely clear, but the government is currently consulting on the proposed business rates funding regime and has posed a question to the fire sector about an alternative model of specific fire grant to replace business rates funding. It is not yet known how a future funding model would take account of the specific needs of individual fire authorities.
- 6.15 *Council Tax Support.* Prior to 2013/2014 Council Tax Support, or Benefit, was paid out by the billing authorities and funded entirely by government grant. It therefore had no impact on Fire Authorities. This position has changed however and now, whilst Council Tax Benefit continues to be paid by the billing authorities, the funding is drawn from both the billing authorities and the precepting authorities of which Fire is one. In return for this Government have made a grant which is the equivalent of 90% of 2012/2013 spending on council tax benefit to help authorities fund this change. This presents a number of risks:
- Authorities may not be able to collect Council Tax from households that have never paid the tax before

- Any increase in claimants will need to be funded locally
 - The amount given by way of grant is absorbed into Revenue Support Grant for 2015/16 and has been reduced in line with other grant reductions even though demand may rise.
- 6.16 *Long Term Capital Sustainability.* As referred to above the Authority is becoming more mature in terms of the build up of loan debt and leasing to support the capital base of the organisation. It is considered that capital financing costs should not usually consume more than 8% of revenue budgets and this “credit ceiling” for affordable borrowing, which is covered within the principles of the Prudential Code, will be more closely matched to the profile of the asset base going forward. This strategy is to ensure that the credit ceiling is not reached before the requirement to undertake major capital schemes is exhausted. The Authority has considered the sustainability of its capital plans in terms of the ICT Strategy, the Fleet Strategy and the Property Strategy and these have been mapped out over a 20 year period to ensure that the revenue budget can continue to support them.
- 6.17 Revenue Budget pressure and the availability of surplus balances has caused the Authority to use surplus revenue budget to fund capital items. This has been expedient in the short term but cannot be continued indefinitely because capital assets which have been purchased from revenue will create an underlying need to borrow for replacement in future years which may cause the 8% ceiling to be breached.
- 6.18 The 8% ceiling is further threatened by the reducing size of the revenue budget, although so far capital financing costs have remained within this self-imposed limit.
- 6.19 The Prudential Code requires that capital investment plans, including financing, are affordable, prudent and sustainable. The further use of revenue underspends or balances to fund capital investment will not meet the sustainability requirement so the approach in future will be to ensure that the capital programme contains only “invest to save” or essential projects and to use the cash released from the Minimum Revenue Provision charge to repay loans such that new loans are only required to finance new capital expenditure and not to replace expiring maturity loans.
- 6.20 In the meantime revenue contributions will be allocated against a range of asset lives thus spreading this risk over a number of years.

SECTION 7: COMPONENTS OF THE MEDIUM TERM STRATEGY

- 7.1 This section briefly explains some of the processes and key components that underpin the medium term financial strategy.
- 7.2 *Revenue and Capital Budgets.* The process for the preparation of revenue and capital budgets is now mature but continues to develop each year to accommodate the changing financial environment. There is now positive involvement of business plan owners in the development of the budgets which have been drawn up side by side with business plans. This has continued to be developed still further in the preparation of the Revenue Budget from

2016/17 to 2018/2019 and there is now increased ownership around budget decisions. The Finance and Resources Committee has full involvement in the process and the Chair of the Finance and Resources Committee plays an active part in interviewing budget managers to fully understand the underlying detail within the budgets. The Finance and Resources Committee makes recommendations to the Fire Authority.

- 7.3 The maturity of other plans and strategies has also proven useful in this process as retirement and recruitment profiles from the workforce plan have informed the revenue budget process and the strategies for ICT, Fleet and Property have enabled a cohesive Capital Programme to be developed. It is important to understand that the process of constructing a revenue and capital budget is an iterative one which is driven entirely by organisational priorities. The service's plans and strategies directly drive the budget and not the other way around. Of course, affordability is a key consideration hence the iterative nature of the process but it is important that when financial constraints are imposed the impacts on service development and/or delivery are fully transparent. Therefore there is a direct relationship between, for example, the Fleet Strategy and the Capital Programme because the Capital Programme was developed from that strategy and the two are in complete alignment. The same is true for other strategies also.
- 7.4 The Capital Programme is a three year programme of longer term projects which cross over the financial year end boundaries. This means that projects may overspend or underspend within a single year, and historically the position has been one of underspending. It is not acceptable that revenue funds are earmarked to finance the capital programme and then not used, particularly when savings have had to be found from elsewhere within the revenue budget. In order to alleviate this issue it has been accepted that there will be an element of "over programming" but that revenue to support the capital programme will take this into account.
- 7.5 *Council Tax.* As part of the budget setting for 2016/2017 to 2019/2020 the Authority agreed indicative budgets for 2016/2017, 2017/2018, 2018/2019 and 2019/2020 of £41,294,863, £42,156,011, £42,659,954 and £43,171,873 respectively. This required a rise in Council Tax for 2016/2017 of 1.95% to £73.85 at Band D.
- 7.6 *Fees and Charges.* The Authority is allowed to make charges for the provision of a range of services to the public and to commerce. It has however been the practice of the Authority to avoid making charges for services which the public have a reasonable expectation of receiving free of charge. In December 2015 the Fire Authority approved a revised scale of fees and charges covering the hire of rooms as well as Special Service Charges. An example of where a charge would be made is for the containment and clearance of debris, spillages, discharges or leaks from a vehicle or storage tank where the owner can be readily identified. Charges are made on the basis of recovering costs only i.e. with no profit element and no charges are made in situations where there is a risk to life or property, nor where vulnerable persons are involved. The amount of income which can be raised from these charges is relatively low.

- 7.7 *Treasury Strategy.* The Treasury Strategy for the Authority was set out in full in a report to the Fire Authority on 26 February 2016. This strategy complies fully with the Chartered Institute of Public Finance and Accountancy code of practice on Treasury Management which the Authority has adopted. The strategy relies for its success on the appointment of financial advisors who enable the Authority to lend and borrow as prudently as possible. Efforts will continue to be made to ensure a sufficient spread of investment counterparties to minimise risk exposures.
- 7.8 *External Funding.* Efforts will continue to be made to secure as much external funding as possible either from Government Grant or from sponsorship and partnerships. These are managed carefully to ensure that the sudden withdrawal of funding does not have a negative impact on revenue budget nor cause the Authority embarrassment from having to close down successful projects due to lack of external funding.
- 7.9 There are no plans at the present time to enter into any Private Finance Initiative (PFI) funding for capital projects unless there is a strong indication that such a vehicle might prove cost effective.
- 7.10 *Reserves and Provisions.* The Local Government Act 2003 requires that Authorities maintain adequate reserves and provisions to help ensure that the medium term policy programme is sustainable and that it can be delivered. In accordance with good accounting and financial practice, reserves and provisions will always be made in the accounts where appropriate. In simple terms the difference between a reserve and a provision is that a provision is made for a known liability arising from a legal obligation whereas a reserve is created for a discretionary purpose.
- 7.11 *Working Balances.* In addition to reserves and provisions the Authority is also required to maintain an adequate level of working balances and the Treasurer is required to certify that these are adequate under S25. Local Government Act 2003.
- 7.12 Balances are maintained at an appropriate level by carrying out a risk assessment of financial risk exposures and calculating a value for balances. Accepting that the value of balances may fluctuate to deal with both emergent and changing risk the Authority has decided to target a minimum level of balances of £3.8m. At the end of 2016/17 the level of balances is £7.4m although there are planned reductions in balances going forward as they are used to cushion the transition to a tighter financial regime in future years.
- 7.13 *The Prudential Code.* The freedoms provided by the Prudential Code for Capital Accounting are to be fully used to make the best possible investment decisions in relation to capital spending in order that meaningful choices can be made between borrowing, leasing and the use of capital receipts. Nevertheless it is still considered important that the Authority should not expose itself to unduly high levels of debt. This can be difficult to gauge as the Authority is maturing and therefore levels of debt will be expected to rise each year. However, it is necessary for a view to be taken as to how much debt is sustainable in the longer term. This position has been reviewed and it is clear that given the strategies in place for Fleet and Property over the next 20 years levels of debt should be able to be maintained to a level where the revenue

effects of borrowing do not exceed 8% of overall revenue resources available. The risk to this is that as revenue budgets fall this underlying percentage will begin to rise.

- 7.14 *Value for Money*. The Authority continues to show its commitment to achieving Value for Money although the focus during recent years has been very much on achieving the significant budget reductions required to deal with grant reductions. Delivering services which provide good value for money is a nonetheless a key part of the financial strategy.

SECTION 8: COLLABORATIVE WORKING

- 8.1 The Authority remains committed to working with other organisations to achieve overall outcome objectives and partnerships and collaborations will be actively sought out where there are common objectives and efficiencies and / or improved outcomes can be achieved. The Policing and Crime Bill is currently subject to parliamentary process and, if it becomes law, will introduce a duty to collaborate applicable to the three emergency services. This, however, will not preclude collaboration with other types of organisation. Again the common thread of equality and inclusion will run through collaborative partnerships where the Service will seek to build trust and respect amongst disadvantaged groups both for the benefit of service delivery and recruitment.
- 8.2 The initiative launched in 2007/8 to enable stronger links to be forged with the voluntary sector by sponsoring some voluntary sector led projects in support of our Service Plan objectives continues to gain momentum.

SECTION 9: THE REGIONAL DIMENSION

- 9.1 The Authority remains committed to supporting joint and collaborative working with fire sector colleagues across the region and is now a partner in the Tri-Service Control mobilising system, as well as in other initiatives.
- 9.2 The Authority is also working closely with regional colleagues on the early stages of the national project to implement a new communications system.

SECTION 10: OUTLOOK FOR 2016/17, 2017/18 AND BEYOND

- 10.1 The Authority set a budget in February 2016 which for 2016/2017, is balanced by way of a contribution from reserves of £98k. The estimate for 2017/2018 is indicating a shortfall of the order of £1.9m. As this rolls forward, and if unaddressed, it becomes £2.4m by 2018/2019 and £2.5m by 2019/2020.
- 10.2 Current predictions of budget requirements as set out on the February budget papers are:

| Year | £'s | % Increase |
|-------------|------------|-----------------------|
| 2016/2017 | 41,294,863 | |
| 2017/2018 | 42,156,011 | 2.1 |
| 2018/2019 | 42,659,954 | 1.2 |
| 2019/2020 | 43,171,873 | 1.2 |

- 10.3 Funding Streams, as indicated in the 2016/2017 finance settlement, are expected to reduce as follows:

| | 2016/2017 £ | 2017/2018 £ | 2018/2019 £ | 2019/2020 £ |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenue Support Grant | 8,867,336 | 6,978,641 | 5,961,472 | 5,335,308 |
| Business Rates Actual | 3,449,016 | 3,462,187 | 3,564,324 | 3,678,247 |
| Top Up Grant | 6,531,053 | 6,659,508 | 6,855,969 | 7,075,098 |
| Total Grant Yield | 18,847,405 | 17,100,336 | 16,381,765 | 16,088,653 |

- 10.4 The figures in the table above were included in the government's finance settlement and are indicative figures for the years 2017/2018 and beyond. The government has made an offer to local authorities that settlement figures for the whole four period will be honoured if authorities confirm acceptance of this offer and publish an efficiency plan. This Authority's efficiency plan is called the Sustainability Plan 2016/17 to 2019/20 and is attached to this strategy as Appendix F.

- 10.5 If it is assumed that Council Tax yield will increase by between 1% and 1.5% in each of the years 2017/2018 to 2019/2020, and that a council tax increase of 1.95% is approved in each year, the budgetary shortfall is calculated as follows:

| | 2016/2017 £ | 2017/2018 £ | 2018/2019 £ | 2019/2020 £ |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Grant Yield | 17,100,336 | 16,381,765 | 16,381,765 | 16,088,653 |
| Budget Requirement | 41,294,863 | 42,156,011 | 42,659,954 | 43,171,873 |
| Balance to be met locally | 22,447,458 | 25,055,675 | 26,278,189 | 27,083,221 |
| | | | | |
| Council Tax Yield* | 22,349,132 | 23,069,729 | 23,837,676 | 24,631,596 |
| | | | | |
| Budget Deficit | 98,326 | 1,985,946 | 2,440,513 | 2,451,625 |

*Assumes a rise in tax base and a 1.95% rise in Council Tax each year.

If council tax increases are not approved in each of the years 2017/2018, 2018/2019 and 2019/2020 then the forecast cumulative deficit by 2019/2020 increases to £3,839,631.

- 10.6 A new Chancellor of the Exchequer is now in government and his autumn statement may provide further indications of impacts on local authority funding as a result of the extending period of austerity and the result of the UK referendum on EU membership, which could affect the estimates included within this strategy.
- 10.7 When looking for budget reductions the overall spend profile of the Authority must be considered. It has previously been reported to Members that around 75% of the revenue budget is spent on pay, around 5% on capital financing costs and the remaining 20% on non-pay items. Since 2010/2011 savings of over £11m have already been made, with just under £7m of these from pay budgets.
- 10.8 In February 2016 the Fire Authority approved a Sustainability Strategy for 2020 which set out the requirement to balance the budget each year alongside possible areas of service delivery and ways of working which could be considered for re-design in order to achieve budgetary savings whilst still maintaining a high quality service for the community. Officers are now working on the various elements of this strategy, and this will lead to consultation and decision making by the Fire Authority in due course. It is likely that general reserves will be used to support the budget over the next three years whilst changes are implemented, in line with paragraph 1.2 (14) of this Medium Term Financial Strategy.

TREASURY MANAGEMENT STRATEGY FOR 2016/17

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.

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.

The suggested strategy for 2016/17 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, Capita Asset Services.

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.

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

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Authority to produce a balanced budget. In particular, Section 32 requires a local authority to 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, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

- 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 are limited to a level which is affordable within the projected income of the Authority for the foreseeable future.

ECONOMIC BACKGROUND

The 2014 UK GDP growth rate of 2.9% was the strongest since 2006, and the 2015 growth rate is likely to be a leading rate amongst G7 countries. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% - 2.7% over the next three years. However, for this recovery to become more balanced and sustainable in the longer term, it needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure.

The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.3%. It was recognised that wage inflation needed to rise faster than general inflation in order to make the recovery sustainable, so it is encouraging that wage inflation has risen significantly above CPI inflation during 2015. This reversal of the squeeze on disposable incomes has led to stronger consumer demand, which in turn has supported growth.

The Bank of England's November Inflation Report was subdued in respect of the forecasts for CPI inflation, with CPI expected to barely get back up to the 2% target within the next two or three years from the current level of 0.3% (January 2016). The Bank of England said that inflation may temporarily turn negative in the spring. There is considerable uncertainty around how quickly inflation will rise in the next few years and this makes it difficult for economists to forecast when the Bank of England base rate will begin to increase. Current forecasts for an increase in the bank rate range from quarter 2 in 2016 to quarter 4 in 2016. Increases after that are likely to be at a slower pace, and to lower final levels that prevailed before 2008.

Economic forecasting remains difficult, with a number of internal and external factors influencing the UK position. Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- UK economic growth and increases in inflation are currently weaker than anticipated
- Weak growth or recession in the UK's main trading partners – the EU and the US
- A resurgence of the Eurozone sovereign debt crisis
- Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially in the Eurozone and Japan
- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing flows to economic safe havens such as the UK

Upside risks include:

- Uncertainty around the UK exit from the EU
- UK inflation returning to significantly higher levels than in the wider EU and the US, causing an increase in the inflation premium inherent to gilt yields

Capita Asset Services has provided a forecast on the bank interest rate, which draws on current City forecasts:

| Capita Asset Services Bank Rate Forecasts | |
|--|-------|
| As at 31 March 2016 | 0.50% |
| As at 31 March 2017 | 0.75% |
| As at 31 March 2018 | 1.25% |
| As at 31 March 2019 | 1.75% |

MANAGEMENT OF CASH RESOURCES

The Authority uses a main current account, an investment account and a number of local petty cash accounts. 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.

The bank overdraft level is £200,000 and this is usually sufficient. There are occasions when the overdraft exceeds £200,000 and temporary arrangements are made with the bank to increase the limit to £500,000. The Prudential Code report included an overdraft limit of £500,000 within the authorised limit to allow for such instances. It is proposed that the overdraft facility remains at a level of £200,000.

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 are likely to arise.

The current bank account is checked on a daily basis and the balance is transferred to the investment account (Business Premium Account) if the interest rate is favourable.

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

BORROWING STRATEGY

The prudential indicators for borrowing are set out in Appendix B. Background information relating to these indicators is contained within the Prudential Code for Capital Finance 2016/17 report which is elsewhere on this agenda.

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 2016/17 this figure is estimated at £29,190,000. This figure is comprised of capital expenditure incurred historically by the Authority that has yet to be financed by capital receipts, grants, or contributions from revenue including MRP charges, plus estimated capital expenditure and capital financing for 2015/16 and 2016/17.

The Authority’s strategy in the past has been to borrow funds from the Public Works Loan Board (PWLB). 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. Its interest rates are generally favourable compared to those applicable to borrowings from other sources within the marketplace. However, in 2007/08, a £4m loan was borrowed from a bank, with a fixed interest rate which was lower than the equivalent PWLB rate. It is therefore proposed that the Authority continues to borrow primarily from the PWLB, but considers fixed rate market borrowing when market rates are lower than PWLB rates. In addition to this, the Authority may also consider loans from the UK’s Municipal Bond Agency, which is currently in the process of being set up and is likely to be offering loans to local authorities in the near future.

The loan of £4m referred to in paragraph 2.20 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. As the interest rate was not changed on 7 March 2013, the next opportunity for a revision is 7 March 2018.

Over the next three years, it is anticipated that the Authority will need to borrow up to £13m to finance the capital programme and to replace up to £6.5m of maturing loans.

Capita Asset Services’ view on future PWLB interest rates is:

| | Mar 16 | Jun 16 | Sep 16 | Dec 16 | Mar 17 | Mar 18 | Mar 19 |
|------------|--------|--------|--------|--------|--------|--------|--------|
| 5 yr PWLB | 1.80% | 1.90% | 2.00% | 2.10% | 2.20% | 2.60% | 3.00% |
| 10 yr PWLB | 2.40% | 2.50% | 2.60% | 2.70% | 2.80% | 3.20% | 3.50% |
| 25 yr PWLB | 3.20% | 3.20% | 3.30% | 3.40% | 3.50% | 3.80% | 3.90% |
| 50 yr PWLB | 3.00% | 3.00% | 3.10% | 3.20% | 3.30% | 3.70% | 3.80% |

The table above has been adjusted for the PWLB certainty rate, which is a 20 basis points reduction in the interest rate for Authorities such as this one which have applied for it.

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 2016/17 and beyond.
- Four PWLB loans will mature in the medium term (£2m in 2016/17, £2m in 2017/18 and £1m and £1.5m in 2018/19). These will need to be replaced

with new borrowing and it is estimated that new borrowing in the period 2016/17 to 2018/19 will be in the region of £13m.

- Capita Asset Services' view is that PWLB rates are likely to rise over the next three years. It may therefore be advantageous to take out new loans earlier in the period, as this will have a lesser impact on the revenue budget for the periods of the loans. However if this is in advance of the need to spend, there will be a cost of capital impact as referred to in paragraph 2.27 below.
- PWLB rates on loans of less than ten years duration are expected to be lower than longer term PWLB rates. However, the existing debt maturity profile of the Authority will also be taken into account when decisions are made regarding the duration of new borrowing. 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.
- Consideration will also be given to borrowing fixed rate market loans at 0.25% – 0.50% below the PWLB target rate and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.
- PWLB Maturity loans will continue to be taken if the overall cost of such loans is less than the equivalent Annuity loans. If this strategy results in a short term breach of the Gross Borrowing and Capital Financing Requirement indicator, then the reasons for this will be explained to members of the Authority.

The Authority is currently maintaining an under-borrowed position. This means that the capital financing requirement has not been fully funded with loan debt; instead the cash supporting the Authority's reserves and balances is being used as a temporary measure. The use of cash balances in this way is known as "internal borrowing", and this strategy is prudent as investment returns are low and counterparty risk is relatively high. The Authority will aim to build cash levels up again in the future in order to ensure that reserves and balances are "cash-backed" to an appropriate level, however the timing of this will very much depend on the prevailing economic conditions and the Authority's ability to ensure the security of funds and demonstrate value for money in its investment returns.

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 (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- 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, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, 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 will be in the next few years.

The Authority's gross debt position is projected to be £22.3m by the end of 2015/16, but investments of approximately £7.2m are expected to be in place at 31 March 2016, giving a net debt position of around £15.1m. Currently, investment interest rates are substantially lower than debt interest rates so the use of reserves rather than borrowing to finance capital expenditure over the past three years has resulted in better value for money in the short term (see paragraph 2.25 for more details). However, the Authority recognises that there will be requirement to borrow in the medium term when surplus reserves have been exhausted. Interest rates are forecasted to rise slowly over the next three years, and the Authority will monitor rate changes closely when determining when the time is right to borrow.

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, although this scenario is unlikely anyway given that current borrowing rates are higher than current investment interest rates, creating a cost of capital impact. Any decision to borrow in advance 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 borrowing is only undertaken to finance the capital programme approved within the current Medium Term Financial Strategy;
- Ensure the ongoing revenue 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.

The rescheduling of debt involves the early repayment of existing borrowings and their replacement with new loans. As short term borrowing rates will be cheaper than longer term fixed interest rates, this would indicate a potential to generate savings by switching from long to short term debt. However, a premium would be payable which may negate the savings, and the loan maturity profile of the Authority indicates that this would increase exposure to interest rate risk. It is therefore unlikely that rescheduling of debt will take place in 2016/17 although 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.

INVESTMENT STRATEGY

The Authority will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") issued in March 2004, the Audit Commission's report on Icelandic investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance. 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. 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.

Investment opportunities will arise when there are temporary cash surpluses. In accordance with guidance from CIPFA, and in order to minimise the risk to investments, the Authority sets a minimum acceptable credit quality of counterparties for investment. To determine the institutions with which investments may be placed, the Authority uses the creditworthiness service provided by Capita Asset Services. This service uses 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 Capita'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;
- Information from the financial press and share price information.

The methodology used by Capita to create creditworthiness ratings has been amended. This is due to the withdrawal by the credit ratings agencies of an uplift in ratings due to implied sovereign support for institutions. This process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In keeping with the agencies' new methodologies, the rating element of Capita's own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. Other key elements of Capita's process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay, have not been changed.

Whilst the Authority understands the changes that have taken place, and the reasons for them, it will continue to specify a minimum sovereign rating of AA by Fitch (or equivalent). This is in relation to the fact that the underlying domestic and, where

appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

The modelling approach combines credit ratings, credit watches, credit 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 credit-worthiness 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.

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

- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days

Institutions within the "purple band" (24 months), the "yellow band" (5 years) or with no colour band will not be used.

The Authority has 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 C. This list will be added to or deducted from by Officers should ratings change in accordance with this policy.

The latest credit list provided by Capita will be made available to Members at the meeting.

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;
- UK Treasury Bills;
- Certificates of Deposit (see paragraph 2.36).

Certificates of Deposit (CDs) are a new addition to the Authority's list of "specified" investment types. They are a low-risk investment offered by banks and building societies. Cash is paid to the financial institution in exchange for a rate of interest agreed for a fixed period in exchange for a "certificate". These certificates can be sold in a secondary market, but the Authority will not engage in this type of activity unless acting on advice received from their treasury advisors. The main advantage to CDs is that they are offered by institutions that would not usually accept term deposits from an Authority of this size. Their use will therefore open up opportunities to invest with a wider range of high-credit rated counterparties.

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. It is, however, difficult to impose any further spreading requirement due to the relatively small size of the Authority's investments and the fact that investment institutions will often only accept a minimum investment sum, which may render any such policy unworkable. Despite this Officers will, wherever possible, avoid the concentration of investments with one counterparty or group.

The majority of past investments have been for periods of 3 months or less. In the current financial climate no term deposit investments with other counterparties, such as UK semi-nationalised banks and local authorities, will be made for more than 1 year without the prior approval of the Treasurer and the Chair of Finance and Resources Committee. The Authority will avoid locking into longer term deals while investment rates are down at historically low levels unless exceptionally attractive rates are available which make longer term deals worthwhile.

All credit ratings will be monitored via a weekly update from Capita Asset Services. The Authority is alerted to changes to ratings of all three agencies as and when they occur through its use of the Capita creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of Credit Ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Investments will normally be made for durations which accord with Capita's credit quality list so, for example, an investment would be made for no more than 100 days (3 months) with a "Green" rated counterparty. This policy works well with fixed term deposits but where the Authority invests in a "call" account in a bank there is no fixed duration for the deposit. In such instances, officers will monitor intelligence about the bank and give notice to withdraw funds immediately if there is any indication of a substantially increased risk to the security of the deposit. Where call accounts are used, deposits will only be made where the minimum notice period is no longer than the Capita suggested duration for that institution, and it is therefore recognised that the total period of the investment may be longer than the Capita suggested duration in some cases.

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, information on government support for banks and the credit ratings of that government support.

MINIMUM REVENUE PROVISION POLICY 2016/17

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.

Under the regulations, Authorities must make a “prudent provision” for MRP and guidance is given on the interpretation of this: “provision for the borrowing which financed the acquisition of an asset should be made over a period bearing some relation to that over which the asset continues to provide a service”. 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.

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 2016/17 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 all borrowing and credit arrangements to fund capital expenditure incurred from 2007/08 onwards, the minimum revenue provision applied in 2016/17 will be calculated on the basis of the Asset Life method.

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.

TRAINING OF OFFICERS AND MEMBERS

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. Changes within the Finance Department have led to different staff members taking on some responsibilities for treasury management activities. In response to this, additional treasury management training will be delivered to relevant finance staff during the next few months.

It is also suggested that those tasked with treasury management scrutiny responsibilities also have access to suitable training and a treasury management training seminar was last held for Members of the Finance and Resources Committee in July 2014. The requirement for further Member training will be kept under review over the next year.

PRUDENTIAL INDICATORS AND TARGETS

PRUDENTIAL INDICATORS FOR AFFORDABILITY

Estimates of the Ratio of Financing Costs to Net Revenue Stream for 2015/16, 2016/17, 2017/18 and 2018/19, and Actual Ratio of Financing Costs for 2014/15

| 2014/15 Actual £000s | 2015/16 Estimate £000s | 2016/17 Estimate £000s | 2017/18 Estimate £000s | 2018/19 Estimate £000s |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Ratio of Financing Costs to Net Revenue Stream | | | | |
| 5.2% | 4.5% | 5.6% | 6.8% | 7.2% |

On 24 October 2008 the Finance and Resources Committee considered a report on Sustainable Capital Plans. This report concluded that in order to meet the Prudential Code requirements of affordability and sustainability, the ratio of financing costs to net revenue stream should not exceed 8%. The ratio has reduced from 2014/15 to 2015/16 primarily due to a decrease in the financing costs in 2015/16. The main reasons for this decrease are as follows:

- Interest charges were lower as a loan which matured in 2014/15 has not yet been replaced
- The 2014/15 financing costs included a voluntary revenue provision charge, and there will be no such charge in 2015/16
- Finance lease charges have reduced because the primary term of the last finance lease expired in March 2015. The only lease related charges incurred in 2015/16 relate to the extension of a lease for 4 fire appliances
- The minimum revenue provision charge has reduced in 2015/16.

The ratio increases between 2016/17 and 2018/19 as the net revenue stream reduces due to funding cuts and the financing costs steadily increase. However, the projected ratio is still well within the 8% limit.

Estimates of the Incremental Impact of the New Capital Investment Decisions on the Council Tax (Band D) for 2016/17, 2017/18 and 2018/19, and the Actual Incremental Impact on Council Tax for 2015/16

| 2015/16 Actual £000s | 2016/17 Estimate £000s | 2017/18 Estimate £000s | 2018/19 Estimate £000s |
|-----------------------------------|---------------------------|---------------------------|---------------------------|
| Incremental Impact on Council Tax | | | |
| -£0.29 | £0.55 | £1.46 | £0.46 |

The table above shows that the effect of the decreased financing costs in 2015/16 is a reduction in the incremental impact on council tax in that year. Beyond this, there are incremental increases in 2016/17 and 2017/18 as the minimum revenue provision charge steadily increases. The decrease in 2018/19 is due to a combination of a reduction in interest payments as two loans reach maturity, and a reduction in the minimum revenue provision charge as a number of shorter-life assets become fully financed.

PRUDENTIAL INDICATORS FOR PRUDENCE

Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term gross debt will only be for capital purposes, this indicator requires that external debt does not, except in the short term, exceed the total of the capital financing requirement estimated up to the end of 2018/19. Performance against this indicator will be monitored throughout the year. For information, at 31 March 2015 (2014/15 financial year), the Capital Financing Requirement was £22,160k, Net Debt (total debt less investments) was £15,288k and Gross Debt was £20,408k. The estimate of the Capital Financing Requirement at the end of 2018/19 is £30,634k, thereby demonstrating that the indicator has not been breached. At the end of 2018/19, Gross Debt is expected to be in the region of £27.2m, with the Capital Financing Requirement estimated at £30.6m showing that this indicator should be achievable.

Treasury Management

As required by this indicator, the Authority has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

PRUDENTIAL INDICATORS FOR CAPITAL EXPENDITURE AND EXTERNAL DEBT

Estimate of Total Capital Expenditure to be Incurred in 2015/16, 2016/17, 2017/18 and 2018/19, and Actual Capital Expenditure for 2014/15

| 2014/15 Actual £000s | 2015/16 Estimate £000s | 2016/17 Estimate £000s | 2017/18 Estimate £000s | 2018/19 Estimate £000s |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| Capital Expenditure Total | | | | |
| 4,467 | 5,536 | 4,505 | 4,093 | 1,136 |
| Capital Expenditure – Financed by Borrowing / Finance Lease | | | | |
| -591 | 3,841 | 3,189 | 2,301 | -857 |
| Capital Expenditure – Financed by Revenue Contributions | | | | |
| 0 | 0 | 0 | 0 | 0 |
| Capital Expenditure – Financed by Internal Funds | | | | |
| 1,344 | 1,103 | 1,301 | 1,577 | 1,778 |

| Capital Expenditure – Financed by Capital Grant | | | | |
|---|-----|----|-----|-----|
| 1,534 | 592 | 0 | 0 | 0 |
| Capital Expenditure – Financed by Capital Receipt | | | | |
| 2,180 | 0 | 15 | 215 | 215 |

The estimates for 2016/17 to 2018/19 are submitted to the Fire Authority for approval elsewhere on this agenda. However, the totals shown in the above table includes assumed slippage in addition to new capital expenditure and are therefore higher than the estimates included in the Budget Report. The final capital expenditure for each year may be different from the figures shown above but overall should be similar. Various financing methods have been assumed for the future years but in reality, decisions relating to financing methods will be taken as part of options analyses which will consider the best long term options for the Authority. These options need to be assessed at the time of financing. “Internal funds” in the above table refers to the use of cash available within budgeted resources generated by the minimum revenue provision charge, which is a non-cash transaction. Unused cash from this source is assumed to be carried forward for use in future years. In 2014/15 and 2018/19 the amount to be financed by borrowing or leasing is shown as a negative figure. This means that our requirement to borrow is reduced by this amount in these years, and this occurs because a decision has been made to apply a level of financing from capital receipts, grants, and internal funds which is greater than the amount of capital expenditure incurred in those years. This approach has the benefit of reducing capital financing costs in future years.

Estimate of Capital Financing Requirement as at the end of 2015/16, 2016/17, 2017/18 and 2018/19, and Actual Capital Financing Requirement as at 31/03/15

| 2014/15 Actual £000s | 2015/16 Estimate £000s | 2016/17 Estimate £000s | 2017/18 Estimate £000s | 2018/19 Estimate £000s |
|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Capital Financing Requirement | | | | |
| 22,160 | 26,001 | 29,190 | 31,491 | 30,634 |

The Capital Financing Requirement is the sum of money 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 contributions, capital grants or capital receipts. The above table shows that the Capital Financing Requirement increases between 2014/15 and 2018/19, which is largely due to the lack of capital grant or revenue contributions available to fund the capital programme, resulting in a requirement for borrowing.

The Sustainable Capital Plans report referred to in paragraph 2.1 also concluded that in order to meet the Prudential Code requirements of affordability and sustainability, the capital financing requirement in future years should not exceed £40m.

Operational Boundary and Authorised Limit for External Debt

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 the Fire Authority.

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

Cash flow forecasts have been prepared for 2016/17 to 2018/19 and indicate that there will be no difficulty in maintaining a positive current account balance on a month by month basis and therefore there is no proposal to seek an increase in the Authority's approved overdraft limit of £200,000. However, previous experience shows that these estimates can sometimes be wrong temporarily due to delays in income receipts and it has proved necessary in the past to negotiate temporary increases in this figure of up to £500,000. It is therefore proposed that this buffer of £500,000 should be included within both the operational boundary and the authorised limit.

| | 2016/17 £000s | 2017/18 £000s | 2018/19 £000s |
|--|------------------|------------------|------------------|
| Operational Boundary | | | |
| O.B. for borrowing | 28,026 | 30,252 | 29,816 |
| O.B. for other long term liabilities | 0 | 0 | 0 |
| Total - Operational Boundary for External Debt | 28,026 | 30,252 | 29,816 |
| Authorised Limit | | | |
| A.L. for borrowing | 30,829 | 33,277 | 32,798 |
| A.L. for other long term liabilities | 0 | 0 | 0 |
| Total - Authorised Limit for External Debt | 30,829 | 33,277 | 32,798 |

Actual External Debt as at 31/03/15

| | 2014/15 £000s |
|------------------------------------|------------------|
| Actual borrowing | 20,408 |
| Actual other long term liabilities | 0 |
| Total – Actual External Debt | 20,408 |

INDICATORS FOR TREASURY MANAGEMENT

The Service carries out its own treasury management in accordance with the CIPFA Code of Practice for Treasury Management, which was revised in 2011. 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 carry out its business.

Gross and Net Debt

The actual amount of external long term borrowing as at 31/03/15 was £20,337k, with short term borrowing totalling £71k. There were no other long term liabilities at the same date. At the same date, the amount of investments was £5,120k, giving a net debt position of £15,288k as at 31/03/15.

The Treasury Management Strategy 2016/17 report, which is elsewhere on this agenda, outlines the proposal to borrow over the next three years to finance the capital programme and to replace maturing loans, and 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 – the reality of this will be determined by Officers in conjunction with the Authority’s treasury advisers.

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 approved within the Medium Term Financial Strategy, where borrowing rates are higher than investment rates this creates a “cost of carry”. Therefore when investment interest rates are low, as they currently are, this cost 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 2015 was 75%, and it is forecast to be 72% 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:

| | 2016/17 | 2017/18 | 2018/19 |
|--|---------|---------|---------|
| Lower limit for proportion of net debt to gross debt | 50% | 50% | 50% |
| Upper limit for proportion of net debt to gross debt | 85% | 85% | 85% |

Interest Rate Risk Exposure

In terms of borrowing, it has been considered prudent to use Public Works Loans Board (PWL) fixed interest loans on most occasions. This is because the PWLB generally offers rates which cannot be obtained elsewhere in the marketplace. However the Authority did take out a market loan in 2007/08, benefiting from an advantageous rate. 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 and agreed with the Treasurer.

Borrowing in the past has been at fixed interest rates although variable rates are not ruled out. It is therefore considered that up to 30% of borrowing might come from variable rate sources if these are considered financially advantageous at the time of financing. For policy changes beyond this, however, it is suggested that Fire Authority approval should be sought.

The total value of lending is not expected to exceed £20m, which is likely to peak around July 2016 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. The aim will be to reduce risk by investing funds in more than one institution at any given time. Members should note, however, that it is not feasible to set a maximum limit for investing with any one institution as the numbers of banks which meet our minimum credit rating criteria is now very few and even those on the list will not always accept our investments as the Authority is a “small player”. The Authority can also invest in Money Market Funds and certificates of deposit in line with the Treasury Management Strategy.

It is proposed that the Authority sets the following limits for interest rate exposures:

| | Benchmark | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|---|------------------|----------------|----------------|----------------|----------------|
| | % | % | % | % | % |
| Interest Rate Exposures | | | | | |
| Upper Limit for fixed rate exposures | 100% | 100% | 100% | 100% | 100% |
| Upper Limit for variable rate exposures | 30% | 30% | 30% | 30% | 30% |

Loan Maturity

The code of practice and CIPFA guidelines state that there should be no 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.

It is recommended that the maturity structure limits remain unchanged for 2016/17. The Authority holds a loan of £4m which is structured as a “Lender Option Borrower Option” (LOBO) loan. This means that on 7 March 2013 and every five years thereafter, the lender may revise the interest rate. The Authority may choose to repay the loan without penalty if the amended rate is not advantageous. The rate was not changed on 7 March 2013, so the next opportunity for revision is 7 March 2018. Unless the Authority chooses to repay the loan early due to an unfavourable interest rate change, the loan will mature in 2078. The uncertainty around the maturity date of this loan has an impact on the calculation of the maturity structure of the Authority’s borrowing. If the loan were to mature in 2018, as is possible under the terms of the LOBO agreement, the limit for debt maturing between 12 months and 5 years will be breached. However, as the risk of the LOBO rate increasing during the medium term is low due to downward pressures on interest rates, the re-financing risk arising from the loan maturing within 5 years is low. Therefore a breach of this nature would be considered acceptable.

| 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

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.

| 2015/16 | 2016/17 | 2017/18 |
|--|----------------|----------------|
| £000s | £000s | £000s |
| Prudential Limits for Principal Sums Invested for Periods Longer than 365 Days | | |
| 2,000 | 2,000 | 2,000 |

The proposed Capital Programme for 2016/2017 to 2018/2019

| <u>Capital Programme Item</u> | <u>2016/17 Proposed</u> | <u>2017/18 Proposed</u> | <u>2018/19 Proposed</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| | <u>£</u> | <u>£</u> | <u>£</u> |
| Appliance Replacement (3-3-3) | 907,435 | 908,155 | 908,905 |
| Special Appliances | 51,800 | 0 | 0 |
| Appliance Equipment | 25,650 | 0 | 0 |
| Light Vehicle Replacement | 173,346 | 353,538 | 407,380 |
| Transport Total: | 1,158,231 | 1,261,693 | 1,316,285 |
| Special Appliances Equipment (Holmatro) | 157,000 | 0 | 0 |
| BA Sets | 0 | 700,000 | 0 |
| Equipment Total: | 157,000 | 700,000 | 0 |
| Feasibility Studies Station design | 22,500 | | |
| Fire Station Project | 325,000 | 2,350,000 | 75,000 |
| Property Total: | 347,500 | 2,350,000 | 75,000 |
| ICT Capital Programme | 140,000 | 140,000 | 140,000 |
| Mobile Computing | 20,000 | 20,000 | 0 |
| Business Process Automation | 95,450 | 0 | 0 |
| ICT Total: | 255,450 | 160,000 | 140,000 |
| Agresso Upgrade | 35,000 | 0 | 0 |
| Tranman Software | 11,000 | 0 | 0 |
| IT Systems Total: | 46,000 | 0 | 0 |
| | | | |
| Total Capital Programme: | 1,964,181 | 4,471,693 | 1,531,285 |

CASH LIMIT 2016/17 to 2018/19

APPENDIX D

| | Original Budget 2015/2016 £000's | Revised Budget 2015/2016 £000's | Budget Requirement 2016/2017 £000's | Budget Requirement 2017/2018 £000's | Budget Requirement 2018/19 £000's |
|---|---|--|--|--|--|
| Employees | | | | | |
| Direct Employee Expenses | 31342 | 31416 | 31261 | 31883 | 32180 |
| Indirect Employee Expenses | 521 | 521 | 446 | 446 | 446 |
| Pension | 821 | 821 | 837 | 854 | 872 |
| | 32684 | 32758 | 32544 | 33183 | 33498 |
| Premises-Related Expenditure | | | | | |
| Repairs Alterations and Maintenance of Buildings | 544 | 540 | 545 | 561 | 567 |
| Energy Costs | 371 | 367 | 367 | 367 | 367 |
| Rents | 95 | 95 | 76 | 66 | 66 |
| Rates | 712 | 710 | 710 | 710 | 710 |
| Water | 72 | 72 | 81 | 84 | 85 |
| Fixture and Fittings | 1 | 1 | 1 | 1 | 1 |
| Cleaning and Domestic Supplies | 300 | 322 | 322 | 322 | 322 |
| Grounds Maintenance Costs | 26 | 26 | 26 | 28 | 28 |
| Premises Insurance | 35 | 35 | 36 | 36 | 36 |
| Refuse Collection | 37 | 37 | 38 | 39 | 40 |
| | 2193 | 2205 | 2202 | 2214 | 2222 |
| Transport-Related Expenditure | | | | | |
| Direct Transport Cost | 1127 | 1127 | 1038 | 1064 | 1073 |
| Recharges | 128 | 128 | 123 | 123 | 123 |
| Public Transport | 17 | 17 | 27 | 27 | 27 |
| Transport Insurance | 266 | 266 | 150 | 150 | 150 |
| Car Allowances | 369 | 369 | 366 | 366 | 366 |
| | 1907 | 1907 | 1704 | 1730 | 1739 |
| Supplies & Services | | | | | |
| Equipment Furniture and Materials | 683 | 660 | 683 | 675 | 675 |

| | Original Budget 2015/2016 £000's | Revised Budget 2015/2016 £000's | Budget Requirement 2016/2017 £000's | Budget Requirement 2017/2018 £000's | Budget Requirement 2018/19 £000's |
|--|---|--|--|--|--|
| Catering | 44 | 45 | 59 | 44 | 44 |
| Clothes Uniforms and Laundry | 264 | 268 | 346 | 369 | 392 |
| Printing Stationery and General Office Expenses | 85 | 85 | 60 | 60 | 60 |
| Services | 474 | 486 | 584 | 556 | 562 |
| Communications and Computing Expenses | 1542 | 1547 | 1535 | 1515 | 1515 |
| Grants and Subscriptions | 36 | 36 | 39 | 54 | 54 |
| Miscellaneous Expenses | 36 | 36 | 38 | 38 | 38 |
| | 272 | 272 | 235 | 236 | 237 |
| | 3436 | 3435 | 3579 | 3547 | 3577 |
| Third Party Payments | | | | | |
| Other Local Authorities | 103 | 103 | 58 | 59 | 60 |
| Private Contractors | 23 | 23 | 0 | 0 | 0 |
| | 126 | 126 | 58 | 59 | 60 |
| Support Services | | | | | |
| Finance | 162 | 162 | 169 | 171 | 173 |
| Corporate Services | 43 | 43 | 43 | 43 | 43 |
| | 205 | 205 | 212 | 214 | 216 |
| Depreciation and Impairment Losses | | | | | |
| Depreciation | 0 | 0 | 0 | 0 | 0 |
| Amortisation of Intangible Fixed Assets | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 |
| Sales Fees & Charges | | | | | |
| Customer and Client Receipts | -144 | -144 | -193 | -195 | -196 |
| | -144 | -144 | -193 | -195 | -196 |
| Other Income | | | | | |
| Government Grants | -470 | -555 | -638 | -520 | -520 |

| | Original Budget 2015/2016 £000's | Revised Budget 2015/2016 £000's | Budget Requirement 2016/2017 £000's | Budget Requirement 2017/2018 £000's | Budget Requirement 2018/19 £000's |
|--|---|--|--|--|--|
| Other Grants/Reimbursements and Contributions | -303 | -303 | -490 | -842 | -843 |
| Interest | -76 | -76 | -76 | -66 | -66 |
| | -849 | -934 | -1204 | -1428 | -1429 |
| Capital Financing Costs | | | | | |
| Interest Payments | 952 | 952 | 1092 | 1254 | 1196 |
| Debt Management Expenses | 1273 | 1273 | 1301 | 1578 | 1778 |
| | 2225 | 2225 | 2393 | 2832 | 2974 |
| BUDGET | 41,783 | 41,783 | 41,295 | 42,156 | 42,660 |

Flexible Use of Capital Receipts Strategy

Introduction

In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government would allow local authorities to spend up to 100% of their capital receipts from the sale of fixed assets on the revenue cost of reform projects. This gives local authorities the power to treat as capital expenditure, expenditure which is incurred in generating on-going revenue savings in the delivery of public services either by way of reducing the cost of or reducing demand for services in future years. This impact of cost or demand reduction can be realised by any public sector delivery partners but must be properly incurred by authorities for the financial years that begin on 1 April 2016, 1 April 2017 and 1 April 2018. Capital receipts used in this way must have been received in these same three years.

This new power and its guidance is issued under Section 15(1) of the Local Government Act 2003, which requires local authorities to have regard to guidance that the Secretary of State may specify.

Application

The guidance specifies that authorities may not borrow to finance the revenue costs of service reform, nor may they use capital receipts accumulated from prior years. The key criteria to be used when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate on-going savings to an authority's or several authorities' and / or to another public sector body's net service expenditure.

Accountability and Transparency

The guidance specifies that authorities must disclose the individual projects that will be funded or part funded through capital receipts flexibility to the full Fire Authority. This requirement can be satisfied as part of the annual budget setting process or through the Medium Term Financial Strategy. It is recommended that the disclosure of projects to be funded in this way should be made prior to the start of each financial year, however if the strategy is updated part way through the year it must be approved by the Fire Authority and notified to central government. A revised strategy must also include the impact on Prudential Indicators. Both the initial strategy and any revised strategy must be made available online to the public.

The strategy must list each project to be funded through capital receipts flexibility, with details of the expected savings and service transformation. With effect from the 2017/18 strategy details must be included of projects approved in previous years and progress against achievement of the benefits outlines in the original strategy.

Strategy for 2016/17

For the financial year 2016/17 there are no projects to be funded through capital receipts flexibility. The government's guidance on this was issued after the Fire Authority had approved the budget in February 2016 and this budget included plans to use future capital receipts either to finance future capital expenditure or to repay borrowings. If it is felt in the future that the use of capital receipts flexibility would be beneficial to the Authority then a revised strategy will be reported to the Fire Authority for approval. The strategy for 2017/18 will be included within the budget report to the Fire Authority.

SUSTAINABILITY PLAN 2016/17 TO 2019/20

1. Introduction

- 1.1 This Sustainability Plan sets out how Nottinghamshire Fire and Rescue Authority (the Authority) plans to reduce its cost base over the period from 2016/17 to 2019/20 in order to balance its revenue budget in the context of an expected reduction in external funding. This plan is designed to meet the Home Office requirement for Fire and Rescue Authorities to publish an Efficiency Plan in return for a four year funding settlement.
- 1.2 This Sustainability Plan is appended to the Medium Term Financial Strategy (MTFS) and should be read within the context of the strategy. In particular, this plan seeks to fulfil the core objective (see Section 1.1 of the MTFS) of “to support the continuance of the Authority’s core services and strategies”, and has been prepared in accordance with the principles set out in Section 1.2 of the MTFS.
- 1.3 The principal aim of the Authority is “Creating Safer Communities” and underpinning this aim are three principles, which are:
- to deliver high quality services,
 - with an engaged and motivated workforce,
 - within a framework of strong governance and financial stability.

The Authority will be creating and managing a programme of significant change, and will do so in line with its Shaping the Future Strategy with the aim of ensuring that the three principles outlined above underpin the delivery of objectives through to the year 2020. It is recognised that there are often significant barriers to change and the Authority aims to involve employees fully in the transformation process as a way of overcoming these barriers.

- 1.4 The amount by which the base revenue budget must reduce by 2019/20 is between £2.5m and £3.8m. This range is approximate and the cost reduction required could be more than £3.8m or less than £2.5m. The reason for this variation is that the calculation of the budget requirement in future years depends on a number of uncertain factors which will only crystallise into certainties as time progresses. Examples of these factors are:
- the level of pay awards over the four year period
 - wider economic factors such as inflation and interest rates
 - actuarial valuation of pension schemes and resulting employer contribution rates
 - government fiscal policies such as National Insurance rates or new levies
 - the impact of reforms to funding such as business rates retention, potential fire grant, the fair funding review, referendum limits, other grants
 - council taxbase levels
 - decisions on council tax by those charged with governance

Currently almost half of the revenue budget is supported by external funding as opposed to by council tax, and around three quarters of the revenue budget relates to employee pay. This means that the budget is particularly sensitive to changes in any factors relating to pay, pensions or external funding. It is noted that savings in the region of £11m have already been achieved over the last six years.

2. Timetable

- 2.1 The reduction in budgets required of up to £3.8m by 2019/20 will need to be achieved through cashable savings. Where efficiencies can be found which do not release cashable savings, the non-cashable benefits will be used to resource other priority areas. The table below sets out the timescale for achieving savings in each of the four years:

| | <u>By 1st April</u> <u>2016</u> | <u>By 1st April</u> <u>2017</u> | <u>By 1st April</u> <u>2018</u> | <u>By 1st April</u> <u>2019</u> |
|---|---|---|---|---|
| | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> |
| Amount of Budget Reduction Required <u>per year</u> | 0.10* | 1.99 to 2.43 | 0.45 to 0.92 | 0.01 to 0.50 |
| Amount of Budget Reduction Required <u>cumulative</u> | 0.10* | 1.99 to 2.43 | 2.44 to 3.34 | 2.45 to 3.84 |

* reduction not yet achieved

- 2.2 Consultation with employees, representative bodies and the public will be undertaken where appropriate, with the results feeding into the change programme.
- 2.3 Where planned savings cannot be achieved in line with the above timetable e.g. due to the requirement for consultation, then the Authority's general reserves can be used to support the budget temporarily in line with principle no. 14 in Section 1.2 of the MTFs. The minimum level of reserves required to be held was risk-assessed in February 2016 and the amount of available reserves which could be used to support the budget is therefore £3.5m as at 1st April 2016.

3 Areas for Change: Sustainability Strategy 2020

- 3.1 Seek collaborative opportunities to deliver cost savings and / or improved outcomes – Savings target: £850k

- 3.1.1 Continue with existing collaborative arrangements and seek to increase the coverage of these where possible and practicable. Examples of existing collaboration arrangements are:
- The sharing of fire stations with the East Midlands Ambulance Service (EMAS). As at 1st April 2016 facilities at a number of fire stations were being used by EMAS employees and these arrangements are generating rental income.
 - The sharing of premises with other partners e.g. the use of Fire Authority buildings by both the Police and St Johns Ambulance. These arrangements are also generating rental income.
 - The First Responder scheme which supports EMAS is being undertaken by crews at two fire stations as at 1st April 2016 and is funded by EMAS. The Co-responding scheme has been in place for a number of years.
 - The use of certain training facilities provided by regional fire and rescue services, which has avoided the need to build our own facilities.
 - A finance and procurement system purchased and developed with two other fire and rescue services, which has achieved economies of scale.

- A mobilising system purchased and developed with two other fire and rescue services, which has achieved economies of scale, reduced staffing costs and has improved resilience.
- Certain aspects of fire investigation are carried out with regional resources, generating cost savings. The national Primary Key Authority concept for fire protection has generated efficiencies and this Authority carries out that role for Boots PLC.

3.1.2 Proactively seek new collaborative arrangements with Police, Health, other Fire and Local Authority partners, where these will achieve cost savings and / or improved outcomes

3.2 Procurement – Savings target: £350k

3.2.1 Continue to focus on effective procurement to drive down non-pay costs. This will involve the use of procurement frameworks for major purchases (a recent example of this is the Wide Area Network contract) and maintaining a strong governance framework which seeks to achieve best value through all procurement activity.

3.2.2 Continue to proactively seek collaborative procurement opportunities wherever possible to reduce costs. This will involve the exploration of opportunities by working with professional networks, and the use of benchmarking tools to identify innovative procurement initiatives.

3.3 Maximising the Benefit and Value of our Assets - Savings target: £150k

3.3.1 Continue to rationalise property assets with the aim of increasing collaboration, improving sustainability and reducing costs.

3.3.2 Develop a new fleet strategy with the aim of rationalising numbers of vehicles and ensuring that on-going fleet is fully utilised at a lower cost.

3.3.3 Continue to refurbish and reuse assets and equipment to extend their useful life where it is safe to do so, thereby reducing costs.

3.4 Redesign of Service Delivery - Savings target: £1,100k

3.4.1 Develop alternative crewing models and use of emerging technologies to maximise appliance availability.

3.4.2 Develop a mixed crewing model where feasible to maintain appliance availability and reduce costs.

3.4.3 Revision of current crewing collective agreement to release surplus capacity within the ridership.

3.4.4 Voluntary secondary contracts to support retained appliances at peak demand and to support the transformation process.

3.4.5 Focus on recruitment and retention of retained firefighters to maximise appliance availability.

4 Transparency and Reporting

- 4.1 Options will be presented to those charged with governance, for consideration and decision, taking account of consultation responses where appropriate.
- 4.2 Annual reports monitoring progress against this plan will be published within the Statement of Assurance.
- 4.3 Reports to those charged with governance, and minutes of meetings, will continue to be published so that interested parties can see how the Service is being transformed.

5 Conclusion

- 5.1 The period ahead will be one of immense change, which will require significant effort from employees and input from a range of stakeholders in order to achieve the Service's core aims and objectives whilst managing within a smaller budget.
- 5.2 The expectation is that the resulting organisation in 2020 will still deliver high quality services which will continue to address the risks identified in the Integrated Risk Management Plan and meet the needs of the community. Working practices within the Service will be modern and efficient and the cost base will be reduced to a sustainable level.

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

CHANGES TO ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS

Report of the Treasurer

Date: 23 September 2016

Purpose of Report:

To summarise the changes to the arrangements for appointing external auditors following the abolition of the Audit Commission and the end of transitional arrangements following the 2017/18 external audit. To seek the approval of the Fire Authority to opt in to the national appointment arrangements being developed by Public Sector Audit Appointments Limited.

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1. BACKGROUND

- 1.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to include the audit of the accounts for 2017/18.
- 1.2 The Council's current external auditor is KPMG, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA Ltd), the transitional not-for-profit body set up by the LGA with delegated authority from the Secretary of State at CLG.
- 1.3 This matter was the subject of an earlier report to the Finance and Resources Committee in January 2016. Members of that meeting noted that the options available for the appointment of external auditors following the end of transitional arrangements would be explored by Officers and presented at a future meeting of the Committee. The Local Audit (Appointing Person) Regulations 2015 require that if a decision is made to opt in to the appointing person arrangement (which is option 4 set out in this report) then this decision must be made by the full Authority. The Authority will need to consider the options available and approve new arrangements in time to make the first appointment of external auditors by 31 December 2017.

2. REPORT

- 2.1 The scope of external audits will still be specified nationally with the National Audit Office (NAO) responsible for writing the Code of Audit Practice which all firms appointed to carry out public sector audits must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms able to compete for audit work is not yet known but it is reasonable to expect that larger firms in the UK including our current auditor, KPMG, will be on the final list and smaller, local independent firms are less likely to meet the eligibility criteria.
- 2.2 There are a number of options available to the Authority for the future appointment of external auditors. The Chartered Institute of Public Finance and Accountancy (CIPFA) has published guidance for Authorities on the matter of Auditor Panels with the guidance setting out the options, together with the possible advantages and disadvantages of each option, and this information is shown below as options 1, 2 and 3. In July 2016, the Secretary of State for CLG confirmed that PSAA Ltd has been specified as an appointing person under the Local Audit and Accountability Act 2014 and the

Local Audit (Appointing Person) Regulations 2015, which means that PSAA Ltd will make auditor appointments to principal bodies which choose to opt in to the arrangements, for audits of accounts from 2018/19.

2.3. The Local Audit and Accountability Act 2014 includes regulations about Auditor Panels which state that an Auditor Panel must contain a majority of independent members and have an independent chair. The Act provides a definition of “independent” and sets out that Members and Officers of an Authority within the past five years are not deemed to be independent for this purpose.

2.4. Option 1: the Authority sets up its own separate and individual Auditor Panel to oversee the separate and individual procurement of external auditors for the Authority.

2.4.1. Possible Advantages:

- Authority has full ownership of the process
- Authority can create a fully bespoke contract for audit services
- Tendering process can take account of own policies and local circumstances (but must be within procurement regulations)

2.4.2. Possible Disadvantages:

- May be difficulties in appointing majority independent Panel members and independent Panel Chair as per the regulations (see paragraph 2.3)
- Must ensure that Panel members are suitably qualified to understand and participate in the Panel’s functions
- Will have to fund the Panel’s expenses
- May not be able to procure at a lower cost e.g. if there is limited provider choice in the location or if a single authority contract is less attractive to some providers
- Will not achieve economies of scale

2.5. Option 2: the Authority sets up an Auditor Panel jointly with another authority / authorities as part of a procurement exercise for a joint contract.

2.5.1. Possible Advantages:

- Less administration than a sole Auditor Panel
- Able to share administration expenses
- May be easier to attract suitable panel members
- May still be a relatively locally tailored process
- May be able to achieve some economies of scale

2.5.2. Possible Disadvantages:

- May need to compromise on the contract
- May not end up with first choice of auditor, instead it is more likely that appointment will be made which is suitable for all authorities taken together
- Need to agree appointment of panel members across multiple authorities and agree a joint decision making process

2.6 Option 3: the Authority uses another Authority's Auditor Panel

2.6.1 Possible Advantages:

- Will not have to set up an Auditor Panel

2.6.2 Possible Disadvantages:

- The panel may not understand the specific needs of the Authority
- May be difficult to find another Authority willing to enter into such an arrangement
- May be more difficult to ensure adequate liaison with Authority's Finance and Resources Committee (which acts as the Audit Committee)

2.7 Option 4: the Authority elects to join the national scheme for Auditor appointments led by the PSAA Ltd

2.7.1 Possible Advantages:

- Will not have to set up an Auditor Panel
- Administration and procurement will be undertaken by PSAA Ltd
- Scheme is being developed in consultation with representatives from principal bodies
- PSAA Ltd staff are experienced in appointing auditors, in managing audit contracts and in setting audit fees
- Early indications of interest from principal bodies show that the scheme is likely to be widely taken up (more than 200 bodies), which should result in economies of scale and should attract the best audit suppliers
- The scheme will aim to appoint the same auditors to bodies which are involved in formal collaboration / joint working initiatives if the parties consider that a common auditor will enhance efficiency and value for money

2.7.2 Possible Disadvantages:

- Authority will not be involved directly in the process so will have no influence over contract or selection of Auditor other than indirectly by way of input at the consultation stage

2.8 Option 4, the PSAA Ltd scheme, appears to offer the most advantages when compared to the other available options and it is therefore this solution which is recommended to the Authority for approval. The PSAA Ltd has indicated that it will be looking for firm commitments to join the scheme during this Autumn and such a commitment will need to be supported by the Authority in accordance with the Local Audit (Appointing Person) Regulations 2015.

2.9 The PSAA has produced a leaflet about the national scheme and this is attached as Appendix A. It gives further information about the benefits of the scheme and demonstrates an emphasis on audit quality and competitive pricing.

3. FINANCIAL IMPLICATIONS

- 3.1 The external audit fee for the current year is £31,050 and this has significantly reduced in recent years. It is not yet known what the audit fees will be when the new contract comes into force, but the PSAA scheme is likely to be able to secure a more competitive price than the Authority would have been able to do alone.
- 3.2 The PSAA leaflet attached as Appendix A confirms that costs will not be known until after the procurement process has been completed. The PSAA has committed to minimising its own costs, pooling scheme costs and audit fees, setting a scale of charges which has regard to the size, complexity and audit risk of participating bodies, and returning any surplus funds to participants.

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 IMPLICATIONS

An equality impact assessment has not been completed because this report does not reflect a new policy, only a new method of procuring external audit services.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The proposal within this report is designed to ensure compliance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

8. RISK MANAGEMENT IMPLICATIONS

The service provided by the external auditor forms part of the Authority's corporate governance framework, which is a key tool in the management of organisational risk.

9. RECOMMENDATIONS

It is recommended that Members approve option 4 set out in this report, which is to commit to participating in the Public Sector Audit Appointments Ltd national scheme for local auditor appointments, with effect from the audit of accounts for 2018/19.

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

None.

Neil Timms
TREASURER TO THE FIRE AUTHORITY

Appendix A



Developing the option
of a national scheme for
local auditor appointments

www.psa.co.uk


Public Sector
Audit Appointments

“The LGA has worked hard to secure the option for local government to appoint auditors through a dedicated sector-led national procurement body. I am sure that this will deliver significant financial benefits to those who opt in.”

– Lord Porter CBE, Chairman,
Local Government Association

Over the next few months all principal authorities will need to decide how their auditors will be appointed in the future. They may make the appointment themselves, or in conjunction with other bodies. Or they can take advantage of a national collective scheme which is designed to offer them a further choice. Choosing the national scheme should pay dividends in quality, in cost, in responsiveness and in convenience.

Public Sector Audit Appointments Ltd (PSAA) is leading the development of this national option. PSAA is a not-for-profit company which already administers the current audit contracts. It aims to be designated by the Department for Communities & Local Government (DCLG) to operate a collective scheme for auditor appointments for principal authorities (other than NHS bodies) in England. It is currently designing the scheme to reflect the sector's needs and views.

The Local Government Association (LGA) is strongly supportive of this ambition, and 200+ authorities have already signalled their positive interest. This is an opportunity for local government, fire, police and other bodies to act in their own and their communities' best interests.

We hope you will be interested in the national scheme and its development. We would be happy to engage with you to hear your views – please contact us at generalenquiries@psaa.co.uk

You will also find some questions at the end of this booklet which cover areas in which we would particularly welcome your feedback.

Audit does matter

High quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

Imminent changes to the arrangements for appointing the auditors of local public bodies are therefore very important. Following the abolition of the Audit Commission, local bodies will soon begin to make their own decisions about how and by whom their auditors are appointed. A list of the local government bodies affected can be found at the end of this booklet.

The Local Government Association (LGA) has played a leadership role in anticipating these changes and influencing the range of options available to local bodies. In particular, it has lobbied to ensure that, irrespective of size, scale, responsibilities or location, principal local government bodies can, if they wish, subscribe to a specially authorised national scheme which will take full responsibility for local auditor appointments which offer a high quality professional service and value for money.

The LGA is supporting PSAA in its application to the Department for Communities & Local Government (DCLG) to be appointed to deliver and manage this scheme.

PSAA is well placed to award and manage audit contracts, and appoint local auditors under a national scheme

PSAA is an independent, not-for-profit company limited by guarantee and established by the LGA. It already carries out a number of functions in relation to auditor appointments under powers delegated by the Secretary of State for Communities & Local Government. However, those powers are time-limited and will cease when current contracts with audit firms expire with the completion of the 2017/18 audits for local government bodies, and the completion of the 2016/17 audits for NHS bodies and smaller bodies.

The expiry of contracts will also mark the end of the current mandatory regime for auditor appointments. Thereafter, local bodies will exercise choice about whether they opt in to the authorised national scheme, or whether they make other arrangements to appoint their own auditors.

PSAA wishes to be selected to be the trusted operator of the national scheme, formally specified to undertake this important role by the Secretary of State. The company is staffed by a team with significant experience in appointing auditors, managing contracts with audit firms and setting and determining audit fees. We intend to put in place an advisory group, drawn from the sector, to give us ready access to your views on the design and operation of the scheme. We are confident that we can create a scheme which delivers quality-assured audit services to every participating local body at a price which represents outstanding value for money.

“Many district councils will be very aware of the resource implications of making their own appointment. Joining a well-designed national scheme has significant attractions.”

– Norma Atlay, President,
Society of District Council Treasurers

“Police bodies have expressed very strong interest in a national scheme led by PSAA. Appointing the same auditor to both the PCC and the Chief Constable in any area must be the best way to maximise efficiency.”

– Sean Nolan, President,
Police and Crime Commissioners
Treasurers’ Society (PACCTS)

The national scheme can work for you

We believe that the national scheme can be an excellent option for all local bodies. Early indications are that many bodies agree - in a recent LGA survey more than 200 have expressed an interest in joining the scheme.

We plan to run the scheme in a way that will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. The scheme will take away those headaches and, assuming a high level of participation, be able to attract the best audit suppliers and command highly competitive prices.

The scope of public audit is wider than for private sector organisations. For example, it involves forming a conclusion on the body’s arrangements for securing value for money, dealing with electors’ enquiries and objections, and in some circumstances issuing public interest reports. PSAA will ensure that the auditors which it appoints are the most competent to carry out these functions.

Auditors must be independent of the bodies they audit, to enable them to them to carry out their work with objectivity and credibility, and in a way that commands public confidence. PSAA plans to take great care to ensure that every auditor appointment passes this test. It will also monitor any significant proposals, above an agreed threshold, for auditors to carry out consultancy or other non-audit work to ensure that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditors to bodies which are involved in formal collaboration/joint working initiatives or within combined authority areas, if the parties consider that a common auditor will enhance efficiency and value for money.

PSAA will ensure high quality audits

We will only contract with firms which have a proven track record in undertaking public audit work. In accordance with the 2014 Act, firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC). Current indications are that fewer than ten large firms will register meaning that small local firms will not be eligible to be appointed to local public audit roles.

PSAA will ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any concerns are detected at an early stage and addressed effectively in the new regime. The company will take a close interest in feedback from audited bodies and in the rigour and effectiveness of firms' own quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. We will liaise with the National Audit Office (NAO) to help ensure that guidance to auditors is updated when necessary.

We will include obligations in relation to maintaining and continuously improving quality in our contract terms and quality criteria in our tender evaluation method.

PSAA will secure highly competitive prices

A top priority must be to seek to obtain the best possible prices for local audit services. PSAA's objective will be to make independent auditor appointments at the most competitive aggregate rate achievable.

Our current thinking is that the best prices will be obtained by letting three year contracts, with an option to extend to five years, to a relatively small number of appropriately registered firms in two or three large contract areas nationally. The value of each contract will depend on the prices bid, with the firms offering the best prices being awarded larger amounts of work. By having contracts with a number of firms we will be able to ensure independence and avoid dominance of the market by one or two firms.

Correspondingly, at this stage our thinking is to invite bodies to opt into the scheme for an initial term of three to five years, subject, of course, to the terms of specification by DCLG.

The procurement strategy will need to prioritise the importance of demonstrably independent appointments, in terms of both the audit firm appointed to each audited body and the procurement and appointment processes used. This will require specific safeguards in the design of the procurement and appointment arrangements.

“Early audit planning is a vital element of a timely audit. We need the auditors to be available and ready to go right away at the critical points in the final accounts process.”

– Steven Mair, City Treasurer,
Westminster City Council

“In forming a view on VFM arrangements it is essential that auditors have an awareness of the significant challenges and changes which the service is grappling with.”

– Charles Kerr, Chair,
Fire Finance Network

PSAA will establish a fair scale of fees

Audit fees must ultimately be met by individual audited bodies. PSAA will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising PSAA's own costs. The changes to our role and functions will enable us to run the new scheme with a smaller team of staff. PSAA is a not-for-profit company and any surplus funds will be returned to scheme members.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk. Pooling means that everyone within the scheme will benefit from the most competitive prices. Current scale fees are set on this basis. Responses from audited bodies to recent fee consultations have been positive.

PSAA will continue to consult bodies in connection with any proposals to establish or vary the scale of fees. However, we will not be able to consult on our proposed scale of fees until the initial major procurement has been completed and contracts with audit firms have been let. Fees will also reflect the number of scheme participants - the greater the level of participation, the better the value represented by our scale of fees. We will be looking for principal bodies to give firm commitments to join the scheme during Autumn 2016.

The scheme offers multiple benefits for participating bodies

We believe that PSAA can deliver a national scheme which offers multiple benefits to the bodies which take up the opportunity to collaborate across the sector by opting into scheme membership.

Benefits include:

- assured appointment of a qualified, registered, independent auditor
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives or combined authorities, if the parties believe that it will enhance efficiency and value for money
- on-going management of independence issues
- securing highly competitive prices from audit firms
- minimising scheme overhead costs
- savings from one major procurement as opposed to a multiplicity of small procurements
- distribution of surpluses to participating bodies
- a scale of fees which reflects size, complexity and audit risk
- a strong focus on audit quality to help develop and maintain the market for the sector
- avoiding the necessity for individual bodies to establish an auditor panel and to undertake an auditor procurement
- enabling time and resources to be deployed on other pressing priorities
- setting the benchmark standard for audit arrangements for the whole of the sector

We understand the balance required between ensuring independence and being responsive, and will continually engage with stakeholders to ensure we achieve it.

How can you help?

We are keen to receive feedback from local bodies concerning our plans for the future. Please let us have your views and let us know if a national scheme operated by PSAA would be right for your organisation.

In particular we would welcome your views on the following questions:

1. Is PSAA right to place emphasis on both quality and price as the essential pre-requisites for successful auditor appointments?
2. Is three to five years an appropriate term for initial contracts and for bodies to sign up to scheme membership?
3. Are PSAA's plans for a scale of fees which pools scheme costs and reflects size, complexity and audit risk appropriate? Are there any alternative approaches which would be likely to command the support of the sector?
4. Are the benefits of joining the national scheme, as outlined here, sufficiently attractive? Which specific benefits are most valuable to local bodies? Are there others you would like included?
5. What are the key issues which will influence your decisions about scheme membership?
6. What is the best way of us continuing our engagement with you on these issues?

Please reply to: generalenquiries@psaa.co.uk

The following bodies will be eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils in England
- district councils
- London borough councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area in England
- chief constables for an area in England
- national park authorities for a national park in England
- conservation boards
- fire and rescue authorities in England
- waste authorities
- the Greater London Authority and its functional bodies.

BOARD MEMBERS

Steve Freer (Chairman), former Chief Executive CIPFA

Caroline Gardner, Auditor General Scotland

Clive Grace, former Deputy Auditor General Wales

Stephen Sellers, Solicitor, Gowling WLG (UK) LLP

CHIEF OFFICER

Jon Hayes, former Audit Commission Associate Controller

“Maintaining audit quality is critically important. We need experienced audit teams who really understand our issues.”

– Andrew Burns, Director of Finance and Resources,
Staffordshire County Council

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Public Sector
Audit Appointments

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

ANNUAL STATEMENT OF ASSURANCE 2015-16

Report of the Chief Fire Officer

Date: 23 September 2016

Purpose of Report:

To present the Annual Statement of Assurance 2015-16 for approval.

CONTACT OFFICER

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1. BACKGROUND

- 1.1 The Fire and Rescue Service National Framework places a mandatory requirement on fire authorities to provide assurance on financial, governance and operational matters, with due regard to the expectations set out in the Integrated Risk Management Plan.
- 1.2 The production of an Annual Statement of Assurance contributes to the requirement for greater public sector transparency and accountability and with its publication offers and promotes accessibility to information.
- 1.3 The 2015-16 Statement of Assurance replaces the 'annual report' and is supported by guidance from the Chief Fire Officers Association.

2. REPORT

- 2.1 The Annual Statement of Assurance 2015-16, attached at Appendix A, provides a backwards look at organisational performance, providing confidence to local communities and Government in support of the Services national resilience role.
- 2.2 The document provides an overview and signposts (in the form of Links) available information that can be accessed, for example, Statement of Accounts and Fire Authority reports.
- 2.3 The following sections summarise the contents of the Annual Statement of Assurance 2015-16:
 - **Financial Performance** – sets out the financial performance of the Service
 - **Governance Statement** - explains how the Service manages its governance and internal control measures.
 - **Our Services to the Community** – Provides progress against the priorities set out within the Integrated Risk Management Plan.
 - **Framework Requirements** – this demonstrates how the Service has met the requirements set out in the National Framework (2012).
 - **Planned Improvements** – this provides a forward looking aspect for the year ahead and supports the IRMP priorities.
 - **Our Community Engagement** - forms part of the arrangements for transparency and how further information and feedback will be dealt with by the organisation e.g. general enquires for information or complaints.

3. FINANCIAL IMPLICATIONS

There are no financial implications associated with 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 IMPLICATIONS

An Equality Impact Assessment has not been undertaken as this report does not change policy or service delivery functions.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

Failure to produce the statement and make it publicly available could lead to Government intervention, and undermine community confidence in the Service.

8. RISK MANAGEMENT IMPLICATIONS

There are no risk management implications arising from this report.

9. RECOMMENDATIONS

It is recommended that Members approve the Annual Statement of Assurance 2015/16.

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

None

John Buckley
CHIEF FIRE OFFICER



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Statement of Assurance 2015 - 2016

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Introduction

Within the current Fire and Rescue National Framework for England the Government set out its requirements for fire and rescue services to publish a statement of assurance. This annual document provides assurance to communities on financial, governance and operational matters. The statement will show how Nottinghamshire Fire and Rescue Service (NFRS) has had due regard to the expectations set out in the Integrated Risk Management Plan (IRMP) and the requirements included within the Framework document.

Context

The Service is accountable for its performance and is open to evaluation by the communities it serves. Much of the information communities require to make a valid assessment of the fire and rescue authority's performance is already available. This Statement of Assurance presents this information in a clear, accessible and user-friendly way setting the context within each section and using links to key documents where appropriate to evidence compliance with external and internal performance standards.

Financial Performance

Under the Local Government Act 1999 fire and rescue authorities are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is properly accounted for and used economically, efficiently and effectively.

NFRS provides financial assurance through the publication of an Annual Statement of Accounts ([Link](#)). This is a statutory requirement under the Accounts and Audit Regulations 2015, and the accounts are prepared following the Code of Practice on Local Authority Accounting. The financial statements are subject to review by independent auditors as directed by the Local Audit and Accountability Act 2014.

The Service's appointed external auditor has been KPMG LLP since 2012/2013. The auditors are responsible for two key areas:

1. *Financial statements (including the Annual Governance Statement ([Link](#))):* Providing an opinion on your accounts; and
2. *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

Internal Audit forms part of the wider system of internal control which deals entirely with the Authority's exposure to financial, and to some extent non-financial risk. The Service's internal audit for 2015-16 ([Link](#)) was provided by Nottinghamshire County Council. Presenting the annual report to the Finance and Resources

Committee of the Authority enables Members to see the work of internal audit and the contribution that they make to the overall system of internal control.

Governance Statement

The Annual Governance Statement ([Link](#)) publicly explains how the Service manages its governance and internal control measures. It is an open and honest account of how the Service ensures its financial management system is adequate and effective, as well as ensuring it has a sound system of internal control, assuring the utmost integrity in all its dealings.

The Governance Framework comprises the systems, processes, cultures and values for the direction and control of the Authority and the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

In addition to the Annual Governance Statement, the Authority has a Code of Corporate Governance ([Link](#)) that the Authority commits to in carrying out its duties and responsibilities. In this document, officers have identified against each of the code's principles what source documentation or existing practice demonstrates how the Authority complies with the principles that make up the code.

NFRS believes it is important to be open about the way it spends public money. We have used the Local Government Transparency Code 2014 on data transparency, which recommends datasets the Service should make available as a minimum ([Link](#)), as a starting point for deciding what information NFRS should make available.

Our Services to the Community

The Authority's IRMP provides an opportunity to demonstrate how the Service will discharge its responsibilities in a way that is open and transparent to its communities and others with an interest.

IRMP 2014-2019 ([Link](#)) identifies and assesses foreseeable fire and rescue related risks which could affect its communities, including those of a cross-border, multi-authority and/or national nature. The plan has regard to the community risk registers produced by the Local Resilience Forum (LRF) and any other local risk analyses as appropriate.

Consultation on the IRMP was carried out by Opinion Research Services ([Link](#)) and included online and paper surveys as well as face to face forums with different communities across the county.

Set out below are the actions that the Service has taken against each of its six priority areas over the period 2015 – 2016.

Priority 1 Service Delivery

The Service will continue to use a risk-based approach to improve the service to individuals, communities and local businesses with an emphasis on creating safer communities, and reducing death and injuries. NFRS will do this through four key themes: preparedness, response, prevention and protection.

The Service has continued to enhance the use of technology in order to increase the safety and effectiveness of its operational personnel. During 2015-16 the introduction of the Redkite Competence Recording System assures the competence of personnel in the 'core skills' required by an operational firefighter and allows assurances to be quickly and accurately gained as well as highlighting training needs and development plans for individuals.

During 2015-16 the Service started a Retained Duty System (RDS) review project which aims to ensure that a sustainable RDS response provision is maintained within the Service as part of the Organisation's response to risk. Key areas to be addressed during the project include a review of the processes around recruitment, enabling a sustained recruitment process to be undertaken for new RDS firefighters. This has already resulted in 61 RDS personnel being recruited and trained in 2015-16. The Service is also taking steps through the RDS review to increase the retention of personnel through reviewing operational activity, terms and conditions and support available to personnel on the RDS.

In collaboration with Leicestershire and Derbyshire Fire and Rescue Services a new command and control system for receiving 999 calls and mobilising appliances to emergency incidents has been implemented. This system functions on the basis of automatic vehicle location (GPS), dynamic routing and attribute based mobilising ensuring the nearest, most appropriate resources are mobilised to incidents. As this system now incorporates all 3 services it allows NFRS to autonomously mobilise the resources of all 3 services on a basis of 'borderless mobilising', streamlining attendances at incidents that are in proximity to the borders of the counties.

NFRS is committed to the National Operational Guidance Programme (NOG) which produces best practice operational guidance. NFRS has already produced breathing apparatus and incident command guidance aligned to the NOG and will continue to review and align existing operational guidance to reflect the guidance as and when it is published.

A community safety initiative around Health and Wellbeing, is contributing to the Service developing a more holistic role in the delivery of community safety which ensures NFRS also supports the key safety messages of partners' agencies to further help and support the most vulnerable members of communities.

The Service commenced a Emergency First Responder (EFR) trial in 2015 to explore the delivery of EFR services to communities. The trial has seen the provision of emergency response by fire service personnel to 'Category 1' medical emergencies to render life-saving intervention.

The Service uses a targeted approach when carrying out fire protection activities and ensures all dealings with properties are relevant and proportionate to the risk we perceive the premises presents to the community. Two particular priorities are hospital/care facilities and sleeping accommodation (flats, bedsits etc.) above businesses. NFRS is working proactively with businesses and landlords to reduce this risk.

NFRS actively engages with local businesses through the Growth Hub and Local Enterprise Partnerships. The Services Business Education Advocate organises forums, training and advice sessions to publicise the assistance NFRS can provide to support business resilience and the local economy.

NFRS is a Primary Authority with Boots PLC, one of the largest retailers in the UK. This partnership allows the Service to provide assured advice to Boots to support their business nationally and demonstrates our commitment to providing clear, consistent support to local and national businesses, whilst similarly respecting the advice given to other businesses who are in Primary Authority Schemes with other fire and rescue services.

Priority 2 Employees and Workforce

The Service will ensure that employees have the capacity and skills to meet NFRS's delivery objectives and provide a work place where employees feel supported, valued and competent to undertake their roles.

Since the implementation of the current IRMP, the Service has made savings in salaries due to a reducing workforce of £3.5m. The numbers have reduced from 991 (April 2014) to 941 (April 2016) people in post, and the number of established posts has reduced from 997 to 937 in the same period. These reductions have been achieved through reviews of the county's fire cover arrangements ([Link](#)), which has seen the realignment of operational resources to better meet service demands and risk which had also led to efficiencies in the delivery of support services.

These reductions have primarily been achieved through voluntary redundancy or natural turnover. An annual workforce plan ([Link](#)) ensures that the Service maintains an overview of workforce numbers, skills and projected turnover to maintain effective service delivery to communities. Whilst the Service has not recruited to its whole-time operational establishment since 2012, it has actively sought to recruit fire fighters to provide retained cover on an RDS basis, increasing appliance availability and enhancing the role of the retained workforce.

The Service has successfully implemented a programme to ensure that all operational personnel have been fully trained to work to the new fire fighting national procedures around operational guidance for breathing apparatus. Complying with the guidance the Service has also implemented a follow-on two year programme for all operational personnel being required to revalidate their breathing apparatus competencies.

A new virtual reality incident command simulator training facility has been procured and introduced to deliver highly realistic operational incident simulation scenarios for the assessment and development of operational commanders. All initial incident commanders are now being assessed on their command competence on a two yearly cycle.

The Service is now working to a new Digital Learning strategy ([Link](#)) with a development plan to introduce and mainstream digital learning within the Service. Increased funding and resources have been made available which has seen the early development of digital learning interventions.

Overall absence was 8.57 days per employee in 2015-16. The majority of this absence (67%) was due to long-term medical conditions. This is slightly higher than the national public sector sickness average of 7.9 days. Various initiatives have been implemented in 2015-16 to assist in reducing sickness levels, including:

- The Service has achieved its aim of attaining a 98% fitness pass rate for operational employees during 2015. During the course of the year new fitness equipment has been purchased to enhance strength training and a new functional approach to fitness is being introduced to reduce the likelihood of musculo-skeletal injury and extend operational career fitness;
- The occupational health (OH) team has rolled out a programme of post incident support training across the Service, and a peer support programme has been introduced during 2015 in response to a rise in mental health issues, to promote a more open culture aimed at removing the stigma associated with emotional or mental ill health; and
- The Service has actively promoted a number of healthy lifestyle campaigns through its OH team and has achieved a silver level in the Nottinghamshire Workplace Health Award scheme during 2015. The appointment of a dedicated OH Support Officer, and development of an OH intranet site, means that employees have ready access to information and guidance on health issues.

As part of the Services organisational development agenda, the core values have been reviewed and revised through independently facilitated workshops which have been open to all employees. The agreed values have been widely promoted and each departmental team is working to define what the values mean to them in terms of performance and behaviour.

There has been a concerted effort to improve opportunities for employees to engage with the Service, to raise awareness of key issues and to contribute to service development during 2015. This forms a key part of NFRS's organisational development agenda. Over 200 employees attended conferences led by the Chief Fire Officer over the past year to explain future challenges and respond to concerns about the future. These sessions form part of an on-going dialogue with the workforce.

The Service continues to have good relationships with all representative bodies, and meets regularly to discuss workforce issues.

Priority 3 Improvement and Governance

With increasing demand for services likely across the public sector, NFRS will be required to base its decisions upon robust intelligence and work alongside its partner/agency service providers in a more collaborative manner.

A fire peer challenge took place in June 2015. The process was split into two areas, firstly with the creation and submission of a self-assessment ([Link](#)), and secondly a visit carried out by the peer challenge team who used the self-assessment to guide their enquiries. The report ([Link](#)) produced by the peer challenge team was then shared with the Fire Authority to highlight areas of notable practice and some areas that the Service may want to focus on.

A review of the 2013 consultation framework ([Link](#)) has been conducted, the content of the framework was considered to still be fit for purpose. The framework continues to be based upon the good practice principles of consultation previously set by Government. These ensure that any process conducted will stand up to external scrutiny and has recently been supported by a Government update to guidance to public bodies who are required to formally consult.

An update of the 2010 fire cover review (FCR) was undertaken in 2015. The 2015 FCR report ([Link](#)) looks to set the context in which the Service operates. This included reviewing the changing environment, economic, legislative and demographic profile of the county and the updated risk profile. The review considered the interdependencies that exist between other Service projects and plans that impact on the way the Service looks in the future, including but not exclusively:

- Medium term estates plan;
- Specialist rescue team review;
- Watch manager review;
- RDS review;
- Flexi duty officer review;
- Fire investigation review.

In simple terms, the FCR is a risk assessment. The inputs and outcomes are a result of a risk analysis utilising the Services activity levels over the last five years.

During 2015-16 the Service started to implement its Organisational Development and Inclusion Strategy ([Link](#)). There are six work streams within the strategy:

- Embed a strong set of values, underpinned by a set of behaviours, to create a positive and achieving culture;
- A focus on service improvement;

- Encourage a more collaborative, creative, innovative work environment in which all employees feel engaged;
- Increase the number, quality and accountability of visible leaders at all levels of the organisation;
- Become more effective and efficient by best use of new and existing technologies;
- Mainstream equality further through an “Inclusion” approach.

The Service launched its staff suggestion scheme “Little Acorns” during 2015, inviting all employees to submit ideas about how we can improve the Service or work more efficiently. The response has been encouraging, with a number of ideas being raised and taken forward as new practice.

The Employee Engagement Network is a group of volunteer employees whose objective is to:

- Help ensure all employees have a positive and valued work environment by encouraging welfare and fairness at work;
- Provide an independent voice which encourages employees to engage with NFRS, for the purpose of making suggestions, recommendations and improvements; and
- To inspire relationships in order to promote engagement with the people NFRS serves, its employees and partners in collaboration through signposting.

NFRS continues to satisfy the requirements of the Civil Contingencies Act 2004, working alongside neighbouring Fire and Rescue Authorities and nationally, to achieve effective interoperability. The Service has adopted the Joint Emergency Services Interoperability Doctrine and National Co-ordination and Advisory Framework and participate in joint exercises to ensure that we are well prepared to deal with larger scale emergencies.

The Service works closely with other emergency responders and the local and national resilience structures to ensure preparedness for risks identified within the national and local risk register. NFRS is an integral partner within the LRF and currently chair the training sub group and the Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) weapons group. In support of national resilience, NFRS has enhanced the capability to respond to major emergencies such as terrorist attacks, industrial and domestic accidents and natural disasters. We are a partner in the Multi Agency Initial Assessment Team which provides an initial assessment of potential CBRNE incidents.

A risk-based approach has enabled the Service to develop tactical and strategic plans with partners to deal with major events such as extreme weather, flooding, industrial action, fuel shortage, pandemic flu, power shortages and anti-social

behaviour. Local teams continue to undertake themed visits and inspections to enhance awareness of important local community risks.

A review of protective security within the Service has been undertaken to ensure compliance with the Chief Fire Officers Association (CFOA) framework and toolkit. As a result a Protective Security Steering Group (PSSG) has been established to act as a facilitator for cross-cutting advice to ensure security is consistent and supports business objectives. The PSSG provides support and direction for the implementation of protective security controls across the Service and takes a holistic approach to physical security controls, personnel security controls, information security controls, business continuity and wider risk management issues.

Priority 4 Engagement and Partnerships

The Service continues to work closely with partners and community organisations in order to identify and keep safe those members of Nottinghamshire's communities who are most at risk.

NFRS has worked alongside religious leaders who provide shelter for the homeless during the winter months. During the winter 2015-16 they provided shelter to more than 115 guests, and helped many of these people improve their lives through outreach programmes. NFRS ran an education and support program to help the venues improve their fire safety.

The Service worked closely with housing providers to set up a Memorandum of Understanding with 10 of the major social housing providers including; Gedling Homes, A1 Housing and NCH enabling the mutual sharing of data. A housing best practice steering group was also established where a league table highlighting fires and false alarms in properties is presented in order for providers to identify their fire safety issues and highlight how these can be addressed working collaboratively with the Community Safety Team and Fire Protection.

NFRS was instrumental in the design and implementation of a multi-agency Hoarding Framework. The Framework was developed in partnership to provide a co-ordinated approach to help partners address situations where hoarding becomes an unsafe environment for the citizens involved, other agencies and firefighters. The framework has been identified as best practice by the CFOA and has been shared and adopted by other fire and rescue service's.

Where hoarding occurs, some partner agencies may be perceived as a threat by the hoarder but the fire and rescue service are predominantly perceived as a neutral or positive presence where other agencies may not be welcomed. This means that the Service is better able to engage with hoarders, help assess the situation and where necessary, support progression towards a resolution. In addition, partnership working prevents duplication and with each partner issued with a tool kit, information and guidance of which agency should do what and when, ensures that all organisations are aware of their specific roles and responsibilities and the situation can be handled gently in a manner most suitable for each case.

In 2015-16 the pilot New Cross project provided a cross sector approach to more effectively support local communities, bringing together different agencies and taking an integrated approach with all frontline staff. A member of the NFRS was seconded to Ashfield District Council for 18 months to oversee the project, which covers a small community of 1,200 homes within Sutton-in-Ashfield. The Risk Reduction Officer was assigned as a case worker, overseeing four cases. The Officer coordinates relevant service providers to assist in particular cases and in one case, supported a particular individual in securing a tenancy following periods of drug abuse, homelessness and incarceration.

Priority 5 Environment

NFRS is committed to minimising our impact on the environment by integrating environmental considerations into all aspects of the Services work, by meeting legal standards, seeking competent advice and adopting best practice. During 2016 the Service carried out an audit of current arrangements for managing environmental risk. This has led to the introduction of a register that records environmental aspects and impacts, which will be kept under review. This has also encouraged the Service to consider other risks by integrating risk management considerations into procurement processes, the vehicle replacement strategy and the property strategy.

The station replacement programme continues in-line with the property strategy and the new station at London Road, Nottingham is now open. The new station incorporates similar features to other recently built stations and is linked to Nottingham City's district heating system which will contribute to reducing CO2 emissions by one third. Thermal insulation has been increased and energy efficient lighting systems and photovoltaic cells for electricity generation have been fitted.

Other strategies being incorporated by the Service to address its environmental responsibilities are the on-going roll out of Skype for business which will reduce the need for business travel through the provision of telephone and video conferencing functionality. A vehicle utilisation study has also been conducted by the Service with the aim of identifying targets for the reduction of carbon emissions associated with vehicle use.

Priority 6 Inclusion and Equality

NFRS prides itself on its approach to inclusion and equality. The Service will continue to work on the principle to treat people equally, but that we may need to treat them differently.

The Service achieved the excellent level against the Fire Service Equality Framework, and improved its position in the Stonewall Top 100 Employers during 2015, this reflects the Service's commitment to embedding a culture of fairness and equality across the workplace.

A programme of training on diversity issues forms part of the core training prospectus and inclusion forms a key part of our organisational development programme ("Shaping Our Future") ([Link](#)). Respect for others is one of the central

principles of NFRSs core values ([Link](#)) and is reflected in our expectations of the way that employees conduct themselves and engage with the counties diverse communities.

The Service offers an annual work experience programme for Year 10 pupils, and has an apprenticeship scheme in place to provide work experience in support roles. The Service is currently looking at extending this to operational fire fighter roles. NFRS also runs Prince's Trust programmes, working with disadvantaged young people to promote citizenship and respect, financial independence and practical skills and build self-esteem and motivation. Last year, the Prince's Trust programme supported 177 young people in five locations throughout the county.

NFRS is investing in a range of initiatives internally, encouraging people to develop themselves. The Service has started to develop its coaching programme during 2015-16 which is leading to a range of opportunities for staff. The Service is also providing more placement and secondment opportunities to staff which helps to develop individuals but also assists them in having a broader understanding of the organisation.

The Service continues to pay the Living Wage and has now extended this to suppliers. During 2015-16 the Service entered into a new partnership with Pulp Friction. Pulp Friction is an organisation which provides volunteering opportunities for young adults with learning disabilities to develop work-readiness, social and independence skills. The organisation operates from the Service's headquarters canteen.

Framework Requirements

In July 2012 the Department for Communities and Local Government published the current Fire and Rescue National Framework for England ([Link](#)). This document sets out the Government's priorities and objectives for fire and rescue authorities in England. The Framework sets out high level expectations and does not prescribe operational matters. Operational matters are best determined locally by fire and rescue authorities, working in partnership with their communities; local citizens, businesses, civil society organisations and others.

Nottinghamshire Fire and Rescue Service can confirm that the Framework requirements have been met.

Planned Improvements

2016-2017 continues to see further development of proposals relating to the way in which the Service will change over the next few years. The Service has completed the work around the balancing the budget document ([Link](#)) which has seen the delivery of £2.4m savings ([Link](#)).

The Service is faced with finding further savings of up to almost £4 million between now and 2020. In addressing this, the Authority approved the recommendations contained within the NFRS sustainability strategy report ([Link](#)) which presented

proposals, highlighted strategies and sought approval for actions to ensure the Authority is in the best position possible to meet the financial pressures within the anticipated constraints to 2020. The proposals presented included increasing the use of RDS staffing of appliances, emerging technologies to bridge the gap when using smaller crew numbers, alternative crewing models and methods to staffing appliances, rather than purely RDS or Wholetime duty systems to ensure appropriate availability of resources relative to demand.

The Service continues to plan for the introduction of the new 'Safe and Well Checks' in 2017, an initiative that supports the Health and Wellbeing agenda, with the fire service taking on a broader role when undertaking Home Safety Checks. This will mean that not only will support be given to make someone's home safer from fire, but that the Service may also give out advice such as; fall prevention, winter warmth and home security, or signpost people to other services such as smoking cessation and drug and alcohol interventions.

A schools education package based on the great fire of London will be delivered to all key stage 1 pupils across the county. This new package, aligned to the national curriculum, ensures that safety in the home forms part of the main stream educational program. This early age education serves to start the journey that promotes lifelong safety education through various educational and community safety interventions.

The organisational development and Inclusion strategy ([Link](#)) remains a key element of the transformational programme, and will form a major part of the work being carried out by the newly formed transition team. This team will oversee the implementation of the sustainability strategy during 2016/17.

The development of the Operational Intelligence Module will provide mobile risk information to operational crews based on the principles of the Provision of Operational Risk Information System to maximise fire fighter safety to locally identified risks.

NFRS is developing a new performance framework and is currently running a project to look at the procurement of a business performance management system, with the intention of becoming more intelligence led, utilising data from partners such as health, police and local authorities. There is also an emphasis on providing data in real time and making it more accessible for stakeholders thus improving the transparency of the Service.

During 2016-17 the Service's health and safety department will develop an environmental strategy and policy statement that will set targets for the reduction of waste produced by the Service, with the ultimate aim of sending zero waste to landfill. The vehicle replacement strategy will reflect the aim of the Service to ensure the most suitable type of vehicle are procured for their purpose, taking into consideration fuel efficiency and emissions.

Our Community Engagement

How you can become involved

Nottinghamshire and City of Nottingham Fire Authority is a body of 18 elected members (six from the City Council and twelve from the County Council) that exists to supervise and direct the work of the Service and hold it to account to ensure it performs efficiently in the best interests of the community.

Members of the public can get involved with the work of the Fire Authority by attending the public meetings that are held regularly by the Authority and its sub-committees at NFRS headquarters. You can find out more about the Fire Authority, its work and access documents from previous and future meetings via this [\(Link\)](#). NFRS values the views of the communities we serve to ensure we are providing you the service you need. We consult formally on the ways in which we propose to deliver services – particularly when developing the IRMP, which sets out how we intend to manage the Service for the next five years. More information about NFRS’s consultation activities is available via this [\(Link\)](#).

Much of the Service’s work with the public is done face-to-face by fire fighters and community safety staff, whose aim is to make communities safer. You can see how we do this, find advice on making yourself safer at home, work or play in the county or contact us for more information by visiting our website [\(Link\)](#)

You can also find us on Facebook [\(Link\)](#)

And; on Twitter by searching for: @nottsfire

Access to information

Details regarding our arrangements in respect of access to data and information can be found on the NFRS website via the following [\(Link\)](#)

How to make a compliment or a complaint

NFRS aims to make it as easy as possible for the people we serve to let us know their views. Through listening and learning we improve the quality of the services we provide, and encourage and recognise good practice by staff.

We want to hear from people if they:

- Have a suggestion on how we might improve services.
- Would like to compliment us on a job well done.
- Feel we have fallen short of their expectations.
- Feel we have fallen short of the standards we set ourselves in dealing with complaints.

There are a number of ways in which you can compliment, comment or complain about our services:

- Email us on enquiries@notts-fire.gov.uk
- Phone us on 0115 967 0880
- In person by calling into one of our stations or headquarters
- By post, to:

Nottinghamshire Fire and Rescue Service
Bestwood Lodge, Arnold, Nottingham NG5 8PD

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

PAY POLICY

Report of the Chief Fire Officer

Date: 23 September 2016

Purpose of Report:

To present the Statement of Pay Policy 2016/17 for approval by the Fire Authority, and subsequent publication to meet the requirements of The Localism Act 2011.

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1. BACKGROUND

- 1.1 The Localism Act 2011 places a requirement on 'relevant authorities' to prepare pay statements for each financial year. This duty commenced in 2012/13, and, as defined by section 43(1) of the Act, a fire authority is considered a 'relevant authority'.
- 1.2 Pay statements must articulate an authority's own policies towards a range of issues relating to the pay of its workforce, particularly those of its senior officers and its lowest paid employees.
- 1.3 The pay statement must be agreed by the Fire Authority annually, be published and accessible.

2. REPORT

- 2.1 At its meeting on 8th July 2016, the Policy and Strategy Committee endorsed the Statement of Pay Policy 2016-17 subject to approval of the full Authority. It agreed the proposed document, at Appendix A, will be published and made available to the public.
- 2.2 The basis for Section 38(1) of the Localism Act 2011 reflects the recommendations of the Hutton Report on Fair Pay in the Public Sector. The Act drew on these recommendations to emphasise the need for accountability, transparency and fairness in the setting of local pay and placed a requirement on elected Members to take a greater role in determining pay, and that such decisions should be set clearly within the context of the pay of the wider workforce.
- 2.3 To this end, pay policy statements must be considered by the full Authority and may not be delegated to a sub-committee. Any meetings at which pay policy is established must be open to the public.
- 2.4 Additionally, the full Authority should be offered the opportunity to vote before large salary packages are offered in respect of new appointments. The threshold to be set at packages valued at £100k and to include bonuses, fees and allowances and any benefits in kind.
- 2.5 The policy statement must specifically include the approach to the publication of and access to information relating to the remuneration of Chief Officers and Deputy Chief Officers.
- 2.6 The statement must also set out the policy on remuneration for highest and lowest paid employees and establish the relationship between the remuneration of its Chief Officers and other employees. The Authority does not use a pay multiple to establish a differential between the highest and lowest paid employees as pay is determined through robust evaluation processes and in-line with National Joint Council agreements applicable to all members of staff.

- 2.7 The policy must also set out the approach to other elements of remuneration, including bonuses, performance related pay and severance payments.
- 2.8 The policy also needs to set out the position taken on re-engagement of Chief Officers in receipt of a pension (including under a contract for services), and any abatement measures in place across the workforce.
- 2.9 Details of severance payments, including redundancy, must also be explicit within the policy.
- 2.10 The policy provides a summary of pay policy and practices across the Service and, in particular, details the pay policy for the Chief Fire Officer and other Principal Officers. The main updates to the previous Statement of Pay Policy are as follows:
- Reference to the new national living wage (Paragraph 1.2);
 - Updates to pay information relating to mean average pay and pay multiples (Paragraphs 1.8 and 1.9);
 - Confirmation of national annual pay awards payable in 2015 (Paragraphs 2.4, 3.2, 4.2);
 - Confirmation that no pay award was made to Principal Officers under local pay review arrangements (Paragraph 2.13);
 - Reference to the dis-establishment of the role of Strategic Director for Finance and Resources (Paragraph 2.14);
 - Update to minimum rate of pay for Chief Fire Officers by population size (Paragraph 2.22);
 - Update of the cost of corporate health care scheme membership (Paragraph 2.10.5);
 - Confirmation that compensation payments were agreed in eight cases in 2015-16 as part of redundancy payments (Paragraph 6.3);
 - Confirmation that settlement payments were agreed in two cases in 2015-16 (Paragraph 6.4);
 - Reference to new public sector exit payments regulations (Paragraph 6.5 and 6.6);
 - Confirmation that early payment of pension was agreed in five cases in 2015-16 (Paragraph 6.7). These were paid to eligible pension scheme members over 55 as part of voluntary redundancy arrangements;
 - Update on employer pension scheme contributions (Paragraphs 2.10.2; 3.7; 4.6).

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

The Service already has in place a number of policies and agreements in relation to pay and remuneration, appointments and severance payments. However, the provisions of the Localism Act 2011 place a requirement on all public bodies to publish such information as a single Pay Policy and make it accessible to external scrutiny.

5. EQUALITIES IMPLICATIONS

There are no direct equalities implications arising from the Pay Policy itself, as this is a statement of current pay policy and practice. An Equality Impact Assessment forms part of the policy development process.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

- 7.1 The Localism Act places a statutory duty on Authorities to publish an annual Statement on Pay Policy commencing in the financial year 2012/13. The publication of the Pay Policy meets this obligation.
- 7.2 The impact of new regulations which affects the payment and repayment of public sector exit payments is contained with the Public Sector Exit Payment Regulations 2016 and Repayment of Public Sector Exit Payment Regulations 2015.

8. RISK MANAGEMENT IMPLICATIONS

As the Localism Act places a statutory duty on the Fire Authority, it must be in a position to publish its agreed position on pay and remuneration each year. Failure to do so may lead to legal challenge.

9. RECOMMENDATIONS

It is recommended that Members approve the Statement of Pay Policy at Appendix A.

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

None

John Buckley
CHIEF FIRE OFFICER



NOTTINGHAMSHIRE
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Nottinghamshire and
City of Nottingham Fire Authority

Statement of Pay Policy 2016/17



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Introduction

This statement of Pay Policy is provided in line with Section 38(i) of the Localism Act 2011 and is authorised by the Nottinghamshire and City of Nottingham Fire Authority.

Purpose

The purpose of this statement is to provide transparency to the pay policy adopted by the Nottinghamshire Fire and Rescue Service.

Accountability

The Combined Fire Authority is responsible for establishing the pay policy for the employees of the Nottinghamshire Fire and Rescue Service.

The Combined Fire Authority is directly responsible for reviewing the pay structure for Principal Officers including the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer roles.

The Chief Fire Officer has delegated responsibility to establish appropriate grading and salaries for all other employees of the Nottinghamshire Fire and Rescue Service.

Pay Negotiating Bodies

The Authority applies the annual pay settlements negotiated by:

- The National Joint Council for Local Government Services
- The National Joint Council for Local Authority Fire and Rescue Services
- The National Joint Council for Brigade Managers of Local Authority Fire and Rescue Services

The Authority undertakes negotiations with its recognised representative bodies on local agreements which affects the terms and conditions of its employees and which may include agreement of local allowances.

The Representative Bodies recognised for negotiating purposes are:

- The Fire Brigade's Union
- The Fire Officers Association
- UNISON
- The Association of Principal Fire Officers
- The Retained Firefighters Union

Section One - General Pay Policy

- 1.1 The Authority applies the pay scales adopted by the respective national Joint Councils for all its employees up to the level of Principal Officer.
- 1.2 The Authority has adopted the principle of applying the Living Wage rate as the minimum starting point for all substantive appointments. This is subject to annual review by the Centre for Research in Social Policy. From April 2016, the Service will also adhere to the National Living Wage rate (for employees over 25) where this is higher than the Living Wage.
- 1.3 Local pay arrangements for Principal Officers are established through the provisions of the NJC for Brigade Managers of Local Authority Fire and Rescue Services and are reviewed bi-annually by the Fire Authority. Further details are set out in Section 2
- 1.4 The number and level of roles within the Service are determined by the Fire Authority on advisement from the Chief Fire Officer.
- 1.5 Pay policy reflects the different roles, duties and responsibilities undertaken by Service employees. This is reflected in pay differentials between different groups of workers and between workers in the same pay group. The pay bands established are based on nationally applied role maps (operational employees) or grading bands established through a job evaluation process (support employees).
- 1.6 Pay policy reflects adherence to the principle of “equal pay for work of equal value”. The Service has committed to undertake an independent equal pay audit on a 3-yearly basis as a means of identifying any gender pay issues.
- 1.7 In applying its policy, the Authority will work to eliminate any elements which may, directly or indirectly, discriminate unfairly on the grounds of sex, race, colour, nationality, ethnic or national origin, age, marital status, having dependants, sexual orientation, gender reassignment, religion or belief, trade union activity, disability or any other factors. Part-time workers receive the same pay and remuneration as full-time workers undertaking the same job role on a pro-rata basis.

1.8 Generic pay information

1.8.1 Mean Average Pay

The mean average pay is calculated based on salary for Fire-fighters, Control and support employees. It does not include Retained Duty System Fire-fighters who are paid according to turn-outs (please refer to section 3.6).

1.8.2 The mean average pay for 2015-16 is £30,969 (as at 01/04/16). This compares to a mean average of £30,216 in 2014-15.

1.9 Pay multiples

1.9.1 The idea of publishing the ratio of the pay of an organisation’s top earner to that of its median earner has been recommended in order to support the principles of Fair Pay (Will Hutton 2011) and transparency.

- 1.9.2 The current ratio is 2.6:1, which compares to 2.5:1 in 2014-15. This will be monitored each year within the Statement of Pay Policy.

Section Two - Pay Policy for Principal Officers

2.1 General Principles

- 2.1.1 National pay awards negotiated by the National Joint Council for Brigade Managers of Local Authority Fire and Rescue Services are applied by the Authority on an annual basis. This represents a cost-of-living increase.
- 2.1.2 In addition, a review of Principal Officer pay is undertaken on a two-yearly basis by the Combined Fire Authority. This is managed through the Policy and Strategy Committee and is approved by the full Combined Fire Authority.
- 2.1.3 This review is undertaken by the Clerk to the Fire Authority and Treasurer to the Fire Authority, who are appointed by the CFA to report to the Authority on the methodology applied and to make recommendations on Principal Officer pay. The last pay review was undertaken in 2015 and recommended no increase in pay for Principal Officers.
- 2.1.4 Principal Officer roles covered by the review include the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer, the role of Assistant Chief Officer (Director of Finance and Resources) was made redundant in September 2015.

2.2 Establishing the Pay of the Chief Fire Officer

- 2.2.1 The National Joint Council for Brigade Managers of Fire Authorities establishes a minimum salary for Chief Fire Officers based upon population size as follows:
- Population band 1: up to 500,000
 - Population band 2: 500,001 – 1,000,000
 - Population band 3: 1,000,001 – 1,500,000
 - Population band 4: 1,500,000 and above (except London)
 - Population band 5: London
- 2.2.2 The population size for the Nottinghamshire Fire and Rescue Service is 1.1m. The minimum payment for the Chief Fire Officer is therefore based upon Population Band 3 which establishes a minimum rate of pay for 2015-16 at £108,881.
- 2.2.3 The base salary for the Chief Fire Officer role at Nottinghamshire Fire and Rescue Service is currently £148,842 within the range £133,958 to £148,842 per annum. Please refer to paragraph 2.3.1 for further details of pay policy on appointment.
- 2.2.4 Additionally, a car is provided for business use up to a value of £11,088 per annum. All private mileage is reimbursed to the Authority at HMRC approved rates.

2.2.5 Pension: The Service makes an employer contribution of 21.7% (1992 scheme), 11.9% (2006 scheme) or 14.3% (2015 scheme) depending on individual membership. This is in accordance with the contribution made to all members of the Firefighter's Pension Scheme (1992). The employee contribution for 2016 is either 16.5-17% (1992 scheme), 12.1-12.5% (2006 scheme) or 13.5- 14.5% (2015 scheme) of pensionable pay.

2.3 Local Pay Review

2.3.1 In 2013 the CFA revised the payment for Principal Officers from a single pay point to a 3-point model based upon length of service, as follows:

- Year One of appointment: 90% of full pay
- Year Two of appointment; 95% of full pay
- Year Three of appointment: 100% of full pay

Progression through the pay band is subject to a review of performance.

2.3.2 The CFA has also revised the methodology for the review of Principal Officer pay based upon a comparator for the role of Chief Fire Officer. The review compares the pay levels of comparable Fire and Rescue Authorities in the same Family Group of 18 Fire and Rescue Services, and establishes an average median pay point as a benchmark salary which is taken into account by the Combined Fire Authority when reviewing Principal Officer pay on a 2-yearly basis.

2.3.3 The pay review undertaken in 2015 did not support a pay increase for Principal Officer roles. The next pay review is scheduled for 2017.

2.4 National Pay Review

2.4.1 The national pay review undertaken by the NJC for Brigade Managers of Fire and Rescue Services applied an increase of 1%, with effect from 1st January 2016.

2.5 Other Principal Officer Pay

2.5.1 The Authority has established a policy that Principal Officer roles below that of Chief Fire Officer would be paid as a proportion of the locally agreed Chief Fire Officer base pay rate as follows:

- Deputy Chief Fire Officer - 82.5%
- Assistant Chief Fire Officer - 75%

2.6 Publication of Principal Officer Pay

2.6.1 Details of Principal Officer Pay are published on the Nottinghamshire Fire & Rescue Service internet site. This can be found by clicking on the section About Us>Access to Information>Local Transparency Data>Local Transparency Reports.

2.7 Principal Officer – internal pay comparators

- 2.7.1 In 2015-16, the lowest paid role within the Service was £16,120 (fte), which reflects the Authority's commitment to the living wage, the highest paid role within the Service was £140,053. The Service does not have a policy of direct correlation between the highest and lowest paid roles i.e. it does not apply a pay multiple in establishing Principal Officer pay.
- 2.7.2 The ratio of pay between the highest paid employee of the fire service and a median salary is set out in paragraph 1.9.
- 2.7.3 The pay (including rota allowances) of the most senior officer below Principal Officer (Area Manager) is 62.3% of Assistant Chief Fire Officer pay and 47% of Chief Fire Officer pay.
- 2.7.4 During 2015 the role of Head of Finance and Resources was dis-established and three senior support roles upgraded to an Area Manager equivalent for pay purposes. The pay of the most senior support role (at salary maximum) below Principal Officer (Area Manager – Support) is 50.7% of Assistant Chief Fire Officer pay and 39.6% of Chief Fire Officer pay.
- 2.7.5 It should be taken into account that the salaries of Principal Officers and other flexi-duty officers reflects a requirement to provide duty cover on a 24/7 rota basis.

2.8 Re-engagement

- 2.8.1 Principal Officers are subject to the same Re-engagement provisions as other Service employees. These are set out in more detail in Section 5.

2.9 Severance Payments

- 2.9.1 Principal Officers are subject to the same severance arrangements as other Service employees. These are set out in more detail in Section 6.

2.10 Other allowances

- 2.10.1 A car is provided for business use to Principal Officers (other than the Chief Fire Officer) up to the value of £8,022 per annum. All private mileage usage is reimbursed at the HMRC approved rate.
- 2.10.2 Pension: The Service makes an employer contribution of either 21.7% (92 scheme), 11.9% (2006 scheme) or 14.3% (2015 scheme) depending on scheme membership. This is in accordance with the contribution made to all members of the Firefighter's Pension Schemes. The employee contribution for 2016 will be between 12.2% and 16% (92 scheme), between 9.4% and 11.7% (2006 scheme) and 10% to 13.5% (2015 scheme) of pensionable pay.
- 2.10.3 Business mileage is reimbursed using fuel cards.

- 2.10.4 Subsistence allowances: reimbursement of expenses when working away from the home work base.
- 2.10.5 All employees are members of a corporate health scheme which provides cash-back for dental, optical and consultancy fees, and access to MRI, PET scans and counselling support. This is at a cost of £59.52 per employee per annum. Principal Officers are also members of this scheme.

Section Three - Pay Policy for Fire-fighters

- 3.1 This policy applies to Whole-time, Retained Firefighters and Control staff.
- 3.2 National pay awards negotiated by the National Joint Council for Firefighters of Local Authorities Fire and Rescue Services are applied by the Authority on an annual basis. This represents a cost-of-living increase. A 1% pay award was applied by the NJC for Local Authority Fire and Rescue Services from 1st July 2016.
- 3.3 Pay is based upon the role undertaken and the stage of competence of each individual i.e. trainee, in development and competent.
- 3.4 A formal assessment of individuals is undertaken at each stage of development before moving to the next salary level. Maintenance of competence is a requirement at all levels of the Service and is reviewed annually.
- 3.5 Progression between roles is subject to a competitive selection process.

3.6 Retained Duty System

- 3.6.1 Employees employed on the Retained Duty System are paid an annual Retaining Fee and receive subsequent payments based on attendance at incidents and other activity – these include attendance at drill nights, disturbance fees, turnout fees, attendance fees, training fees, other authorised NFRS duties and compensation for loss of earnings. All payments are made in line with nationally agreed pay scales and rates.

3.7 Other allowances and payments

- 3.7.1 Pension contributions: the Service makes an employer contribution of 21.7% of salary (1992 scheme), 11.9% of salary (2006 scheme) or 14.3% (2015 scheme) of salary (2015 scheme) for members of the Fire-fighter's Pension Scheme. The employee makes a contribution of between 12.2% and 16% (1992 scheme), 9.4% and 11.7% (2006 scheme) or 10% and 14.5% (2015 scheme) of pensionable pay.
- 3.7.2 Flexible duty payment: under national conditions of service, a flexible duty payment is made to Station Managers, Group Managers and Area Managers who provide flexible duty cover on a 24/7 rota basis and who are available to attend emergency incidents when required, and provide Duty Officer cover. This is paid at an allowance of 20% of base salary.
- 3.7.3 Area Manager rota payment: under local arrangements, Area Managers are paid a rota payment equating to 11.67% of base salary.

- 3.7.4 Acting up: An allowance is paid on a daily basis where employees temporarily undertake the duties of a higher graded role. This is paid at the rate applicable to the role being undertaken. Employees must be qualified to undertake the higher level role.
- 3.7.5 Overtime rates: paid for roles below Station Manager. This is paid at time and a half or double time on public holiday or time may be granted in lieu at the appropriate enhanced rate.
- 3.7.6 Detachments: paid when operational employees are required to provide cover at other stations. Paid at 2 hours overtime rate.
- 3.7.7 Recall to duty: paid at a minimum of three hours at double time rates.
- 3.7.8 Continuous Professional Development Payment (CPD): Under national conditions of service, a CPD payment is approved annually on an individual basis for employees with more than 5 years of service (since attaining competence in role).
- 3.7.9 This is paid as an annual payment of £894 (whole-time FF-WM), £1072 (whole-time SM-AM) and £223.56 (retained). The payment made to retained duty system employees is paid on pro-rata basis (25% of full value).
- 3.7.10 The payment is made by application and authorised at a senior management level. To be eligible, an individual must demonstrate evidence of CPD over and beyond that required for competence and have a good attendance, performance and disciplinary record.
- 3.7.11 Additional Responsibility Allowance (ARAs): may be paid where employees perform duties outside of the national role map. At NFRS, two levels of payment are applied. The lower level is paid at £250 per annum and the higher level at £500 per annum. There are 74 higher level ARAs and 6 lower level in payment at the current time. Payments are conditional upon individual's performing additional duties / responsibilities and maintaining competence in these areas, this may include taking professional or vocational qualifications.
- 3.7.12 National Resilience Payment: a local payment is made for employees volunteering for crewing of the High Volume Pump, Enhanced Command Support Vehicle and Incident Response Unit which form part of the national resilience network. Volunteers are available on an on-call basis and could be required to operate outside of the county to respond to national emergencies. Current payments are £500 per annum and there are 27 employees receiving this payment, and 3 receiving a higher level co-ordinators allowance of £1000. The payment is funded by national grant.
- 3.7.13 Special Response Team: a local payment is made for employees volunteering for this tactical response team. Volunteers are available on an on-call basis. Current payments are £500 per annum and there are 56 employees receiving payments and 3 receiving £1000 for co-ordinating activity.

- 3.7.14 Inter-Agency Liaison Officers: a local payment is made for employees volunteering to be Inter-Agency Liaison Officers at Special Response incidents. Volunteers are available on an on-call basis. Current payments are £500 per annum and there are 6 employees receiving payments.
- 3.7.15 Messing allowance: Paid to station personnel who are responsible for catering arrangements on fire stations.
- 3.7.16 Spoilt meals: Paid when prepared meals are uneaten as a result of attending an emergency call-out.
- 3.7.17 Kit Carrying allowance: business mileage rate as per national conditions paid to compensate operational employees who are required to transfer fire kit in their own vehicles.
- 3.7.18 Travel allowance: a local allowance to cover additional travel costs when an operational employee is compulsorily transferred to another work base. A payment is made of the difference in mileage undertaken and is paid for 3 years (compulsory transfer) or 18 months (promotion).
- 3.7.19 Essential Car User: A lump sum is paid to employees who are required to use their own vehicles to undertake their job role. This is based on nationally determined allowances. The allowance may be off-set against leasing arrangements for a vehicle, the balance of which is paid by the employee.
- 3.7.20 Business mileage is reimbursed in line with nationally agreed rates.
- 3.7.21 Subsistence allowances: reimbursement of expenses when working away from the home work base.
- 3.7.22 Clothing allowance: Paid to Control employees for provision of uniform (where this is not provided by the Service), and to female operational employees for the provision of maternity wear.
- 3.7.23 Reimbursement of medical fees: this only applies to employees whose service commenced before November 1994. The reimbursement of fees cover dental, optical and prescription fees and are paid at NHS rates.
- 3.7.24 Health scheme membership: all employees are members of a corporate health scheme which provides cash-back for dental, optical and consultancy fees and access to MRI, PET scans and counselling support. This is at a cost of £59.52 per employee per annum.

Section Four - Pay Policy for Support Roles

- 4.1 This policy applies to employees covered by the NJC for Local Government Services and includes all non-operational support staff.
- 4.2 National pay awards negotiated by the National Joint Council for Local Government Services are applied by the Authority on an annual basis if applicable. This represents a cost-of-living increase. A lump sum pay award of between £100-

£325 was applied by the NJC for Local Government Services in December 2014, and an average 2.2% increase from 1st January until 31st March 2016. A 1% award has been applied from 1st April 2016.

- 4.3 The Authority has a locally agreed grading structure, which uses nationally recognised salary points (spinal column points) across 9 grading levels. Each level is comprised of 5 salary points. Movement between grades is through a competitive selection process.
- 4.4 A job evaluation process, based on the national model, assesses all roles and allocates an appropriate grade according to the duties and responsibilities undertaken. Employees may apply for a review of their grade where permanent, substantial and material changes have increased the level of duties and responsibilities attached to their role. Any substantive changes to grade must be authorised by the Chief Fire Officer and reported to the Authority.
- 4.5 On an annual basis, employees progress incrementally through their respective grade until they reached the maximum point of their grade. Progression is subject to satisfactory performance.
- 4.6 **Other allowances and payments**
- 4.6.1 Pension contributions: the Service makes an employer contribution which equates to 12.6% for all members of the Local Government Pension Scheme. The employee makes a contribution of between 5.5% and 10.5% of pensionable pay depending on their salary band.
- 4.6.2 Overtime: Paid up to Grade 5, at the rate of time and a half and double time for weekend and public holidays. Time in lieu may be taken as an alternative to payment.
- 4.6.3 Acting up: An allowance is paid if an employee is required to a higher level role for a period of more than one month.
- 4.6.4 Honorarium: A discretionary payment may be made, with the approval the Strategic Director – Corporate Support, for duties undertaken outside of the normal job requirements for an extended period of time. The maximum payable is £1000. Any payments above £1000 must be approved by the Fire Authority.
- 4.6.5 Stand by: Employees required to attend work outside of normal office hours or to be on-call are paid an allowance depending on the nature of the arrangements.
- 4.6.6 Essential Car User A lump sum is paid to employees who are required to use their own vehicles to undertake their job role. This is based on nationally determined allowances.
- 4.6.7 Business mileage is reimbursed in line with nationally agreed rates.
- 4.6.8 Disturbance: Paid when an employee is required to move work location. Actual additional mileage is paid for a period of 4 years.

- 4.6.9 Subsistence allowances: reimbursement of expenses when working away from the home work base.
- 4.6.10 Health scheme: All employees are members of a corporate health scheme which provides cash-back for dental, optical and consultancy fees, and access to MRI, PET scans and counselling support. This is at a cost of £59.52 per employee per annum.

Section Five - Policy on Re-engagement and Pension Abatement

- 5.1 This applies where individuals retire from the Service, and draw pension benefits, and are subsequently re-engaged into the same or other role with the Nottinghamshire Fire and Rescue Service. The policies set out below apply to all employees, including senior officers of the Service.
- 5.2 The Service no longer operates a Re-engagement Policy.
- 5.3 Abatement of pension is applied when employees who retire from Service with pension benefits from the Firefighter's Pension Scheme, are successful in attaining another job with the Service through a competitive process. This means that they may not earn more in the new role than in their previous role when pension and salary are combined. This complies with the provisions of the Firefighter's Pension Scheme.
- 5.4 The Service operates a Flexible Retirement Policy for employees in the Local Government Pension Scheme which allows employees to take their pension benefits and be re-employed on reduced hours or at a lower grade without abatement of pension. This complies with the provisions of the Local Government Pension Scheme. There were no flexible retirement arrangements made during 2015-16.
- 5.5 In circumstances in which employees who have taken retirement benefits from the LGPS (either as former NFRS employees or employees of another public sector organisation) apply for a support role with the Nottinghamshire Fire and Rescue Service as part of a competitive selection process and are successful, no abatement of pension is applied.

Section Six - Exit Payments

- 6.1 In the event of redundancy, the Service applies statutory redundancy payments under the provisions of its Redundancy Procedure. This applies to both compulsory and voluntary redundancy situations.
- 6.2 In addition, members of, or who are eligible to be members, of the Local Government Pension Scheme may be awarded an additional compensation payment under the provisions of the Discretionary Compensation Payments Scheme. This payment is based upon age and length of service. A Discretionary Compensation Payments Board assesses each application to determine whether there are any exceptional personal circumstances to enhance the compensation element of the award. This applies to both compulsory and voluntary redundancy situations. A cap of 66 weeks' pay is applied in normal circumstances. This can be increased to up to 104 weeks in exceptional circumstances.

- 6.3 All recommendations for enhanced payments are subject to agreement by the Human Resources Committee. There were eight such compensation awards agreed as part of redundancy payments in 2015-16.
- 6.4 In exceptional cases, the Chief Fire Officer is authorised to agree a compensation payment as part of a compromise agreement when the employment of an employee is terminated by the Service, or in settlement of a claim. There were two such settlements in 2014-15. Such agreements are subject to confidentiality clauses.
- 6.5 During 2016, new legislation will be apply to all exit payments made by public organisations, including the Fire Service. This will apply a cap of £95k on all exit payments, including pension enhancements.
- 6.6 Additionally, individuals will be required to reimburse of all or part of such exit payments if the individual is re-employed within the public sector within 12 months of leaving the Service and receiving a payment. This will apply to those earning £80k per annum in total remuneration in the year prior to leaving the Service.

6.7 Early Payment of Pension Benefits

- 6.7.1 Under the provisions of the Local Government Pension Scheme, employees aged over 55 who are made redundant or who are retired from Service on the grounds of efficiency are awarded early payment of pension benefits.
- 6.7.2 In this case, a charge is made against the Fire Authority by the pensions fund, this is referred to as actuarial strain.
- 6.7.3 In 2015-16 the Service agreed to the early payment of pension in five instances. All cases were linked to redundancy.



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Nottinghamshire and City of Nottingham
Fire and Rescue Authority

AFFILIATION OF THE NOTTINGHAMSHIRE FIRE AND RESCUE RETIRED MEMBERS ASSOCIATION

Report of the Chief Fire Officer

Date: 23 September 2016

Purpose of Report:

To seek formal adoption of a Memorandum of Understanding between Nottinghamshire Fire and Rescue Service and Nottinghamshire Fire and Rescue Retired Members Association.

CONTACT OFFICER

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Chief Fire Officer

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1. BACKGROUND

- 1.1 The Nottinghamshire Fire and Rescue Service Retired Members Association (NFRRMA) is an organisation open to all existing and previous employees of Nottinghamshire Fire and Rescue Service, and provides a supportive and social environment for all of those involved.
- 1.2 The NFRRMA also own and manage the Nottinghamshire's Fire-Fighters Memorial located at St Marys Church in the City. This memorial is inscribed with the names of all previously known Firefighters who have lost their lives in the line of duty within Nottinghamshire.
- 1.3 The Authority has had a long term relationship and formal agreement with the NFRRMA in that they have access to and manage the licensed facilities at Stockhill Fire Station.

2. REPORT

- 2.1 Although the Nottinghamshire Fire and Rescue Service Retired Members Association (NFRRMA) has a number of members who have all served within Nottinghamshire Fire and Rescue Service, no formal affiliation exists between the two entities. This report presents a memorandum of understanding (MOU) to Members with the aim of creating that formal link. The document can be found at Appendix 1.
- 2.2 The MOU formally recognises the NFRRMA as an affiliated partner and sets clear expectations on each of the partners. Below are the main areas covered by the document:
 - The NFRRMA may use the official badge of NFRS, adapted to form a recognisable brand;
 - Members of NFRRMA will be expected to adhere to and uphold the NFRS values and behaviours;
 - NFRS will actively promote the benefits of being a member of NFRRMA to all employees;
 - NFRS agrees to fund the inscription on the Fire-Fighters Memorial of any serving employee that loses their life in the line of duty, subject to the consent of the family.
- 2.3 It is hoped that this MOU will strengthen and formalise the existing positive interaction between the two organisations, and help to provide a supportive and social environment to and increased number of current and past employees.
- 2.4 If the proposal is agreed, a member of the NFRRMA will be in attendance at the Authority meeting to jointly sign the document with the Chair of the Fire Authority.

3. FINANCIAL IMPLICATIONS

In the event that a serving member of staff should lose their life in the line of duty, the Authority agrees to fund the inscription of the individuals name on the Nottinghamshire Fire-Fighters Memorial. At an estimated cost of less than £100, this would be minimal in the context of what would be a significant event for the Service.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no Human Resources and Learning and Development implications arising from this report.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken as this report does not seek to alter workforce policy or service delivery provisions.

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 from this report.

8. RISK MANAGEMENT IMPLICATIONS

Enabling another organisation to be formally recognised as having an affiliation to NFRS does pose a small element of risk in that the positive brand and reputation of the service could be affected by the affiliated partner. This is addressed within the MOU by the clear expectation that members of NFRMA will be expected to uphold the NFRS Values and Behaviours and therefore the risk is considered to be minimal.

9. RECOMMENDATIONS

It is recommended that Members formally adopt the MOU with the Nottinghamshire Fire and Rescue Retired Members Association, and agree for the Chair of the Authority to countersign it on their behalf.

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

None

John Buckley
CHIEF FIRE OFFICER



NOTTINGHAMSHIRE
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Memorandum of Understanding

between

**Nottinghamshire Fire and Rescue
Service**

and

**Nottinghamshire Fire and Rescue
Retired Members' Association**

This Memorandum of Understanding (MOU) is made and entered into by and between Nottinghamshire Fire and Rescue Service (NFRS) and Nottinghamshire Fire & Rescue Retired Members Association (NFRRMA).

1. INTRODUCTION

- 1.1 NFRS are committed to working in a collaborative way where it adds value to the service by building relationships with our partners.
- 1.2 NFRS recognise the significance of the NFRRMA and feel it is important to forge a link between the past, present and future generations of Fire Service personnel, by creating this memorandum, to establish a long lasting framework from which to cement the bond between the both parties.

2. PURPOSE

- 2.1 The purpose of the memorandum is to record a formal agreement between NFRS and the NFRRMA, which is intended to give clarity for the future by detailing expectations and also promoting an effective working relationship between both parties.
- 2.2 The MOU forms an agreement between the two parties to specifically outline:
 - The use of the NFRS Badge.
 - Expectations as an affiliated partner, with reference to the NFRS values and behaviours.
 - The future funding of inscriptions for the Nottinghamshire Fire-Fighters Memorial.
 - Formal Memorial Service(s) partner agreement.
 - Future NFRS commitment to promoting the NFRRMA.

3. AGREEMENT

3.1 NFRS badge

- 3.1.1 NFRS consent to the use of the NFRS badge within the NFRRMA's logo, for use in an official capacity, which is professional, appropriate and will reinforce NFRS values. (Please see Appendix A for examples).

3.2 Affiliated Partner Expectations

- 3.2.1 There will be an expectation that as an affiliated partner to NFRS, the NFRRMA members will adhere to and uphold the NFRS Values and Behaviours (Please see Appendix B for description of Values and Behaviours).

3.3 Nottinghamshire's Fire-Fighters Memorial

3.3.1 Nottinghamshire's Fire-Fighters Memorial is located in St Marys Church, Lace Market, Nottingham and is owned and managed by the NFRRMA. The NFRRMA is affiliated to the National Fire-Fighters Trust, which have the ethos and slogan "*Ensuring that the commitment and the dedication of members of the Fire & Rescue Service is always Remembered and Honoured*"

3.3.2 NFRS agrees to fund the inscription on Nottinghamshire's Fire-Fighters Memorial of any serving employee that loses their life in the line of duty. This is subject to the consent of the family.

3.4 Formal Memorial Service(s) *Partner Agreement*

3.4.1 There will be an understanding that when either party is made aware of a relevant Formal Memorial Service, that they will inform the other of the service. This is to give each party the opportunity to attend if it is deemed appropriate.

3.4.2 Furthermore, to facilitate a mutually beneficial positive working relationship, there should be continuous dialogue between both parties to keep each other abreast of any current affairs and also to notify each other of any events that may be of interest.

3.5 Promotion of the NFRRMA

3.5.1 When NFRS employees are due to retire, NFRS send individuals a letter thanking them for their service and wishing them well in retirement. The letter will be accompanied with information detailing the NFRRMA. This will explain who the NFRRMA are, what the benefits are of the association and also invite the retirees to be part of the social club if they so wish.

3.5.2 Information will also be passed to NFRS employees about the NFRRMA when they book onto a Pre-Retirement course.

3.5.3 NFRS welcomes the NFRRMA to contribute to the communication channels NFRS have available, to publicise suitable events organised by NFRRMA where appropriate. This may include forthcoming events that may be of interest to members of NFRS or to update on the outcome of activities carried out under the auspices of the Association.

3.5.4 NFRS will provide support to the NFRRMA to enable them to collate and publish their 'Informative' newsletter on a regular basis. This will include training and advice as appropriate to ensure the association is able to provide a suitable and sustainable product.

Example 1

NFRRMA logo used as a letter head



Example 2

NFRRMA logo used as a centre piece within a memorial wreath



NFRS VALUES AND BEHAVIOURAL INDICATORS

We value and respect others

By treating our community, service users and each other with respect and consideration, we become a more customer-focused and inclusive organisation.

| Positive Behaviour | We show this when we... |
|-----------------------------|--|
| Treat people as individuals | Treat people respectfully in a way they would wish to be treated. |
| Customer-focused | Go the extra mile to deliver excellent services. |
| Are polite and approachable | Are courteous, helpful and considerate. |
| Are attentive | Actively listen to what people are saying and respond in a way that shows we are listening |
| Trustworthy and reliable | Do what we say we are going to do |

We are open to change

By understanding the need to improve, we open ourselves up to new ideas and become a more sustainable and stable organisation, ready to meet the challenges we face.

| Positive Behaviour | We show this when we... |
|---------------------------|---|
| Open to change | Be open-minded about new ideas and suggestions. |
| Contribute to change | Take responsibility for improving the way we do things and challenge things if they can be done better. |
| Encourage ideas | Help other people to develop their ideas in a positive way |
| Supportive of change | Recognise that change is an investment in our future |

We are professional in all that we do

We act professionally by being the best that we can be, behaving with integrity and taking personal responsibility for our behaviour and decisions.

| Positive Behaviour | We show this when we... |
|--|---|
| High standards | Always strive to do our personal best. |
| Protect the good reputation of the Service | Uphold our values and reflect these in our conduct at all times |

| | |
|----------------------------|--|
| Be a role model for others | Consider how we behave; be measured and consistent in our responses |
| Take responsibility | Accept responsibility for our actions |
| Show integrity | Are open and honest in our motives and conduct. Be authentic |
| Act appropriately | Treat others with respect and consideration whatever the situation |
| Communicate effectively | Share information ensuring that we communicate information effectively so that it is readily understood. |

We are one team working together

We act as One Team when we respect and value each other, and work together to create safer communities.

| Positive Behaviour | We show this when we... |
|--|--|
| Share a common goal | Work collectively to provide an excellent service to the people of Nottinghamshire |
| Value everyone whatever their role | Respect colleagues and the contribution they make |
| Are supportive of colleagues | Have a positive attitude to working with others, we listen and offer constructive advice |
| Work collaboratively | Help others when we can, take a genuine interest in supporting others to achieve their objectives |
| Think about what we say and how we say it. | Communicate with each other in a constructive and polite way. Careful not to use offensive or demeaning terms. |
| Seek to develop others | Take time to share our experience and knowledge. |

Memorandum of Understanding between Nottinghamshire and City of Nottingham Fire Authority and the NFRRMA, signatories;

Duly authorised to sign for and on behalf of the Nottinghamshire and City of Nottingham Fire Authority;

Name:

Role:

Date:

Signature:

Duly authorised to sign for and on behalf of the Nottinghamshire and Rescue Retired Members Association;

Name:

Role:

Date:

Signature:

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NOTTINGHAMSHIRE
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Nottinghamshire and City of Nottingham
Fire and Rescue Authority

ENVIRONMENT AND SUSTAINABILITY POLICY STATEMENT

Report of the Chief Fire Officer

Date: 23 September 2016

Purpose of Report:

To gain Fire Authority endorsement of Nottinghamshire Fire and Rescue Service's Environment and Sustainability Policy Statement in support of its Integrated Risk Management Plan Priority 5.

CONTACT OFFICER

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1. BACKGROUND

- 1.1 Nottinghamshire Fire and Rescue Service's (NFRS) Integrated Risk Management Plan identified 'The Environment' as one of the six Service priorities for 2014-2019.
- 1.2 An initial environmental review has been undertaken to determine those aspects of the Service's activities that are having the most significant impacts on the environment. The results of this review have been used to inform the aims of an Environment and Sustainability Policy Statement.
- 1.3 The Policy Statement demonstrates the Service's commitment to environmental and sustainability issues and provides an overview of Nottinghamshire Fire and Rescue Service's aims and objectives with regard to environmental and sustainability performance.

2. REPORT

- 2.1 The purpose of this report is to gain endorsement from the Fire Authority for the NFRS Environment and Sustainability Policy Statement.
- 2.2 The Environment and Sustainability Policy Statement is intended to communicate the commitment of NFRS to environmental improvement to employees, members of the public, the supply chain and other stakeholders.
- 2.3 Endorsement signatures of the Chief Fire Officer and the Chair of the Fire Authority provide confirmation of the Service's high level commitment to the management of environmental risk.
- 2.4 Departmental audits have already been completed within the Service, with a supporting action plan, which is routinely reported to the Executive Delivery Team to ensure highlighted actions are being completed and now forms part of day to day activity.
- 2.5 A framework of measures that ensure the Authority meets its committed environmental priorities within its IRMP are already in place, these include the agreed Estates Strategy, procurement framework and Transport Strategy currently in development.
- 2.6 It is planned to report progress against the audit actions at the February 2017 Policy and Strategy committee meeting, this will seek to assure members that NFRS are proactively working towards its environmental responsibilities and commitment of the Authority.

3. FINANCIAL IMPLICATIONS

- 3.1 Although not directly related to the endorsement of the Policy Statement, there may be financial implications arising from environmental risk management initiatives in the future.

- 3.2 It is anticipated that improved environmental risk management can be used to achieve efficiency savings, for example reduced spending on vehicle fuel and energy bills. Any implications that arise will be reported to the Fire Authority as they occur.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

- 4.1 One of the aims of the Policy Statement is to raise the awareness of employees to environmental issues. Training currently includes elements of environmental risk management for all operational employees and enhanced training for a core group of Officers who are available as environmental advisors during incidents. Awareness training will be extended to all employees.
- 4.2 It is anticipated that awareness training can be delivered via internal communication channels, e-learning and existing learning and development provision.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because the Policy Statement does not introduce new policy or services.

6. CRIME AND DISORDER IMPLICATIONS

No additional implications are presented by this report or the attached Environmental and Sustainability Statement.

7. LEGAL IMPLICATIONS

NFRS must comply with applicable environmental legislation. Non-compliance can result in criminal sanction. By following available good practice the Authority can be assured of meeting its legal responsibilities.

8. RISK MANAGEMENT IMPLICATIONS

The policy statement provides a basis for Nottinghamshire Fire and Rescue Service's commitment to identifying hazards, quantifying risk and applying proportionate risk controls as a means of reducing loss.

9. RECOMMENDATIONS

That Members endorse the Policy Statement to fully support its Integrated Risk Management Plan.

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

None.

John Buckley
CHIEF FIRE OFFICER



Nottinghamshire Fire and Rescue Service are fully committed to minimising the impact that our organisational activities have on the environment. The Service is aware that factors such as a changing climate, resource scarcity and the generation of waste will all have an effect on our local communities and that NFRS has a duty to reduce our impact on the environment where it is possible to do so.

Nottinghamshire Fire and Rescue Service has committed to reducing the Service's impact on the environment as part of its five year plan which runs from 2014-2019. As a minimum this plan requires compliance with all relevant legislation; however as a Service we aim to go further than this through innovation and the adoption of best practice

Nottinghamshire Fire and Rescue Service aims to minimise its impact on the environment by:

- Setting targets on key aspects of our environmental performance and reviewing them periodically.
- Reducing carbon emissions from our buildings by investing in energy efficient design and technology during construction and refurbishment projects, better managing energy consumption and influencing colleagues' behaviour.
- Reducing greenhouse gas emissions from vehicles by managing business travel, reducing the need to travel by the use of video conferencing and other technology, encouraging the use of public transport and other less polluting forms of transportation.
- Raising employees' awareness of environmental issues, encouraging environmentally responsible behaviour and providing appropriate training to enable them to play a full role in implementing environmental objectives.
- Reducing the volume of waste that is produced at our sites with the ultimate aim of sending zero waste to landfill.
- Applying industry best practice when considering the environmental impact of our work at fires and other incidents to reduce the risk of contamination of air, water courses and land.

NFRS's duty extends beyond merely reducing environmental impacts to ensuring we fulfil our responsibility for 'creating safer communities' by responding to flooding and other events associated with a changing climate.

The Service will continue to:

- Work with the Environment Agency and other local organisations to review the areas of flood risk within Nottinghamshire and ensure appropriate equipment, resources and trained firefighters are available to respond to flooding when they are needed.

Endorsed by the Combined Fire Authority at its meeting of 23 September 2016.

Signed _____
Chief Fire Officer

Signed _____
Chair of the FA
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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

COMMITTEE OUTCOMES

Report of the Chief Fire Officer

Date: 23 September 2016

Purpose of Report:

To report to Members the business and actions of the Fire Authority committee meetings which took place in June and July 2016.

CONTACT OFFICER

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Chief Fire Officer

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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 | 17 June 2016 |
| Finance and Resources Committee | 24 June 2016 |
| Human Resources Committee | 1 July 2016 |
| Policy and Strategy Committee | 8 July 2016 |

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. RECOMMENDATIONS

That Members note the contents of this report.

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

None

John Buckley
CHIEF FIRE OFFICER

APPENDIX A



NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY - COMMUNITY SAFETY

**MINUTES of the meeting held at Fire and Rescue Service Headquarters,
Bestwood Lodge, Arnold, Nottingham, NG5 8PD on 17 June 2016 from 10.00 -
10.44**

Membership

Present

Councillor Eunice Campbell (Chair)
Councillor Sybil Fielding
Councillor Brian Grocock (substituting for
Councillor Dave Liversidge)
Councillor Patience Uloma Ifediora
Councillor Roger Jackson

Absent

Councillor Ken Rigby
Councillor Dave Liversidge

Colleagues, partners and others in attendance:

Wayne Bowcock - Deputy Chief Fire Officer, Nottinghamshire Fire and
Rescue Service
Ian Taylor - Area Manager, Nottinghamshire Fire and Rescue Service
James Welbourn - Governance Officer

1 APOLOGIES FOR ABSENCE

Councillor Dave Liversidge - annual leave
Councillor Ken Rigby - annual leave

2 DECLARATIONS OF INTERESTS

None

3 MINUTES

The minutes of the meeting on 8 April were agreed as a correct record and signed by the Chair.

4 NEW CROSS PROJECT

Wayne Bowcock, Deputy Chief Fire Officer at Nottinghamshire Fire and Rescue (NFRS), provided Members with an update on the evaluation outcomes of the New Cross Project.

The following points were highlighted:

- (a) the project has now been made business as usual (BAU) by Ashfield District Council. The project is staffed by Ashfield District Council, alongside seconded staff from NFRS. Ashfield are now looking to employ directly to the New Cross team;
- (b) partners are being sought by Ashfield District Council to directly fund posts on the project;
- (c) cost savings have been measured per segment, for example how much does it cost the Police and homelessness services to intervene in an individual's case?
- (d) the Local Public Sector Agreement (LPSA) reward grant from central government can only be used for community safety purposes, but there is no specific strategy on how to use the money. In principle, some of this funding will be committed to support the Broom Hill and New Cross projects.

RESOLVED to:

- (1) note the report;**
- (2) ask for a further report to come back with a cost analysis.**

5 SERVICE DELIVERY PERFORMANCE MODEL

Wayne Bowcock, Deputy Chief Fire Officer at NFRS updated Committee members on the development of the Service Delivery performance model.

The following point was highlighted:

- (a) there is currently no performance culture around service delivery. Information could be richer and would help officers track performance internally;

RESOLVED to note the contents of the report and support the development of an 'Improvement through Performance' framework'. A standing report will be available for the January round of meetings onwards.



**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY**

**NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY -
FINANCE AND RESOURCES**

**MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood
Lodge, Arnold Nottingham NG5 8PD on 24 June 2016 from 10.00 - 10.51**

Membership

Present

Councillor Malcolm Wood (Chair)
Councillor Chris Barnfather
Councillor Gordon Wheeler
Councillor Brian Grocock
Councillor Sybil Fielding
Councillor Darrell Pulk

Absent

Councillor John Allin
Councillor John Clarke
Councillor Dave Liversidge

Colleagues, partners and others in attendance:

| | |
|---------------|---|
| John Buckley | - Chief Fire Officer, NFRS |
| Rob Disney | - County Council Auditor |
| Sue Maycock | - Head of Finance, NFRS |
| Ian Pritchard | - Head of Procurement and Resources, NFRS |
| Neil Timms | - Treasurer to the Authority |
| Zena West | - Governance Officer |

1 APOLOGIES FOR ABSENCE

Councillor John Allin (Councillor Sybil Fielding substituting)
Councillor John Clarke (Councillor Darrell Pulk substituting)
Councillor Dave Liversidge (Councillor Brian Grocock substituting)

2 DECLARATIONS OF INTERESTS

None.

3 MINUTES

The Committee confirmed the minutes of the meeting held on 15 April 2016 as a true record and they were signed by the Chair.

4 OUT-TURN FOR 2015/2016

Sue Maycock, Head of Finance, presented the outturn report for 2015/16 detailing the financial performance of the Service, and analysing significant variances against the original budget.

The final Statement of Accounts will go to the Combined Fire Authority meeting in September 2016 but, as they are still subject to audit, the outturn could change, but this is unlikely.

When the budget was approved it included a planned contribution to reserves and the outturn position reflects this. There is an £873,000 underspend for the year, which includes the £570,000 contribution to reserves. The level of reserves at the end of the year reserves puts the Service in a good position whilst the sustainability strategy is implemented over the next few years.

The variances are largely the same as have been reported previously, but the fuel underspend of £124,000 wasn't expected. This is due to a price decrease for diesel and a reduction in the amount of fuel that has been used.

Monitoring of the fuel budget needs to be more robust, and bunkered stock has to be accounted for throughout the year. The current year's fuel budget has been reduced by £30,000.

It was previously reported to the Human Resources Committee that there were a number of pension errors and negotiations had taken place with the previous pension's administrator to resolve them. This year further negotiations have taken place and the Service has received £176,000 to offset costs. This was received at the end of February and will be allocated to the reserves.

Over £300,000 of earmarked reserves have been used to support pension strain and redundancy programmes. There were an unusually high number of ill health retirements in 2014/15, which has impacted on the outturn and will continue to impact over the next two years.

Approximately £400,000 of revenue budget has been used to finance the capital programme. Capital receipts from the sale of vehicles have also been used to partially finance the capital programme.

RESOLVED to

- (1) note the contents of the report;**
- (2) approve the total capital slippage of £1.211m to be carried forward to 2016/17.**

5 REVENUE AND CAPITAL MONITORING REPORT TO MAY 2016

Sue Maycock, Head of Finance, presented the revenue and capital monitoring report detailing the financial performance of the Service to the end of May 2016, focussing on key areas where outturn variances are likely to occur.

There are some variances emerging already. The approved budget included a deficit, which was to be funded by a transfer from reserves at the end of the year. The current forecast overspend is £100,000 but this can all be funded by relevant earmarked reserves, if required.

The Wholetime pay budget reflects a reduced establishment this year and it was acknowledged by the Combined Fire Authority, when the budget was approved, that achievement of this would take place over the course of the year with the natural turnover of employees. An earmarked reserve has been created this year to support the Wholetime pay budget during this transition and to date £180,000 of this £350,000 reserve will be required to fund the overspend.

The administrative and support pay is underspent due to a number of vacancies at the end of year, but recruitment is now underway and a number of temporary posts have been approved to work on projects.

Ill health retirement costs are overspent, but the budget for injury pensions is expected to be underspent so can offset the overspend on ill health retirements.

There is an underspend on interest charges as no new long term borrowing has taken place.

The capital programme includes the slippage approved in the outturn report. The total underspend is almost £2.3m, mostly in fleet. A key issue is the sustainability strategy, which means the Service needs to review the types of vehicles it uses.

The London Road Fire Station project has a predicted underspend. The Newark, Hucknall and Worksop Fire Station projects are all in the early stages.

All ICT projects are progressing well with no projected slippage.

Members commented that the transport budget appears to miss targets regularly, so it may be appropriate to bring the transport strategy to a future meeting.

RESOLVED to

- (1) note the contents of the report;**
- (2) note that a transfer of funding of £108,000 from earmarked reserves to the Whole-time pay budget will be effected to fund the overspend of pay to date resulting from the planned over-establishment of posts;**
- (3) request that the Chief Fire Officer presents a report to the next meeting of this Committee outlining the future transport strategy and any financial implications.**

6 PRUDENTIAL CODE MONITORING REPORT TO MAY 2016

Neil Timms, Treasurer to the Fire Authority, presented the prudential code monitoring report detailing the performance of the Service to the end of May 2016 relating to the prudential indicators for capital accounting and treasury management.

There is a continual issue with limits in terms of loan maturity, which is caused because the Service isn't borrowing any long-term money, but this doesn't raise any concerns.

Treasury management is complex and there needs to be balance between available liquid funds and funds in investments or borrowed. The Service has taken out a short term loan with another Local Authority.

RESOLVED to note the contents of the report.

7 INTERNAL AUDIT ANNUAL REPORT 2015/2016

Neil Timms, Treasurer to the Fire Authority, and Rob Disney, County Council Auditor, presented the internal audit report for 2015/16.

The internal auditors prepare an annual report which gives the opportunity to review internal audit, as required under the Code of Practice on Local Authority Accounting, to analyse efficiency and effectiveness. The report shows the Service meets the standards expected.

6 final reports and 3 draft reports were issued last year, and 4 audits were ongoing at year end. The findings for 3 of the audits were that all but one of the draft and final reports carried positive opinion. The exception was on the Princes Trust Partnership, but this has now been finalised and will be reported on at a later stage. The auditors are satisfied with the overall level of control, and the findings can be carried through to the annual governance statement.

The 2016/17 plan is based on an audit risk assessment which uses a range of risk factors for different areas that might be covered. The outcome sets out the assessed levels of risk in place for each of the different areas of the plan. There is flexibility in the schedule as risks need to be kept under review and there needs to be ability to respond to any new and emerging risks coming through.

RESOLVED to note the contents of the report.

8 REVISED PROPERTY STRATEGY

Ian Pritchard, Head of Procurement and Resources, presented the revised property strategy detailing minor revisions to the strategy that was agreed in October 2014.

When the strategy was first presented in October 2014 it was agreed that it would be reviewed every year. The revisions are relatively minor and mainly focus on changing the terminology used, emphasis on cooperating with other organisations, and updating estimated costs for the future.

It is now proposed for the review every to take place every 2 years.

RESOLVED to note the contents of the report.

9 NEW LONDON ROAD FIRE STATION PROJECT UPDATE

Ian Pritchard, Head of Procurement and Resources, presented the update report on the new London Road Fire Station Project.

The new station is on the former Gresham works site on London Road and will be about a third of the size of the Central Fire Station. The Service agreed a value of £600,000 with the City Council, and also agreed to share accommodation with the Council's Emergency Planning Team. 4 tunnels running under London Road have been found on site which the Service has agreed to fill and has been incorporated into the contract.

The development was competitively tendered and 6 were shortlisted, and it was won by J Tomlinsons who are Nottinghamshire based. The planning permission had 29 conditions, the majority of which were to do with the land contamination.

The Station will be linked to the district heating system, and negotiations are to agree a contract for the price over the next 20 years. There will be the maximum amount of photovoltaic panels installed on the roof, which will reduce heating and electricity costs. There is also a 30% CO₂ emission reduction. The thermal insulation on the building has been increased at minimal cost to reduce costs going forward.

The project is predicted to be completed under budget. The budget is £5m, and costs currently stand at between £4.6m and £4.7m, but ICT and furniture are still being sourced, so the final cost is not known yet. The final report on the budget will probably be about 6 months after the Service has moved in.

The station will include a greenwave traffic management system so when a mobilisation occurs the traffic control centre will control traffic depending on what direction the engines want to travel in from the station.

The build is due to finish in August with an estimated moving in date of 13 September.

RESOLVED to note the contents of the report.



**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY**

**NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY -
HUMAN RESOURCES**

**MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood
Lodge, Arnold Nottingham NG5 8PD on 1 July 2016 from 10.00 - 11.06**

Membership

Present

Councillor Michael Payne (Chair)
Councillor Liaqat Ali
Councillor Eunice Campbell
Councillor Brian Grocock (substituting for
Councillor Mike Pringle)
Councillor Liz Yates
Councillor Jason Zadrozny

Absent

Councillor Mike Pringle

Colleagues, partners and others in attendance:

| | |
|----------------|---|
| Wayne Bowcock | - Nottinghamshire Fire and Rescue Service (NFRS) |
| Tracy Crump | - Head of People and Organisational Development, NFRS |
| Sue Maycock | - Head of Finance, NFRS |
| Ian Pritchard | - Head of Procurement and Resources, NFRS |
| Matt Sismey | - Equality and Diversity Officer, NFRS |
| James Welbourn | - Governance Officer |

1 APOLOGIES FOR ABSENCE

Councillor Mike Pringle (substituted by Cllr Brian Grocock)

2 DECLARATIONS OF INTERESTS

None.

3 MINUTES

The minutes of the meeting held on 22 April were agreed and signed as a true record by the Chair.

4 HUMAN RESOURCES UPDATE

Tracy Crump, Head of People and Organisational Development at Nottinghamshire Fire and Rescue Service (NFRS) updated Members on key Human Resources metrics for the period 1 April -30 June 2016.

The following points were highlighted:

- (a) recruitment to posts is ongoing, so the figures within the report will change in due course;
- (b) paragraph 2.5 within the report contains an error – whole-time establishment currently stands at 483, not 493;
- (c) NFRS is committed to increasing its retained workforce, with a close to continual recruitment program;
- (d) there has been no recruitment to whole time firefighting roles since 2012, and this accounts for the equality figures not moving substantially. Around 97% of the operational workforce is men. It is proving difficult to recruit more women into the service, but this is being tackled by using open days, and other avenues to try and develop an interest in joining NFRS amongst women;
- (e) it is positive to see more people aged under 25 coming into NFRS, mainly due to recruitment in the retained section. Clearly there are more people at NFRS closer to retirement age – NFRS need to make sure that succession planning is in place for these posts;
- (f) employees will declare any disabilities that they have – in addition to this, questions around disability and reasonable adjustments are asked at interview. There are also employees that might redefine as non-disabled – this could be due to a reasonable adjustment being made at work, or simply a temporary issue that has been resolved;
- (g) over the last 18 months an increase in declarations of diversity has been seen;
- (h) the 25 new starters are retained duty staff. The reduction in minorities is proportionate to the overall shrinkage of the workforce. It can prove difficult to attract women, members of the BME community and members of the LGB community to retained roles as there is the rule that retained firefighters must live 5 minutes from their station.

In addition to this point, there are low levels of recruitment for women nationally;

- (i) NFRS have revisited the tests that are run to encourage people to join the organisation, to see if anything can be improved on;
- (j) staff from NFRS go into colleges, universities and schools, particularly in the run up to a recruitment campaign.

RESOLVED to endorse the report, with a further report on equalities to come back to the next Human Resources Committee.

5 EXCLUSION OF THE PUBLIC

RESOLVED to exclude the public from the meeting during consideration of the remaining item in accordance with section 100A(4) of the Local Government Act 1972 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, as defined in paragraphs 1 and 3 of Schedule 12 A to the Act.

6 POST OF ESTATES MANAGER

Wayne Bowcock, Deputy Chief Fire Officer at NFRS presented the report on the post of Estates Manager.

RESOLVED to support the recommendations contained within the report and added to at the meeting.

7 REGRADING OF POSTS

Wayne Bowcock, Deputy Chief Fire Officer at NFRS presented the report on the regarding of posts.

RESOLVED to note the report.



**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY**

**NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY -
POLICY & STRATEGY**

**MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood
Lodge, Arnold Nottingham NG5 8PD on 8 July 2016 from 10.01 - 10.34**

Membership

Present

Councillor Darrell Pulk (Chair)
Councillor Chris Barnfather
Councillor Sybil Fielding
Councillor Brian Grocock
Councillor Gordon Wheeler
Councillor Malcolm Wood

Absent

Colleagues, partners and others in attendance:

| | |
|-----------------|--|
| John Buckley | - Chief Fire Officer, Nottinghamshire and City of Nottingham Fire & Rescue Authority |
| Gavin Harris | - Head of ICT, Nottinghamshire Fire and Rescue Service |
| Craig Parkin | - Assistant Chief Fire Officer, Nottinghamshire Fire and Rescue Service |
| Ian Taylor | - Head of Strategic Projects, Nottinghamshire Fire and Rescue Service |
| Neil Timms | - Treasurer to the Fire Authority |
| Malcolm Townroe | - Clerk to the Fire Authority |
| James Welbourn | - Governance Officer |

1 APOLOGIES FOR ABSENCE

None.

2 DECLARATIONS OF INTERESTS

None.

3 MINUTES

Councillor Chris Barnfather asked the Chair for an update on future governance of the Fire Authority. It was agreed this would be provided to members after the close of the meeting.

The minutes of the meeting dated 29 April 2016 were agreed and signed by the Chair.

4 PAY POLICY

John Buckley, Chief Fire Officer at Nottinghamshire Fire and Rescue Service (NFRS) presented a Pay Policy statement for approval by the Fire Authority, as well as an opportunity to review the terms of the service's Discretionary Compensation Payment Policy.

The following points were raised and discussed by Members:

- (a) discretionary payments are in place for members who are eligible for the Local Government Pension Scheme (LGPS). This does not affect whole-time firefighters;
- (b) there is a mixed picture with what services do with discretionary payments. NFRS use actual pay, which is capped at 66 weeks with the opportunity through special circumstances to increase this cap to 104 weeks. However, these 'special circumstances' are used extremely rarely;
- (c) the Discretionary Payments Compensation Board sits and provides advice to the Fire Authority Human Resources Committee, who then in turn report to the Fire Authority;
- (d) policy is now in place at NFRS that will follow the expected statute. Compensation payments are capped at £95,000, although there are other statutory payments that must be made. NFRS have raised the question of what pieces of substantive legislation could legitimately allow the £95,000 cap to be exceeded, and are waiting for a response;
- (e) Conservative Councillors observed that the Discretionary Payments Scheme seemed to be different to other local authorities, and that NFRS was being more generous to its employees than other places of work. Also, new employees are covered by this scheme. Finally, there are three different sets of pension regulations available, so non-uniformed staff should not necessarily be treated differently.

The Chair responded by saying that there have been a lot of changes in a short period of time at NFRS, including the loss of some of the workforce. This passage has been smoothed by looking after staff, and where they have had to be released, it has been done sequentially.

RESOLVED to:

- (1) endorse the Statement of Pay Policy at Appendix B of the agenda pack and agree for it to be presented to the full Fire Authority for approval;**
- (2) endorse the revised Discretionary Compensation Payments Scheme Policy at Appendix C of the agenda pack;**
- (3) approve the adoption of Repayment of Exit Payments Policy at Appendix D of the agenda pack.**

Councillors Barnfather and Wheeler asked that it be noted that they voted against the second recommendation.

5 EMERGENCY SERVICES NETWORK (ESN) PROJECT UPDATE

Gavin Harris, Head of ICT at NFRS provided the Committee with an update on progress with the Emergency Services Network (ESN) programme and the inter-related developments for the achievement of Public Sector Network (PSN) accreditation for Nottinghamshire Fire and Rescue Service.

The following points were highlighted:

- (a) a large number of security processes need to be implemented so that NFRS can align to the code of connection policy set by the Public Sector Network (PSN). This will lead to additional staff being needed in the short-term;
- (b) the programme is using funding set aside as an earmarked reserve, built into the budget back in 2014/15. Staff will be working through a large number of vulnerabilities that have been flagged, with quite a tight deadline;
- (c) if more, or less support is needed on the programme the Finance and Resources Committee will be consulted;
- (d) one issue with cost at the moment concerns confusion over what elements of the PSN programme are 'in scope' and what will fall outside of scope. £20 million has been allocated from the Home Office for Fire Services nationally but this is not likely to be sufficient given the emerging costs.

RESOLVED to note the contents of this report and agree to receive further updates as the programme progresses.

6 TRI-SERVICE CONTROL UPDATE

John Buckley, Chief Fire Officer at NFRS updated Members on the progress of the Tri-service Control System.

The following points were highlighted:

- (a) the system has moved to 'roadmap 4'. Subtle improvements in the control room have been made, such as foot pedals for staff;

- (b) the Chief Fire Officer has been to meetings with the Yorkshire services involved with the system – there is a lot of development that is a priority for all services involved;
- (c) commercial pressure is still being applied and maintenance costs are not being paid. Close work with the Yorkshire services makes certain that progress won't be destabilised;
- (d) the property tour attended by Members was useful to see the Control Room first hand, and was also an opportunity to talk to staff;
- (e) the contract with Systel was procured under Official Journal of the European Union (OJEU) regulations. With the result of the EU referendum being a leave vote, Members asked if there is a need to revisit the terms of the contract. The Chief Fire Officer agreed to look into the issue and bring it back to the Committee if relevant.

RESOLVED to note the content of the report and the progress made with the Tri-Service Control Programme.

7 EXCLUSION OF THE PUBLIC

RESOLVED to exclude the public from the meeting during consideration of the remaining items in accordance with section 100A(4) of the Local Government Act 1972 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, as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

8 EXEMPT MINUTE

The Committee confirmed the exempt minute of the meeting held on 29 April 2016 as a true record and it was signed by the Chair.

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

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