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NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

MEETING OF THE AUTHORITY

Date: Friday, 24 February 2017 **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 **Pages**

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.

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NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY (NFRS)

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 16 December 2016 from 10.31 - 11.56

Membership

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

Colleagues, partners and others in attendance:

Wayne Bowcock	-	Deputy Chief Fire Officer, NFRS
John Buckley	-	Chief Fire Officer, NFRS
Tracy Crump	-	Head of People and Organisational Development, NFRS
Sue Maycock	-	Head of Finance, NFRS
Craig Parkin	-	Assistant Chief Fire Officer, NFRS
Malcolm Townroe	-	Clerk to the Fire Authority
James Welbourn	-	Governance Officer

29 APOLOGIES FOR ABSENCE

Councillor Michael Payne
Councillor Ken Rigby - personal

30 DECLARATIONS OF INTERESTS

Councillor Chris Barnfather and Councillor Malcolm Wood both declared an interest in item 37 – Trading Company as they are Board members in that company. This did not preclude them from speaking on this item.

31 MINUTES

The minutes form the meeting on 23 September 2016 were confirmed and signed by the Chair.

32 CHAIR'S ANNOUNCEMENTS

Strategic Equalities Board

- Was held last month after HR Committee
- Conscious some Members have commitments after today's meeting
- Deferred until the rising of the Authority meeting in February

Treasury Management Training

- At the rising of the Finance Committee on 20th January
- Approximately 11am and lunch will be provided
- All Members are invited to attend as these have proved useful in the past

Pensions

- Cllr Fielding and I attended a recent firefighter pension training event to ensure we are able to comply with legislation and discharge duties of the Authority accordingly.
- I have attended the national fire pensions board meeting

LGA / CFA Conference

- Chief Fire Officer and I attended the event in October
- Minister attended and gave a speech about the need to reform
- Clear that he wants the sector to lead this Reform or Government will

Local Events

- Emergency Services Carol Service held on Tuesday night at the Minster
- Met with members of UNISON to discuss their concerns

- Met with Brigade Committee of the FBU also
- The Chief, Cllr Fielding and I are attending the Retford Station Charity Pantomime this evening.

Fire Service Management Committee

- Attended the national meeting in London
- Nominated as a representative for the National Joint Council

Service Chaplain

- The Reverend Robin Turner will be retiring as the Service Chaplain in March next year.
- With permission of the Authority I would like to invite to the February CFA meeting so that we are able to formally recognise is service and support to the organisation.

Awards Ceremony in November

- Took place at the Albert Hall in Nottingham
- Lord Lieutenant in attendance as the Queens' representative
- Recognition of 20 and 30 yrs service
- Bravery awards were presented to members of the public and staff
- Awards for engaging in the services 'values' presented to staff after nominations from their peers.

Alan Coates was nominated for a 'Lifetime Achievement Award' but was unable to attend on the evening, however he has been able to come along to the meeting and was presented with the Award.

RESOLVED to invite Reverend Robin Turner to the Authority in February to recognise his service.

33 BUDGET GUIDELINES 2017/18

Richard Jones of the Nottinghamshire Fire Brigades Union (FBU) asked a question on the Budget Guidelines 2017/18 item:

Austerity driven cuts have been identified as having a significantly detrimental effect on the way that Fire Services in England and the rest of the UK serve the public, with 10,000 frontline Firefighter jobs gone since 2010. Nationally the number of fire deaths has increased by 15% in the last year – the single biggest percentage increase in 20 years. By the government's own admission 999 response times are at a 20 year high. The Fire Brigades Union opposes these dangerous cuts that put the public's lives, and the safety of Fire-fighters, at risk. Budget cuts have led to significant losses from frontline resources in Nottinghamshire: the loss of 6 operational fire appliances,

including the removal of 2nd appliances at some stations and the closure of some retained sections has led to a reduction in operational posts. There has also been the deletion of Officer posts, and this year saw the further loss of 20 operational posts through the restructure of the Specialist Rescue Team.
As the Chancellor's autumn statement indicates, "a deterioration in the status of national public finances since the previous budget" gives "a clear message that public spending would continue to be restrained."
What reassurances can the Fire Authority give to the members of public who live in Nottinghamshire and the City of Nottingham that it will not allow these cuts, and future cuts from the government budget, to put the public's and Fire-fighter's safety at risk by further reducing frontline resources and further increasing attendance times?

The Chair responded as follows:

The Government determines the Grant for the Fire Authority with only limited flexibility to raise additional funding locally. The proposed Grant from Government means that the available resources to the Authority will reduce over the next four years which will be further affected by a general increase in costs due to inflation and other factors. The predicted deficit in real terms, i.e if the Authority were to do nothing, would mean that there would be a cash shortfall in the region of £4.2 million year on year by 2020.
You will be aware that the Authority has a legal duty to set a balanced budget, and although it is recognised that this will be challenging, the Authority, supported by the Chief Fire Officer and his team, has a proven track record of thoroughly and robustly consulting with both the public and the workforce to ensure that any changes implemented are appropriate and consider all risks. This tried and tested methodology will continue.
The Finance and Resources Committee led by the Chair continuously scrutinises the budgets within the Service to ensure that all available efficiencies are identified, and that any changes in the service delivery model are both appropriate and proportionate.
In February of this year the Fire Authority supported a range of proposals put forward by the Chief Fire Officer, and I would hope that the workforce and their representatives continues to engage fully with those proposals to ensure that any concerns are raised and can be appropriately addressed.
All stakeholders can be reassured that the Fire Authority will continue to make decisions with due regards to the needs of the communities we serve.

Sue Maycock, Head of Finance at NFRS introduced the Budget Guidelines 2017/18, highlighting the following points:

(a) there is an error under paragraph 2.12 of the report. It should read:

"In the current financial environment the options in paragraphs 2.12.1 and 2.12.3 are considered to be the most appropriate parameters within which the Finance and Resources Committee should work."

(b) a small increase was assumed for the Council Tax base. There will be a better idea of the figure around the time of the next Finance and Resources Committee.

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

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

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

34 TREASURY MANAGEMENT MID YEAR REVIEW 2016/17

Sue Maycock, Head of Finance at NFRS introduced the Treasury Management Mid-Year Review, providing Members with an update on treasury management activity during the first half of the 2016/17 financial year.

RESOLVED to note the contents of the report.

35 DISCRETIONS UNDER THE FIREFIGHTER PENSION SCHEMES

Sue Maycock, Head of Finance at NFRS introduced the item on Firefighter pension schemes.

The following points were highlighted:

(a) the discretions are used on a case by case basis. NFRS will not necessarily exercise a discretion just because there is an opportunity to do so;

(b) if an individual is unhappy with the decision made on a discretion then they can access the Independent Dispute Resolution Procedure. The decision to exercise a discretion will always be taken based on the interests of the Authority balanced against fairness to the individual.

NFRS are not always looking at these discretions from a financial point of view.

RESOLVED to approve the statement of Service policy in relation to the discretions that exist under the Fire Pension Schemes (appendix A of the report).

36 THE THOMAS REVIEW

Richard Jones of the Nottinghamshire Fire Brigades Union (FBU) asked a question on the Thomas Review:

The Fire Brigades Union is highly critical of the Thomas Review. Our fear is that the review is an attack on national bargaining arrangements, and is a prelude to further attacks on Firefighter’s pay and other conditions of service.

Should this report be agreed by the Fire Authority, we request that the Fire Brigades Union, who represents 95% of operational staff in Nottinghamshire, is offered a position on the proposed working group, to allow us to raise the concerns of our membership.

The Chair responded as follows:

As you will be aware the Thomas Review was commissioned 2 years ago during the height of industrial action. The review process focused on the collection of evidence through face to face meeting with a number of stakeholders. This Authority was not visited as our invitation was declined, however we did produce a written submission which was approved by the Policy and Strategy Committee.

Although Government have made it clear they are not minded to remove the right to strike from firefighters, the Minister has commented that this is a call to action for the sector, however there is no emerging detail to clarify what this means.

Addressing your point about the FBU being allowed to raise concerns with Elected Members, I appreciate that the current officials of the FBU may be unaware of the open channel for dialogue that have been in place for many years. It is my desire that this continues as we work together with the workforce to collectively consider the issues going forward.

In November I met with the FBU Regional EC member accompanied by one of the local officials, and just a few weeks ago arrangements were made for the local officials of the FBU and I to meet to discuss current issues. It is unfortunate that this meeting was cancelled by the FBU at short notice as this would have provided an ideal opportunity to discuss the Thomas Review and any other concerns that you may have.

Yesterday, at the request of the previous FBU Brigade Secretary, the Chief Fire Officer and I met with the Brigade Committee of the FBU where very useful dialogue took place around the current challenges that the Service is facing.

Earlier this week I spoke with officials from another trade union to discuss their concerns and it was a very insightful and productive meeting.
I am also aware that dialogue takes place between the FBU and other Members of the Fire Authority.

In terms of the proposed 'Task and Finish Group', The Authority needs to fully consider the implications of the Thomas Review, and should the group conclude that wider engagement is required it will be a matter for them to consider if they wish to receive any comment from workforce representatives regarding the Review.

John Buckley, Chief Fire Officer at NFRS introduced the report on the Thomas Reivew.

The following points were highlighted:

(a) the majority of recommendations from the Thomas Review have already been met;

(b) Government are not responding to this review as yet, but are saying that this is a 'call for action' for the sector;

Councillors highlighted that some expediency would be needed on any work arising from this review because of elections in May. The Chair commented that the Authority need to pick out items from the review that are relevant to them rather than the LGA or the NJC.

RESOLVED to request that Members of Policy and Strategy Committee form a Task and Finish Working Group to consider the Thomas Review and report back to the Authority.

37 TRADING COMPANY

John Buckley, Chief Fire Officer at NFRS introduced a report on the Trading Company.

Councillor Barnfather thanked the Chair and the Chief Fire Officer for the meeting on the subject of the Trading Company. He also appreciated Richard Heffer's long service to the Trading Company.

Nominations for role of Director of the Company were as follows:

Councillor Brian Grocock nominated Councillor Sybil Fielding;
Councillor Gordon Wheeler nominated Councillor Jason Zadrozny;

Members then voted.

RESOLVED to:

(1) Nominate Councillor Sybil Fielding to the Board of Directors of the Company;

(2) task the Clerk to undertake a review of the governance that exists between the Authority and the Company and report back to a future meeting of the Authority on the outcomes.

38 COMMITTEE OUTCOMES

Members noted the outcomes from the Fire Authority Committees in October and November.

The Chair wished everyone a Happy Christmas and thanked the workforce.

39 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.

40 PRINCE'S TRUST UPDATE

John Buckley, Chief Fire Officer introduced an update on the Prince's Trust.

RESOLVED to approve the recommendation contained in the report.

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

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

PRUDENTIAL CODE FOR CAPITAL FINANCE 2017/18

Joint Report of the Treasurer and Chief Fire Officer

Date: 24 February 2017

Purpose of Report:

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

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

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1. BACKGROUND

1.1 The Local Government Act 2003 set out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code, which CIPFA updated in 2011.

1.2 The objectives of the Prudential Code are to ensure that the capital investment plans of authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. In exceptional cases, the Code should provide a framework which will demonstrate where the objectives may not be ensured, so that timely remedial action can be taken.

1.3 The Prudential Code sets out a number of indicators which authorities must use to support decision making. These are not designed to be comparative performance indicators. In addition, the CIPFA Treasury Management code of practice and guidance notes (also updated in 2011) sets out a series of treasury indicators. The prudential and treasury indicators should be considered in parallel and they are therefore included together in this report.

1.4 This report sets out the proposed prudential and treasury limits for the Authority for the 2017/18 financial year along with the implications of the proposed Capital Programme, which will be presented with the budget report elsewhere on the agenda.

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

2. REPORT

PRUDENTIAL INDICATORS FOR AFFORDABILITY

2.1 **Estimates of the Ratio of Financing Costs to Net Revenue Stream for 2016/17, 2017/18, 2018/19 and 2019/20 and Actual Ratio of Financing Costs for 2015/16**

2015/16 Actual £000s	2016/17 Estimate £000s	2017/18 Estimate £000s	2018/19 Estimate £000s	2019/20 Estimate £000s
Ratio of Financing Costs to Net Revenue Stream				
4.5%	5.3%	6.0%	6.6%	6.9%

2.1.1 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%. This ratio has increased from 4.5% in 2015/16 to an estimated 5.3% in 2016/17. This is largely due to an increase in the minimum revenue provision in 2016/17, particularly in relation to capital expenditure in 2015/16 on IT equipment, land and buildings, and appliances.

2.1.2 The estimated ratios for 2017/18 onwards assume an annual council tax increase of 1.95%. The ratio increases between 2016/17 and 2019/20 as the financing costs increase year on year whilst the revenue stream is initially reduced due to funding cuts. However, the rate at which the ratio increases slows towards the end of this four year period as projected increases in council tax begin to compensate for reductions in external funding and the net revenue stream starts to slowly increase again from 2018/19 onwards. If no increase in council is assumed, the ratio increases to 7.2% by 2019/20. The projected ratio is still within the 8% limit.

2.1.3 **Estimates of the Incremental Impact of the New Capital Investment Decisions on the Council Tax (Band D) for 2017/18, 2018/19 and 2019/20, and the Actual Incremental Impact on Council Tax for 2016/17**

2016/17 Actual £000s	2017/18 Estimate £000s	2018/19 Estimate £000s	2019/20 Estimate £000s
Incremental Impact on Council Tax			
£0.55	£0.40	£0.84	£0.53

The table above shows that the effect of increased financing costs in 2016/17 compared with 2015/16, resulting in an increase in the incremental impact on council tax in that year. Beyond 2016/17 the incremental impact fluctuates, reflecting the varying rate at which the net financing costs are expected to increase from one year to the next.

PRUDENTIAL INDICATORS FOR PRUDENCE

2.2 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 2019/20. Performance against this indicator will be monitored throughout the year. For information, at 31 March 2016 (2015/16 financial year), the Capital Financing Requirement was £25,758k, Net Debt (total debt less investments) was £14,908k and Gross Debt was £20,393k. The estimate of the Capital Financing Requirement at the end of 2019/20 is £28,676k, thereby demonstrating that the indicator has not been breached. At the end of 2019/20, Gross Debt is expected to be in the region of £23.3m, with the Capital Financing Requirement estimated at £28.7m showing that this indicator should be achievable.

2.3 **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

2.4 **Estimate of Total Capital Expenditure to be Incurred in 2016/17, 2017/18, 2018/19 and 2019/20, and Actual Capital Expenditure for 2015/16**

2015/16 Actual £000s	2016/17 Estimate £000s	2017/18 Estimate £000s	2018/19 Estimate £000s	2019/20 Estimate £000s
Capital Expenditure Total				
5,282	3,588	5,113	989	3,588
Capital Expenditure – Financed by Borrowing / Finance Lease				
3,600	1,701	948	-1,327	1,596
Capital Expenditure – Financed by Revenue Contributions				
109	190	0	0	0
Capital Expenditure – Financed by Internal Funds				
1,103	1,402	1,580	1,883	1,962
Capital Expenditure – Financed by Capital Grant				
440	280	117	41	0
Capital Expenditure – Financed by Capital Receipt				
30	15	2,468	392	30

The estimates for 2017/18 to 2019/20 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 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.

2.5 **Estimate of Capital Financing Requirement as at the end of 2016/17, 2017/18, 2018/19 and 2019/20, and Actual Capital Financing Requirement as at 31/03/16**

2015/16 Actual £000s	2016/17 Estimate £000s	2017/18 Estimate £000s	2018/19 Estimate £000s	2019/20 Estimate £000s
Capital Financing Requirement				
25,758	27,459	28,407	27,080	28,676

2.5.1 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 year on year between 2015/16 and 2017/18 as annual capital expenditure exceeds the funding available from capital receipts, government grants and internal sources. However, in 2018/19 capital expenditure is forecasted to decrease by £4.1m to £989k and this causes the capital financing requirement to decrease as capital receipts and internal funds will exceed capital expenditure. The capital financing requirement then increases again from 2018/19 to 2019/20 as capital expenditure is forecasted to increase from £989k to £3.6m.

2.5.2 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

2.6 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.

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

2.8 Cash flow forecasts have been prepared for 2017/18 to 2019/20 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.

	2017/18 £000s	**2018/19 £000s**	**2019/20 £000s**
Operational Boundary			
O.B. for borrowing	27,762	30,183	30,100
O.B. for other long term liabilities	0	0	0
Total - Operational Boundary for External Debt	27,762	30,183	30,100
Authorised Limit			
A.L. for borrowing	30,538	33,201	33,110
A.L. for other long term liabilities	0	0	0
Total - Authorised Limit for External Debt	30,538	33,201	33,110

2.9 **Actual External Debt as at 31/03/16**

	2015/16 £000s
Actual borrowing	20,337
Actual other long term liabilities	0
Total – Actual External Debt	20,337

INDICATORS FOR TREASURY MANAGEMENT

2.10 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

2.11 The actual amount of external long term borrowing as at 31/03/16 was £18,262k, with short term borrowing totalling £2,075k. There were no other long term liabilities at the same date. At the same date, the amount of investments was £5,485k, giving a net debt position of £14,852k as at 31/03/16.

2.12 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.

2.13 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 2016 was 73%, and it is forecast to be 76% 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:

	2017/18	2018/19	2019/20
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

2.14 In terms of borrowing, it has been considered prudent to use Public Works Loans Board (PWLB) fixed interest loans on most occasions. This is because the PWLB generally offers rates which cannot be obtained elsewhere in the marketplace. 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.

2.15 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.

2.16 The total value of lending is not expected to exceed £13m, which is likely to peak around July 2017 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.

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

	Benchmark %	**2016/17 %**	**2017/18 %**	**2018/19 %**	**2019/20 %**
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

2.18 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.

2.19 It is recommended that the maturity structure limits remain unchanged for 2017/18. 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%

2.20 **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.

2016/17 £000s	**2017/18 £000s**	**2018/19 £000s**
Prudential Limits for Principal Sums Invested for Periods Longer than 365 Days		
2,000	2,000	2,000

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no specific human resources or learning and development implications which arise directly from this report.

5. EQUALITIES IMPLICATIONS

This is not a new policy or service, so no initial assessment has been completed. A previous assessment has shown that there are no specific equality impacts which arise directly from the Prudential Code.

6. CRIME AND DISORDER IMPLICATIONS

There are no specific crime and disorder implications which arise directly from this report.

7. LEGAL IMPLICATIONS

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

8. RISK MANAGEMENT IMPLICATIONS

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

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

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

9. RECOMMENDATIONS

That Members approve the Prudential Limits for 2017/18 as follows:

Estimate of Ratio of Financing Costs to Net Revenue Stream	6.0%
Estimate of the Incremental Impact of the New Capital Investment Decisions on the Council Tax (Band D)	£0.40
Estimate of Total Capital Expenditure to be Incurred	£5,113,000
Estimate of Capital Financing Requirement	£28,407,000
Operational Boundary	£27,762,000
Authorised Limit	£30,538,000

Upper limit for fixed rate interest exposures	100%
Upper limit for variable rate interest exposures	30%
Loan Maturity:	Limits:
Under 12 months	Upper 20% Lower 0%
12 months to 5 years	Upper 30% Lower 0%
5 years to 10 years	Upper 75% Lower 0%
Over 10 years	Upper 100% Lower 0%
Over 20 years	Upper 100% Lower 30%
Upper Limit for Principal Sums Invested for Periods Longer than 365 Days	£2,000,000

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

None.

John Buckley
CHIEF FIRE OFFICER

Neil Timms
TREASURER TO THE FIRE AUTHORITY

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Nottinghamshire and City of Nottingham
Fire and Rescue Authority

TREASURY MANAGEMENT STRATEGY 2017/18

Report of the Treasurer to the Fire Authority

Date: 24 February 2017

Purpose of Report:

To inform Members of the Authority's Treasury Management Strategy for 2017/18.

To seek approval of the Authority's Minimum Revenue Provision Policy for 2017/18.

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1. BACKGROUND

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

1.2 Treasury management is defined as "the management of investments and cash flows, 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."

1.3 The Authority adopted the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2009 (the Code) on 9 April 2010 (the Code was updated in 2011). It is a requirement of the Code that the Authority creates and maintains:

- A treasury management policy statement, which states the policies, objectives and approach to risk management of its treasury management activities. This statement is given in Appendix A.

- Suitable treasury management practices, setting out how the Authority will seek to achieve those policies and objectives and how activities will be controlled and managed. The Authority's practices were reviewed in 2013/14.

1.4 A report on the Prudential Code for Capital Accounting is also on this agenda. This report sets out the prudential indicators for 2017/18, which are designed to ensure that the Authority's capital investment plans are affordable, prudent and sustainable and are in accordance with CIPFA's Prudential Code. This Treasury Management Strategy report is complementary to that Prudential Code report and the proposed prudential and treasury limits for 2017/18 are included in both reports for completeness.

1.5 This report also sets out the Authority's Minimum Revenue Provision policy for 2017/18 for approval by Members in paragraphs 2.51 to 2.54.

1.6 The Authority has appointed Capita Asset Services as its external treasury management adviser. Capita Asset Services has provided the Authority with its view on anticipated interest rates for the forthcoming year.

2. REPORT

TREASURY MANAGEMENT STRATEGY FOR 2017/18

2.1 The Local Government Act 2003 (the Act) and supporting regulations requires the Authority to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and

Treasury Indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.

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

2.3 The suggested strategy for 2017/18 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.

2.4 The strategy covers:

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

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

BALANCED BUDGET REQUIREMENT

2.6 It is a statutory requirement under Section 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

2.7 UK GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% respectively were some of the strongest rates among the G7 countries. The Office of National Statistic's preliminary estimate for GDP growth in 2016 is 2%.

2.8 The outcome of the EU referendum vote in June 2016 caused an immediate fall in confidence indicators and business surveys, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. This led to the implementation of a package of measures that included a cut in the Bank Rate from 0.5% to 0.25% and a renewal of quantitative easing. The Inflation Report also indicated that a further cut in the Bank Rate would be likely. However, the following monthly business surveys in September showed a sharp recovery in confidence, so that it is now generally expected that the economy will continue to grow reasonably strongly through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016. As a result of this the Monetary Policy Committee (MPC) meeting on 3 November left the Bank Rate and other monetary policy measures unchanged.

2.9 The latest MPC decision included a forward view that the bank rate could either go up or down depending on how economic data evolves in the coming months. The view of the Authority's treasury adviser remains that the bank rate will remain unchanged at 0.25% until the first increase to 0.5% which is likely to take place in quarter 2 of 2019. However, a cut in bank rate is not ruled out if economic growth were to take a significant dip downwards.

2.10 The August quarterly inflation report was based on a pessimistic forecast of near to zero GDP growth in quarter 3, in reaction to the result of the referendum on UK membership of the European Union. However, consumers appear to have adopted a "business as usual" approach until the actual impact of the UK's withdrawal from the EU becomes clearer and there has been no sharp downturn in spending. This approach has aided the UK economy, as it is consumer spending which underpins the services sector which comprises around 75% of UK GDP. The GfK index (a leading consumer confidence index) showed a fairly strong recovery in October to -3 after an initial sharp plunge in July to -12 following the referendum result. However, by December it had fallen back to -7 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

2.11 The Chancellor has said he will do 'whatever is needed' to promote growth; this could involve fiscal policy (e.g. cutting taxes, increasing investment allowances for businesses) and/or an increase in government spending on infrastructure and housing etc. This will mean that the Public Sector Borrowing Requirement (PSBR) deficit elimination timetable is likely to slip further into the future as promoting growth, and ultimately boosting tax revenues in the longer term, will be a more urgent priority. This was confirmed in the Chancellor's Autumn statement in November, when it was announced that the target of achieving a budget surplus in 2020 would be eased. The statement also included some increases in infrastructure spending.

2.12 The Bank of England's November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017. This increase is largely due to the sharp fall in the value of sterling since the referendum, although during November sterling had recovered some of this fall to end up 15% down against the dollar and 8% down against the euro (as at the MPC meeting date of 15.12.16). This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. The MPC has warned that if wage inflation were to rise significantly as a result of these cost pressures to consumers, then they would take action to raise the Bank Rate.

2.13 It is clear that consumer disposable income will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of 1.1% at a time when inflation will be rising significantly higher than this.

2.14 Gilt yields, and consequently Public Works Loan Board (PWLB) rates, have been very volatile during 2016. The year began with 10 year gilt yields at 1.88%, falling to a low point of 0.53% during August, and rising again towards the end of the year. The rebound since August is due to the sharp rise in growth expectations since the initial pessimistic forecasts which led to the decision to cut the Bank Rate. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

2.15 The result of the US presidential election in November is expected to lead to a strengthening of US growth if the President's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflationary pressures as the US economy is already working at near full capacity. In the first week after the US election, there was a major shift in investor sentiment away from bonds to equities, especially in the US, and this dragged UK gilt yields and EU bond yields higher. Some economists are of the opinion that this is the start of an expected unwinding of bond prices which were pushed to unrealistically high levels (and conversely yields pushed down) by the artificial and temporary power of quantitative easing. Other economists view it as an overreaction to the US election result which is likely to be reversed.

2.16 Eurozone GDP growth in the first three quarters of 2016 has been 0.5%, 0.3% and 0.3%. Forward indications are that economic growth in the EU is likely to continue at moderate levels. Economic growth in China has been slowing and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China.

2.17 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 2017	0.25%
As at 31 March 2018	0.25%
As at 31 March 2019	0.25%
As at 31 March 2020	0.75%

2.18 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecast will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact.

MANAGEMENT OF CASH RESOURCES

2.19 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.

2.20 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.

2.21 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.

2.22 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.

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

BORROWING STRATEGY

2.24 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 2017/18 report which is elsewhere on this agenda.

2.25 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 2017/18 this figure is estimated at £28,407,000. 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 2016/17 and 2017/18.

2.26 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. Following a period of consultation, the government has announced that it intends to abolish the PWLB and transfer its functions for lending to local authorities to the Treasury, with operational responsibility delegated to the Debt Management Office. However, this is not expected to have a tangible impact on the Authority's ability to borrow from the government at preferential rates and, as this change has yet to be implemented, this report will continue to refer to "the PWLB". 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.

2.27 The loan of £4m referred to in paragraph 2.26 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.

2.28 Over the next three years, it is anticipated that the Authority will need to borrow up to £8m to finance the capital programme and to replace up to £4.5m of maturing loans.

2.29 Capita Asset Services' view on future PWLB interest rates is:

	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Mar 19	Mar 20
5 yr PWLB	1.60%	1.60%	1.60%	1.60%	1.70%	1.80%	2.00%
10 yr PWLB	2.30%	2.30%	2.30%	2.30%	2.30%	2.50%	2.70%
25 yr PWLB	2.90%	2.90%	2.90%	3.00%	3.00%	3.20%	3.40%
50 yr PWLB	2.70%	2.70%	2.70%	2.80%	2.80%	3.00%	3.20%

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.

2.30 As stated in paragraph 2.18, economic forecasting is particularly difficult at this time. Gilt yields, and therefore PWLB rates, are influenced by geopolitical developments as well as developments in financial markets. Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with an inability of national governments to effectively promote growth through structural reforms, fiscal policy, and investment expenditure.
- Political uncertainty arising from major national polls, as elections are due to take place France, Germany and the Netherlands during 2017, and continuing political instability in Spain and Italy.
- A resurgence of the Eurozone sovereign debt crisis, and stress arising from disagreement between EU countries on free movement of people, how to manage the large influx of immigrants, and how to deal with terrorist threats.
- Geopolitical risks in Europe, the Middle East and Asia causing a significant increase in safe haven cash flows.
- UK economic growth and increases in inflation being weaker than currently anticipated.
- Weak growth or recession in the UK's main trading partners.

2.31 Upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include:

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Federal funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Federal funds rate causing a fundamental reassessment by investors of the relative risks of holding

bonds as opposed to equities, and leading to a major switch from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (i.e. gilts).

2.32 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 2017/18 and beyond.

- Three PWLB loans will mature in the medium term (£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 2017/18 to 2019/20 will be in the region of £8m.

- 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 2.36 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.

2.33 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 still an issue that needs to be considered. However, the Authority recognises that internal borrowing itself poses a different kind of risk, as there is a chance that balances may need to be replenished at a time when interest rates are higher. In this respect, internal borrowing is effectively variable rate debt. The Authority will therefore 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.

2.34 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.

2.35 The Authority’s gross debt position is projected to be £23.3m by the end of 2016/17, but investments of approximately £5.6m are expected to be in place at 31 March 2017, giving a net debt position of around £17.7m. 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 2.33 for more details). However, the Authority recognises that there will be requirement to borrow in the medium term when the cash from surplus reserves has 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.

2.36 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.

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

2.38 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 2017/18 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

2.39 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.

2.40 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.

2.41 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.

2.42 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.

2.43 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 UK currently has a sovereign rating of AA and has been placed on "negative outlook" which raises the potential for it to be downgraded further within the next eighteen months if the economic outlook for the UK deteriorates. If the UK were to be downgraded to AA- this would remove the option of investing with UK institutions under the current Treasury Management Strategy. Given that the Authority's banker is a UK bank this could cause some difficulty. The

Finance and Resources Committee therefore approved a recommendation in January 2017 that, if the UK is downgraded to AA- status, the Authority's strategy will be to continue with existing banking arrangements and to retain current investments with UK institutions. The Authority will then need to reconsider its investment strategy in a further report to Members, with any immediate requirements in the interim to be agreed between the Treasurer and the Chair of the Finance and Resources Committee.

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

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

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

2.46 The risks associated with investing will be reduced if investments are spread e.g. over counterparties or over countries. The Authority will therefore aim to limit its investment with any single counterparty to £2m. 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.

2.47 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.

2.48 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.

2.49 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.

2.50 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 2017/18

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

2.52 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.

2.53 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 2017/18 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 2017/18 will be calculated on the basis of the Asset Life method.

2.54 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

2.55 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

2.56 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 Fire Authority in January 2017.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

There are no equalities issues arising directly from this report.

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

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

9. RECOMMENDATIONS

It is recommended that Members:

9.1 Note the Treasury Management Strategy 2017/18 as set out in this report.

9.2 Approve the Minimum Revenue Provision policy 2017/18 as set out in paragraphs 2.51 to 2.54.

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

None.

Neil Timms
TREASURER TO THE FIRE AUTHORITY

APPENDIX A

TREASURY MANAGEMENT POLICY STATEMENT

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

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

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

PRUDENTIAL AND TREASURY INDICATORS FOR 2017/18

Estimate of Ratio of Financing Costs to Net Revenue Stream	6.0%
Estimate of the Incremental Impact of the New Capital Investment Decisions on the Council Tax (Band D)	£0.40
Estimate of Total Capital Expenditure to be Incurred	£5,113,000
Estimate of Capital Financing Requirement	£28,407,000
Operational Boundary	£27,762,000
Authorised Limit	£30,538,000
Upper limit for fixed rate interest exposures	100%
Upper limit for variable rate interest exposures	30%
Loan Maturity:	Limits:
Under 12 months	Upper 20% Lower 0%
12 months to 5 years	Upper 30% Lower 0%
5 years to 10 years	Upper 75% Lower 0%
Over 10 years	Upper 100% Lower 0%
Over 20 years	Upper 100% Lower 30%
Upper Limit for Principal Sums Invested for Periods Longer than 365 Days	£2,000,000

APPROVED COUNTRIES FOR INVESTMENTS – FITCH RATINGS

AAA	AA+	AA
Australia	Finland	Abu Dhabi (U.A.E)
Canada	Hong Kong	France
Denmark		Qatar
Germany		U.K.
Luxembourg		
Netherlands		
Norway		
Singapore		
Sweden		
Switzerland		
U.S.A.		

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

REVIEW OF RESERVES AND WORKING BALANCES

Report of the Chief Fire Officer

Date: 24 February 2017

Purpose of Report:

To seek the approval of the Nottinghamshire and City of Nottingham Fire and Rescue Authority to the minimum level of working balances sufficient to meet the needs of the Authority during the 2017/18 financial year and beyond.

CONTACT OFFICER

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1. BACKGROUND

1.1 The Fire and Rescue Authority holds a level of working balances to meet specific risks and potential liabilities of a strategic, operational and financial nature.

1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) publishes guidance on the matter of financial reserves and sets out a number of specific risk areas that financial officers need to consider when setting the levels of balances.

1.3 As in previous years, a risk based approach has been taken to determine a reasonable level of balances. In accordance with this risk based approach, the level of balances required for 2017/2018 is £4,434,848. The main reasons for the change since 2016/2017 are explained in paragraphs 2.13 and 2.14.

2. REPORT

GENERAL RESERVES

2.1 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

2.2 There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:

i) The balanced budget requirement (sections 31a and 42a of the Local Government Finance Act 1992).

ii) The Treasurers' duty to report on the robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement.

iii) The legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer / proper officer has responsibility for the administration of those affairs (section 151 of the Local Government Act 1972).

iv) The requirements of the Prudential Code.

v) External auditors will confirm that there are no material uncertainties about an Authority's ability to continue operating, given its financial position.

2.3 Whilst it is primarily the responsibility of the local authority and its chief financial officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

2.4 CIPFA does not prescribe a formula for calculating a minimum level of reserves. Local authorities, on the advice of their chief financial officers, should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.

2.5 CIPFA sets out that reserves can be held for three main purposes:

2.5.1 A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;

2.5.2 A contingency to cushion the impact of unexpected events or emergencies - this also forms part of general reserves;

2.5.3 A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but legally remain part of the General Fund.

2.6 The annual review of the risk assessment applicable to reserves and balances has recently been carried out by the Authority's Risk Manager and Head of Finance and the result of this risk assessment is given at Appendix A. This enables Members to see the key risks to which the Service is exposed and their estimated possible financial impacts.

2.7 There are three main categories of risk shown in the assessment: the risk of legal action being taken against the Authority, resulting in a financial loss; the risk of financial loss arising specifically from financial activities, and operational risks which could lead to financial loss. Where risks have been identified, control measures are in place to minimise either the likelihood or the impact of the risk and these are also shown in Appendix A.

2.8 The approach has examined each of the risk exposures and considered both the possible financial impact on the Service and the likelihood of occurrence. A risk factor has been allocated to each risk reflecting the likely frequency of occurrence of the risk based on historic experience and professional judgment. It should be noted that the underlying assumption is that not all of these risk events will occur simultaneously and, to reflect this, the potential value of each financial impact is multiplied by its risk factor.

2.9 The approach also considers the extent to which financial risks can be transferred by way of insurances, thus creating a balance between insured and self-financed risk. Where insurances are in place, the risk value reflects the level of deductible within the insurance policy.

2.10 Residual risk is the extent to which the Authority remains exposed to risks which are neither insured nor provided for within revenue budgets or balances. The level of acceptable residual risk equates to the "risk appetite" of the Service and the estimated minimum level of balances reflects this risk appetite. The approach to the construction of the revenue budget for 2017/2018 has been to move away from traditionally low risk assumptions towards budgetary estimates which are more likely to reflect a realistic position rather than a cautious one and this change has made an impact on the latest estimate for the minimum level of balances.

2.11 The risk assessment review identified some changes in risks, mainly in terms of the increase (or sometimes decrease) in the potential costs of existing risks. The frequency of risk occurrence has also been reviewed in the light of another year of experience.

2.12 The updated risk assessment shows that an appropriate level of general reserves and working balances is £4.4m. This risk value has increased since last year by £590k and the main reason for this is that two new risks have been added and the reserve value in respect of two existing risks has changed significantly.

2.13 The two new risks are:

2.13.1 The risk of overspending budgets due to the elimination of contingency budgets and budget assumptions based on a greater risk appetite. The risk value is estimated at 1% of the 2017/2018 revenue budget and equates to £407k. The risk factor is assessed as 0.5.

2.13.2 The risk of unforeseen price increases due to currency exchange fluctuation. This risk was highlighted in a report to the Finance and Resources Committee in October 2016 and is assessed at £600k, although it is very difficult to quantify this risk. The risk factor is assessed as 0.5.

2.14 The two risks which have significantly changed are:

2.14.1 The risk of unbudgeted redundancy costs due to current and on-going financial constraints, if savings cannot be found from elsewhere. The risk value remains as £500k but the risk factor has been increased from 0.5 to 1.0. This reflects the fact that the medium term budget is not yet balanced, as well as the uncertainties around the implications of the duty to collaborate with other emergency services when this becomes law.

2.14.2 The risk of higher than expected pay awards is assessed as 1% of the total pay budget and this risk value has been reduced from £494k to £309k to recognise the reduction in pay budgets in recent years. Although this risk appears to overlap with the risk of overspending budgets in paragraph 2.13.1 it remains a separate risk as it is concerned solely with the assumption made about pay inflation rather than any other budgetary assumptions. The risk factor remains as 1.0.

2.15 There are a number of other risks where minor amendments have been made to reflect changes in either risk value or in expected likelihood or impact in the light of another year's experience. The full risk assessment is given at Appendix A.

2.16 As set out in paragraph 2.4, the risk assessment which determines what the minimum level of reserves should be is carried out using the professional judgement of the Officers involved in the process. As well as the Risk Manager and the Head of Finance, the process involves consulting other Managers with particular areas of expertise in order to determine any new risks and to identify appropriate levels of risk value and risk frequency. This detailed review of risks inevitably results in fluctuations in the resulting minimum level and a review of the results of this process in previous years shows that, prior to this year, the highest minimum level was for the year 2014/15 (£4.2m), and that the lowest minimum level assessed was for 2013/14 (£3.4m). Over the past five years the risk-assessed minimum level of reserves has been: 2012/13 £3.5m; 2013/14 £3.4m, 2014/15 £4.2m, 2015/16 £4.0m and 2016/17 £3.8m. The Finance and Resources Committee regularly receives risk management reports, which show that corporate risks are regularly reviewed by Officers and that controls are in place to manage those risks. Even so paragraphs 2.13 and 2.14 above demonstrate that risk values can and do change, and the strategic risk register includes external risks which could impact on the Authority in the future.

The projected level of balances by 31 March 2017 is of the order of £7.5m which is higher than the £4.4m required, the excess being in the region of £3.1m. The budget report (elsewhere on this agenda) shows that significant pressure remains to achieve budget reductions over the next three years and that a contribution from reserves is required to balance the budget in 2017/2018. It is considered that it would be prudent to retain this excess sum within reserves to allow, if necessary, for a contribution from reserves to support the budget in 2017/2018, and potentially in the years following, whilst longer term budget savings are in the process of implementation.

It is appropriate to assure Members in this report that the level of balances to be held by the Authority will be sufficient to cover the risk based liabilities which may arise and the Treasurer will report on this as part of his duties under Section 25 of the Local Government Act 2003.

EARMARKED RESERVES

2.17 In addition to general reserves the Authority holds a number of earmarked reserves which are funds put aside to meet future items of expenditure. They may also have arisen from grants or donations which have been received in anticipation of activities to be undertaken at a future date and therefore held on the balance sheet as earmarked reserves.

2.18 A full review of earmarked reserves was undertaken at the end of the last financial year. As part of the Authority's final accounts closedown process, all earmarked reserves will once again be reviewed by budget managers and Finance staff and the final earmarked reserves will be reported to Members within the Authority's Statement of Accounts 2016/2017.

2.19 The total value of earmarked reserves at 31 March 2016 was £3.501m. During the period up to the end of January 2017 there has been no requirement to use these reserves due to a revenue budget underspend, but a further contribution of £220k to top up the Organisation Transition earmarked reserve will be recommended to the Finance and Resources Committee in March 2017. If approved, this results in an expected earmarked reserves balance of £3.731m by 31 March 2017. Earmarked reserves and their forecast balances as at 31 March 2017 are shown in Appendix B.

3. FINANCIAL IMPLICATIONS

3.1 The maintenance of adequate working balances is a legal requirement under S27 Local Government Act 2003, and the Authority's Treasurer is charged with determining the adequacy of those balances or, as they are described in the Act, the "Controlled Reserve".

3.2 The risk assessment demonstrates that the level of balances should be in the order of £4.4m.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report relates entirely to accounting matters.

6. CRIME AND DISORDER IMPLICATIONS

There are crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

The legal implications and requirements are set out in full within the report.

8. RISK MANAGEMENT IMPLICATIONS

The risk management implications are set out in full in the report and in Appendix A.

9. RECOMMENDATIONS

It is recommended that Members:

9.1 Note the results of the review of risks shown at Appendix A.

9.2 Approve the proposed minimum level of working balances of £4.4m for 2017/2018.

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

None.

John Buckley
CHIEF FIRE OFFICER

General and Working Balances Risk Assessment

APPENDIX A

Risk Description	Risk Effect	Control Measures	Insurable	Risk Value	Risk Factor Reflecting Frequency	Reserve Required	Revenue Budget
Discrimination cases	Reputational damage; Legal costs, employment tribunal costs unbudgeted	Professional HR advice, policies, procedures, management training, legal advice	N	500,000	0.25	125,000	0
Unfair Dismissal cases	Reputational damage; Legal costs, employment tribunal costs unbudgeted	Professional HR advice, policies, procedures, management training, legal advice	N	16,000	0.2	3,200	0
Settlement Agreements / Termination settlements	Reputational damage; Legal costs, employment tribunal costs unbudgeted	Professional HR advice, policies, procedures, management training, legal advice	N	100,000	1	100,000	0
Case for damages brought against the Authority	Reputational damage; Legal costs, Damages unbudgeted	Policies, procedures, management training, legal advice, procurement advice		1,000,000	0.2	200,000	0
Appoint independent investigator at request of elected Members	Cost of paying investigators	Policies, procedures, management training, legal advice, procurement advice	N	30,000	0.25	7,500	0
Discretionary Compensation scheme		Professional HR advice, policies, procedures, management training, legal advice	N	60,000	1	60,000	0
Equal pay claims	Reputational damage; Legal costs, employment tribunal costs unbudgeted	Professional HR advice, policies, procedures, management training, legal advice, equal pay audit	N	70,000	0.1	7,000	0
Injury Compensation Scheme awards above level budgeted for	Additional costs	Policies and procedures, training etc to reduce likelihood of injury. Occupational Health devising new interventions to reduce risk.	N	7,000	1	7,000	0

Risk Description	Risk Effect	Control Measures	Insurable	Risk Value	Risk Factor Reflecting Frequency	Reserve Required	Revenue Budget
Ill health retirements higher then number budgeted for	Additional costs	Professional HR advice, policies, procedures, management training, legal advice, (no earmarked reserve left)	N	135,000	2	270,000	0
Pension Ombudsman Rulings	Compensation award payment	Pension administration expertise bought in	N	5,000	1	5,000	0
Medical Appeals re FFPS	Cost of appeal process	IQMP policy and advice taken	N	8,000	1.5	12,000	0
Local/national industrial dispute	Potential loss of service; risk of non-compliance with statutory duties and ensuing legal case / fines; selective industrial action may not result in sufficient underspend to cover additional costs. Potential ministerial intervention and ensuing reputational damage.	Maintain adequate contingency cover. Contingency arrangements well tested during 2013-2015 industrial action.	N	495,000	1	495,000	0
Non-compliance with environmental legislation - support for legal proceedings	Cost of responding to enforcement action	Acquisition of permits / licences; planned drainage works; site risk profiles	N	70,000	0.25	17,500	0
Negligent fire safety work	Litigation	Training, procedures, effective SLA's with an appropriate allocation of liabilities	Y	10,000	0.1	1,000	0
Increase in numbers of vulnerable people due to economic climate	Loss of council tax precept income, additional cost of fire prevention activity	No controls in place	N	204,000	0.5	102,000	0
Change in legislation / regulations	Loss of use; cost of modifications and replacements	Continuous review process	N	100,000	0.1	10,000	0
Unforeseen general change in legislation / Major Incident Reviews	Increased costs of working due to doing more or doing things differently & costs of training	Awareness	N	100,000	0.2	20,000	0

Risk Description	Risk Effect	Control Measures	Insurable	Risk Value	Risk Factor Reflecting Frequency	Reserve Required	Revenue Budget
Risk to health, safety & welfare of employees	Litigation; legal costs & staff absence	Operating procedures; training; written safety policy; risk assessments	Y	10,500	3	31,500	0
HSE Interventions	Cost of remedial measures; cost of fine; fees for HSE intervention, indirect costs of covering internal resources used to investigate the issue etc.	Operating procedures; training; written safety policy; risk assessments	N	315,000	0.1	31,500	0
Reignition or other negligence	Reputational, financial	Operating procedures	Y	10,500	1	10,500	0
Breach of security	Loss of confidential data; Information Commission fines	Protective security measures; ICT policies; physical, technical and people security measures; Information Governance Officer post; Data Protection policy	N	80,000	0.125	10,000	0
Redundancies due to current and on-going financial constraints, if savings cannot be found from elsewhere	One-off cost of redundancy payment and potential pension strain is too high a cost to budget for within the revenue budget	Business case and payback period	N	500,000	1	500,000	0
Discovery of major property structural problem that restricts / prevents use of all or part of building(s)	Loss of use; cost of repair; impairment to operational effectiveness	Continuity plans, repair and refurbishment programme	P	600,000	0.1	60,000	0
Fire, flood or other peril	Loss of use; cost of repair; impairment to operational effectiveness	Continuity plans, repair and refurbishment programme	Y	1000	0.2	200	0
Theft of assets	Disruption	Safety procedures	Y	1000	1	1,000	0
Own damage	Disruption	Risk management	Y	1000	1	1,000	0
Serious injury to public	Reputation, cost, staff time	Training and procedures	Y	10,500	0.1	1,050	0
Damage to vehicle	Loss of use; cost of repair; replacement vehicle hire; lease extensions	Road Risk Group - review of road risk; training; inclusion of vehicle safety options	Y	1,000	100	100,000	35,000

Risk Description	Risk Effect	Control Measures	Insurable	Risk Value	Risk Factor Reflecting Frequency	Reserve Required	Revenue Budget
Appliance written off in an accident	Loss of use; insurance receipt may not cover cost of replacement	Road Risk Group - review of road risk; training; inclusion of vehicle safety options	Y	120,000	0.5	60,000	0
Multiple appliances written off in major incident (maximum 2 appliances)	Loss of use; insurance receipt may not cover cost of replacement; appliance degradation enacted; impact on service delivery; impact on appliance replacement programme	Training and procedures; appliance degradation procedure	Y	200,000	0.1	20,000	0
Major vehicle defect (affecting part of fleet)	Loss of use; cost of rectifying defect if beyond warranty	Mutual assistance, robust and routine fleet inspections	N	150,000	0.2	30,000	0
Unforeseen increase in fuel prices	Increased costs	None	N	70,000	1	70,000	0
Increased risk of overspending budgets due to elimination of contingency budgets and budget assumptions based on greater risk appetite	Overspend against revenue budget in year which will have effect of reducing general reserves by the amount of the overspend	Focus on realistic assumptions, rather than risky assumptions. Close monitoring of budget throughout year to allow corrective action to be taken	N	407,240	0.5	203,620	0
Major operational equipment defect	Loss of use; cost of modifications and replacements	Inspection routines	N	100,000	0.2	20,000	0
Major fraud	Financial loss	Internal control	Y	5,000	0.1	500	0
Higher than expected pay awards	Large hit on pay contingency	Maintain adequate general contingency	N	309,000	1	309,000	0
Significant change in interest rates	Increased costs / loss of income	Prudential code and treasury management indicators	N	120,000	0.2	24,000	0
Unforeseen price increases due to currency exchange fluctuation	Increased costs / potential for reduced competition	May not be possible to avoid through contractual obligations	N	600,000	0.5	300,000	0
Unforeseen indirect impacts of changes to pension regulations	Potential additional NI costs, potential increased membership so employers' superannuation costs etc.	Monitor ongoing consultations etc and budget for likely impacts as soon as clear	N	140,000	0.5	70,000	0

Risk Description	Risk Effect	Control Measures	Insurable	Risk Value	Risk Factor Reflecting Frequency	Reserve Required	Revenue Budget
Business failure of bank or investment counterparty	Loss of working capital or investment funds up to £2m	Treasury management strategy, risk analysis of investment options and counterparties	N	2,000,000	0.2	400,000	0
Failure of counterparty to purchase fixed asset for sale	Loss of capital receipt to be used to finance capital programme, or contribute towards required savings – financial loss	Legal advice for major contracts and due diligence including risk analysis of prospective purchasers	N	2,500,000	0.167	417,500	0
Unanticipated loss of short term income i.e. from precept, non-domestic rates or government grant	Timings of budget process may not allow sufficient time to plan for such changes	Network of Chief Financial Officers keep abreast of developments.	N	420,750	0.5	210,375	0
Major CBRN / terrorist incident	Reduction in capability to respond	Multi-agency plans; New Dimensions equipment; BCM plans; Response degradation policy; Mutual Aid	N	81,448	0.1	8,145	0
Natural disasters	Reduction in capability to respond	Multi-agency plans; New Dimensions equipment; BCM plans; Response degradation policy; Mutual Aid	N	81,448	0.5	40,724	0
Multiple large incidents	Reduction in capability to respond	Multi-agency plans; New Dimensions equipment; BCM plans; Response degradation policy; Mutual Aid	N	81,448	0.3	24,434	0
Hot or dry summers	Increased retained call-outs	None	N	220,000	0.33	72,600	0
TOTALS				**12,046,834**		**4,469,848**	**35,000**

Minimum level of general reserves 2017/2018 **£4,434,848**

Earmarked Reserves

APPENDIX B

Reserve	Balance 31 March 2016 £	Estimated Spend Against Reserve in 2016/17 £	Estimated Contributions to Reserves in 2016/17 £	Estimated Balance 31 March 2017 £
FUNDED BY GRANTS				
LPSA Reward Grant	173,952			173,952
Fire Investigation	119,978			119,978
Safe as Houses - Smoke Alarms	21,661			21,661
Community Safety - Innovation Fund	200,594			200,594
Resilience Crewing and Training	451,740			451,740
Thoresby Estate Charitable Trust	3,011			3,011
Transparency Grant	7,679			7,679
Safe and Well	0		10,000	10,000
	978,615	0	10,000	988,615
CREATED FROM REVENUE				
Pensions Ill Health	309,322			309,322
On Fire Fund - Fire Safety	86,749			86,749
Fire Control Transition	143,123			143,123
Agresso Development	15,680			15,680
ICT Sharepoint Internet/Intranet	97,086			97,086
Operational Equipment	10,000			10,000
Capital Reserve	1,154,276			1,154,276
Organisation Transition - one off costs	148,513		220,000	368,513
Swan Project - Ashfield	217			217
Tri-Service Control Phase 2 Project	219,815			219,815
Fire Cadets Project	22,648			22,648
Backlog Buildings Maintenance	95,000			95,000
Taxation Compliance	10,000			10,000
Communications Development	200,000			200,000
IT Systems	9,662			9,662
	2,522,091	0	220,000	2,742,091
TOTAL	**3,500,706**	**0**	**230,000**	**3,730,706**

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

BUDGET PROPOSALS FOR 2017/2018 TO 2019/2020 AND COUNCIL TAX 2017/2018

Report of the Chief Fire Officer

Date: 24 February 2017

Purpose of Report:

To present the Fire Authority with proposals for Revenue and Capital budgets for 2017/2018 to 2019/2020 to allow Members to determine the level of Council Tax for 2017/2018.
To present a strategy for the flexible use of capital receipts and to set out fees and charges for 2017/2018 for Members' approval.
To seek Members' approval to the continued payment of Members Allowances for 2017/2018 in accordance with the approved scheme

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1. BACKGROUND

1.1 At its meeting on 20 January 2017 the Finance and Resources Committee considered a report from the Chief Fire Officer setting out the latest budget position based on the provisional grant settlement and the indicative position with regard to Council Taxbase.

1.2 The Finance and Resources Committee was asked to consider two options for Council Tax and make recommendations to the full Fire Authority. This report sets out the implications of the option selected by the Finance and Resources Committee at its January meeting.

1.3 The budgetary position presented to the Finance and Resources Committee has been updated for the final figures for taxbase and surplus on Collection Fund, as well as other minor adjustments, and includes a statement by the Authority's Treasurer in relation to the robustness of estimates and the adequacy of reserves and balances as required by S25 of the Local Government Act. Provisional figures for Revenue Support Grant and Business Rates Top-up Grant were received in December 2016 and these have been used throughout this report as the final settlement is now not expected to be received until after 20 February.

1.4 The Fire Authority is required to set a precept before 1 March 2017 and notify this to the billing authorities.

2. REPORT

CAPITAL BUDGET PROPOSALS 2017/2018 TO 2019/2020

2.1 The Authority maintains a sustainable Capital Programme that has been planned out over an extended period. This programme seeks to replace appliances and vehicles when they are approaching the end of their useful life, maintains a rolling programme of ICT replacements and a property programme that will ensure that property remains fit for purpose, is appropriately located and can be contained within the internal capacity of the organisation to complete.

2.2 The programme is set out for the next three years and reflects proposed new expenditure. Actual expenditure in each year may also be increased by slippage approved by the Fire Authority to be carried forward from the prior year.

The proposed Capital Programme for 2017/2018 to 2019/2020 is therefore as follows:

Capital Programme Item	2017/18 Proposed	2018/19 Proposed	2019/20 Proposed
	£	£	£
Appliance Replacement	0	0	2,417,000
Special Appliances	379,000	0	99,500
Appliance Equipment	28,000	0	0
Light Vehicle Replacement	733,000	363,500	187,000
Transport Total:	**1,140,000**	**363,500**	**2,703,500**
BA Sets	595,000	0	0
Conversion of Hose Reel Equipment	200,000	0	0
Lightweight Fire Coats	180,000	0	0
Personal Protective Equipment	0	0	650,000
Equipment Total:	**975,000**	**0**	**650,000**
Alterations to new Hucknall Fire Station	527,000		
Fire Station Project	1,473,000	425,000	75,000
Property Total:	**2,000,000**	**425,000**	**75,000**
ICT Capital Programme	140,000	140,000	140,000
Mobile Computing	20,000	20,000	20,000
ICT Total:	**160,000**	**160,000**	**160,000**
Performance Management System	103,000	0	0
Emergency Services Mobile Communications Project	116,700	40,700	
IT Systems Total:	**219,700**	**40,700**	**0**
Total Capital Programme:	**4,494,700**	**989,200**	**3,588,500**

2.3 The rescue pump renewals programme will be temporarily suspended whilst a review of appliance equipment is undertaken as part of the Sustainability Strategy 2020. The Strategic Leadership Team has approved the extension of the rescue pump's useful life from thirteen to fifteen years to reflect actual experience in recent years and this will allow the time for the equipment review to be conducted and for recommendations to be made about the technical specification of appliances for the future. The capital budget for appliances in 2019/2020 will cover the purchase of 8 rescue pumps which will bring the Authority back on track with the replacement programme. Orders for these will be placed towards the end of 2018/2019.

2.4 The special appliances budget covers the Command Support Unit and a replacement Training Vehicle for the Driving School.

2.5 The light vehicle programme has been virtually suspended during recent restructures and the lives of vehicles have been extended where possible. This was to avoid purchasing vehicles which may not have been required going forward. The vehicle replacement strategy was approved by the Finance and Resources Committee in 2016 and allows for a fewer number of vehicles to be replaced in future years, which reflects the contracting size of the organisation and more efficient ways of working. Nevertheless the capital programme is quite substantial over the three year period as there will be an element of “catching up” with vehicle purchases.

2.6 There are three projects within the equipment programme for 2017/2018: the replacement of breathing apparatus and ancillary equipment as part of a managed service package when the current provision reaches the end of its ten year life; the conversion of hose reel equipment as the current branches become uneconomical to repair and the purchase of lightweight fire coats designed to protect personal protective equipment from an element of wear and tear, thereby extending its life. In 2019/2020 personal protective equipment is due to be replaced. Previous practice has been to purchase new personal protective equipment from the revenue budget but, as experience has shown that such equipment can be successfully refurbished to extend its life, it will now be treated as capital expenditure for the new issue of equipment with the cost to the revenue budget spread over the life of the equipment.

2.7 The property programme allows for one fire station to be re-built during the three year period, together with a feasibility study to prepare for the next project. The programme covers the construction of a new fire station at Newark and this budget sets aside the resources to continue with the Authority’s sustainable capital programme which will ensure that all property assets remain fit for purpose over time.

2.8 The ICT programme has been pared back and now contains budget to replace items by way of a rolling programme and provision for the general expansion of ICT usage across the organisation.

2.9 There is provision in the capital programme for a new performance management system to be implemented during 2017/2018. In addition, the Authority is due to receive capital grant from the government to support the Emergency Services Mobile Communications Project and, whilst the detail of what expenditure will be required is not yet known, an equivalent capital expenditure budget has been included in the programme.

REVENUE BUDGETS 2016/2017 TO 2018/2019

2.10 The budget report presented to the Fire Authority in February 2016 detailed a revenue budget requirement of £42.2m for 2017/2018. It was estimated at this time that this would result in a budget deficit of between £2.4m and £2.9m for that year, and that there would continue to be a budget deficit going forward up to 2019/2020. During this year’s budget process the focus has been on driving out further savings and on re-defining budget assumptions by taking a more risky approach to estimating in order to eliminate the element of contingency built into some budgets. The Chair of the Finance and Resources Committee spent the day with the Head of Finance and a number of budget managers on 7 November 2016 and was supportive of this approach.

2.11 The riskier approach outlined above has translated into a revenue budget which reflects the best estimates of likely actual expenditure and this has made a substantial difference, in particular to those pay budgets which have traditionally been constructed based on the approved establishment. The Administrative and Support pay budget includes a vacancy factor of 1.5% (previously it was 1%) and the Retained pay budget has been re-adjusted to take account of actual numbers recruited in 2016/2017 and planned recruitment over the next three years. The Wholetime pay budget has been prepared on the basis of an establishment of 455 posts in 2017/2018, 445 posts in 2018/2019 and 449 posts in 2019/2020 (the current approved establishment is 476 posts). This allows for retirements and leavers and some recruitment later in the three year period but is nevertheless significantly below the approved establishment and has resulted in a temporary saving of £673k in 2017/2018 as well as savings of £728k in 2018/2019. This also means that the pre-planned overtime budget has increased by £300k to allow for the additional cost of covering ridership vacancies in accordance with the current collective agreement, and budget has been provided for temporary posts to deliver various projects by 2019/2020. The budgetary position shown later in this report assumes that the temporary savings to the pay budget will become permanent savings at some point by 2019/2020 but of course this will be a matter for the Fire Authority to determine in due course.

2.12 Detailed budgets have been prepared for the three years 2017/2018 to 2019/2020. A number of key assumptions have been made in drawing up these budgets including assumed pay awards of 1% per annum for all groups of employees. The budget for 2017/2018 was finalised at the end of January 2017, when the surplus on Collection Fund and Taxbase were confirmed by the billing authorities.

2.13 The base budget for the current year 2016/2017 is £41,294,863. The budget process has resulted in a number of proposed changes to this position going forwards, and these are summarised in the following table for each of the next three years (a more detailed breakdown is given in Appendix C):

		2017/18 Budget £000's	**2018/19 Budget £000's**	**2019/20 Budget £000's**
Base Budget Previous Year		41,295	40,805	41,159
Pay Changes				
	Pay Awards 1%	309	312	308
	Increments	67	70	41
	Increase in Employers Pension rate	149	5	324
	Changes to Bank Holidays	112	-85	43
	Restructures etc.	-236	-8	-26
	Temporary Project Work	165	0	-350
	Changes in Budget Assumptions	-1,131	-427	-91
	Apprentices - new budget (0 / 12 / 12)	0	119	84
	Increase in pre-planned WT overtime to cover vacancies	300	0	-300

		2017/18 Budget £000's	2018/19 Budget £000's	2019/20 Budget £000's
	Increase in RDS CS work and other work	83	100	300
	Other minor changes	-26	-3	-2
Capital Financing net change		113	259	167
Nonpay and pensions inflation		21	40	12
Growth				
	Unavoidable Growth:	235	8	2
	Growth	186	-8	0
Savings				
	Net Change to Non-pay / Income re Princes Trust Reduction	-49	0	0
	Redesign of Service Delivery Savings	-44	0	0
	Procurement Savings	-8	0	0
	Maximise Benefit & Value of Assets Savings	-85	0	-5
	Changes in Nonpay Budget Assumptions Savings	-170	0	0
	New Ways of Working Savings	-115	-22	-17
Corrections / Minor Adjustments		-2	-8	13
Reversal of Temporary Budget Changes		-31	0	0
Adjustments to Budget				
	Remove contribution from reserves to support SRT restructure	-350	0	0
	Reduce Surplus on Collection Fund	49	0	0
	Adjust FireLink grant in line with actuals	-35	0	0
Net Changes in Year:		-490	354	504
Proposed Base Budget - Budget Requirement:		40,805	41,159	41,663

2.14 Pay awards in the above table are assumed to be at 1% for the next three years, in line with the government's previously announced target for public sector pay. Where pay for posts has increased as a result of job evaluation, this is built into the budget as an on-going incremental cost.

2.15 The Local Government Pension Scheme has undergone a triennial revaluation and, as a result, the percentage rate for employer's superannuation has increased from 12.6% to 14.8%, and the lump sum payment to recover past deficits has increased from £173k to £207k per annum. The Authority has the option to pay the lump sum for the next three years at the start of 2017/2018, which results in a saving over the period of £33k. This option will be taken and the saving has been built into the budget.

2.16 The number of bank holidays in each financial year can change depending on when Easter falls. This can have a significant impact on costs as operational and Control employees are required to cover bank holidays, and this is reflected as a budgetary change.

2.17 Some minor restructuring of the Administrative and Support Staff establishment has taken place in the Estates, Corporate Support, Fire Protection and HR Departments, resulting in savings. In addition, some posts in the Prince's Trust team have been deleted in line with the previous decision of the Authority.

2.18 As set out in paragraph 2.11 above, budget has been allocated to support temporary posts to deliver on invest to save projects by 2020. This budget will then be removed. It is anticipated that these posts will be required in the ICT, Engineering, HR, Procurement and Corporate Support Departments to support work on the Sustainability Strategy 2020 and the ESN project.

2.19 The more stringent approach to budgeting this year has delivered substantial savings within pay budgets, as described in paragraph 2.11 above. These are described in the table above as "Changes in Budget Assumptions" and total £1.1m in 2017/2018. However it must be emphasised that some of these savings are temporary and will only crystallise as permanent savings if the Fire Authority approves reductions in the establishment over the next three years in order to eliminate the projected budget deficit. Of this £1.1m, £673k is a temporary saving of this nature reflecting the assumption that numbers of Wholetime employees will reduce following retirements. A further £165k is a temporary saving in the RDS pay budget due to less employees having been recruited than assumed in the base budget – this saving is expected to reverse in 2018/2019 as recruitment continues. The remaining £193k is a permanent saving resulting from amended assumptions in respect of, for example, overtime, temporary promotions, Continuing Professional Development and pension scheme migration. In 2018/2019 further temporary savings are assumed in the Wholetime pay budget although these are offset to some degree by increased numbers of RDS employees delivering more outcomes. The overtime budget has been increased by £300k in 2017/2018 and 2018/2019 to allow for the additional cost of covering ridership vacancies.

2.20 The introduction of the Apprenticeship Levy from April 2017, together with Apprenticeship targets, shows as an increased pay cost in 2018/2019 and 2019/2020 as it has been assumed that the Authority will create 24 Apprentice Firefighter posts. This, together with existing Apprentice posts in the Administrative and Support Staff establishment will contribute towards achievement of the target. The cost of the Apprenticeship levy from 2017/2018 is estimated at £107k and is included in Unavoidable Growth.

2.21 Capital financing charges will increase over the next three years, to support the capital programme, but these are lower than estimated in last year’s budget process due to a reduction in some areas of the capital programme and due to savings on interest charges following the acquisition of a loan at an advantageous rate.

2.22 The reduction in Prince’s Trust activity already approved by the Authority has effected a net saving to income and non-pay budgets of £49k.

2.23 A number of savings have been identified arising from the Sustainability Strategy 2020. These are listed in the table above and total £251k. In addition there is a saving of £170k due to changes in assumptions for non-pay budgets as a result of taking a higher risk approach to estimating.

2.24 There are three other adjustments to the base budget: firstly the removal of the contribution from Reserves approved by the Authority last February to support the Specialist Rescue Team restructure, a reduction of £350k; secondly the Collection Fund surplus notified by the billing authorities has decreased by £49k and finally FireLink grant has increased by £35k.

2.25 The budget requirement for 2017/2018 has been increased by £81k following the report to the Finance and Resources Committee in January, and this is mainly due to the adjustment to the Collection Fund Surplus and a late budget adjustment to reduce the Special Service Charges income budget following the presentation of the revenue monitoring report to that same Committee.

2.26 Appendix D gives a full Cash Limit budget for 2017/2018 as well as indicative budgets for 2018/2019 and 2019/2020.

FINANCING THE BUDGET

2.27 The Authority primarily receives income from Revenue Support Grant, Business Rates and Council Tax. A provisional finance settlement covering the period 2017/2018 to 2019/2020 was received mid-December 2016 and the figures therein have been used in this report. The final settlement figures for 2017/2018 are now not expected until sometime after Parliament returns from its recess on 20 February 2016, but it is unlikely that the final settlement will be different from the provisional one. In the event that there is a change in the final settlement figure for 2017/2018, Members will be updated at the meeting and recommendation 9.1 will be adjusted accordingly.

2.28 It should be noted that there is a degree of uncertainty around the future funding regime in that the government has declared that business rates will ultimately become fully retained locally and revenue support grant will end. There will also be a review of the funding formula to reflect this change and this will determine how the transition to the new regime will be funded. The Business Rates consultation in 2016 included a question on whether fire and rescue should continue to be funded from business rates as it is now, or whether it should be funded by Home Office grant instead. The Government’s response to this consultation has not yet been published so future funding arrangements remain unclear.

2.29 The table below shows the government's settlement figures for the next three years. The figures for 2017/2018 are confirmed, however the figures for the following two years remain provisional.

	2017/2018 £	2018/2019 £	2019/2020 £
Revenue Support Grant	6,978,641	5,961,472	5,335,309
Business Rates	3,469,609	3,599,029	3,751,787
Top Up Grant	6,659,508	6,855,969	7,075,098
Total External Funding	**17,107,758**	**16,416,470**	**16,162,193**

2.30 The government announced, within the finance settlement, that the council tax increase threshold, above which a referendum would be triggered, would remain at 2%. No council tax freeze grant is being offered to authorities who maintain council tax next year at current levels. The final taxbase notified by the billing authorities at the end of January was slightly higher than had been estimated in the report to the Finance and Resources Committee earlier that month.

2.31 The following table brings together the budget requirement and the finance settlement figures and presents the position for the Authority if there was no change to the level of council tax in each of the three years:

	2017/2018 £	2018/2019 £	2019/2020 £
Total External Funding	17,107,758	16,416,470	16,162,193
Budget Requirement	40,804,872	41,159,002	41,663,208
Balance to be met locally	23,697,114	24,742,532	25,501,015
Council Tax Yield*	22,728,415	23,035,249	23,346,224
Budget Shortfall	**968,699**	**1,707,283**	**2,154,791**
(Cumulative)			

*Assumes a rise in tax base but no rise in Council Tax

The above figures show that a budget deficit of £969k will need to be eliminated in order for the Fire Authority to approve a balanced budget for 2017/2018. Even when this has been achieved, there will be a requirement to find further savings of approximately £1.2m by 2019/2020 (savings of £2.2m in total).

2.32 A council tax increase of 1% would generate additional funding of £228k, and a 1.95% increase would realise a total of £443k in 2017/2018.

2.33 The Finance and Resources Committee in January unanimously agreed to recommend a council tax increase of 1.95% to the Fire Authority. An increase of 1.95% in 2017/2018 only, with no change in council tax assumed for the following two years would have the following effect.

	2017/2018 £	**2018/2019 £**	**2019/2020 £**
Total External Funding	17,107,758	16,416,470	16,162,193
Budget Requirement	40,804,872	41,159,002	41,663,208
Balance to be met locally	23,697,114	24,742,532	25,501,015
Council Tax Yield*	23,171,596	23,484,413	23,801,452
Budget Shortfall	**525,518**	**1,258,119**	**1,699,563**
(Cumulative)			
General Reserves at Year End if Shortfall not Addressed	7,013,184	5,755,065	4,055,502

*Assumes a rise in tax base and a 1.95% increase in Council Tax in 2017/2018 only, with no Council Tax increases in the following years.

2.34 The two advantages of implementing a council tax increase in 2017/2018 are that: firstly it adds funding permanently into the base budget and secondly it reduces the budget deficit by £443k in 2017/2018. This would still leave the Authority with budget savings of £526k to find in order to approve a balanced budget as required by law and it is recommended that this deficit in 2017/2018 be financed from general reserves. This would require the Chief Fire Officer to bring back to the Authority proposals to deal with both the on-going deficit which arises in 2017/2018, as well as the budget deficits forecast for future years.

BUDGETARY CONTEXT

2.35 The table below shows the total amounts of funding received by the Authority each year since 2010/2011 to date.

	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's
External Funding	25,010	23,215	23,201	23,977	22,163	20,261	18,847
Council Tax Precept	23,100	23,193	23,294	19,921	20,729	21,522	22,349
Total Funding	**48,110**	**46,407**	**46,494**	**43,899**	**42,892**	**41,783**	**41,197**

This shows that total funding has reduced by £6.9m in cash terms, which is a fall of 14% over the period. External funding from the government plus business rates has fallen by 25% over this same time-span however in 2013/2014 the funding regime changed, which resulted in a reduction in the taxbase and the introduction of council tax support grant to help mitigate this. This has impacted on the relative proportion of external funding versus council tax precept, which was 52% / 48% in 2010/2011 and is now 46% / 54%. The amount of council tax charged has increased by 6% over the period.

2.36 The data in the above table, when taken together with the data in the table in paragraph 2.33 above shows that external funding will have reduced by £8.8m in cash terms between 2010/2011 and 2019/2020. The actual level of savings in real terms is significantly higher than this figure due to inflation and cost pressures during this period.

IMPACT ON BALANCES

2.37 Members will be aware that the authority holds reserves and balances and that the level recommended for 2017/2018 following the risk assessment is £4.4m (see report elsewhere on this agenda). The following table shows the effect on general reserves if the budget shortfalls going forward are not addressed.

	2016/2017	**2017/2018**	**2018/2019**	**2019/2020**
	£000's	**£000's**	**£000's**	**£000's**
Opening Reserves Balance	7,406	7,539	7,013	5,755
Increase in Reserves due to estimated budget underspend	133	0	0	0
Contribution from Reserves to balance budget		(526)	(1,258)	(1,700)
Closing Reserves Balance	7,539	7,013	5,755	4,055

This table shows that by 2019/2020 the Authority would be operating with a level of general reserves below the current risk assessment of the minimum level required. It is therefore crucial that the Chief Fire Officer continues to identify further budget reductions in 2017/2018 and beyond.

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2017/2018

2.38 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. 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.

2.39 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. 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.

2.40 For the financial year 2017/2018 no projects have yet been identified which would meet the criteria to be funded through capital receipts flexibility. Capital receipts due to be received in 2017/2018 are expected to be circa £30k and will be used to finance future capital expenditure. 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.

PROPOSAL FOR COUNCIL TAX INCREASES 2017/2018

2.41 The recommendation proposed by the Finance and Resources Committee is set out in tabular form in Appendix A.

2.42 Council Tax for the Fire Authority is currently £73.85 at Band D and a 1.95% increase in this would raise it by £1.44 per year to £75.29. The effects of such an increase on other bands per year is as follows:

Band A	0.96
Band B	1.12
Band C	1.28
Band D	1.44
Band E	1.76
Band F	2.08
Band G	2.40
Band H	2.88

The majority of the homes in the City and County of Nottinghamshire fall into Bands A and B.

FEES AND CHARGES

2.43 At its meeting on 13 November 2015 the Policy and Strategy Committee approved a scale of fees and charges for Special Service Charges and for the use of Service facilities. That Committee also approved the increase of these fees and charges by annual inflation. Appendix E sets out the current scale of fees and charges as well as proposed fees and charges for 2017/2018, which have had an inflationary increase applied. It is recommended that the Authority approve these charges for implementation from 1 April 2017.

COMMENTS OF THE TREASURER

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

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

- The adequacy of reserves.

2.45 The Treasurer is satisfied that, on the basis of the financial risk assessments, the working balances are adequate and plans exist for using any surplus balances.

2.46 The Treasurer has been consulted fully concerning the build up and calculation of the budget, and is content that these have been prepared in an accurate and robust manner, such that the Authority will have adequate resources to discharge its responsibilities under various statutes and regulations.

2.47 A statement by the Authority Treasurer is included as Appendix B to this report.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

This report recommends that reserves are used to balance the budget for 2017/2018 and this will require the Chief Fire Officer to deliver plans for future savings. Future reports will set out the scope for this work and includes human resources implications.

5. EQUALITIES IMPLICATIONS

As this budget report provides an overview of the Authority's financial position going forward, a full equality impact assessment has not been undertaken in relation to this report per se. Budgetary changes affecting employees will have been previously approved by the Authority and any equality impacts will have been considered at that time.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The Authority must set a balanced budget for 2017/2018 but may acknowledge potential budget shortfalls for future years, which will be addressed at a future time.

8. RISK MANAGEMENT IMPLICATIONS

8.1 Risks associated with budget setting are always significant. Budgets are by their very nature estimates of future activity and these estimates can sometimes turn out to be incorrect. One of the main risks of the 2017/2018 budget is that the review of key assumptions made this year, which has resulted in the elimination of a number of in-built contingencies, will increase the risk of overspending next year. This risk will be managed by careful monitoring of the budget and prompt reporting of variances with management action to address any overspends. Other issues include the risk that national pay awards may not align with the assumptions.

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

9. RECOMMENDATIONS

It is recommended that Members:

9.1 Consider the recommendation of the Finance and Resources Committee to the Fire Authority that there be a 1.95% Council Tax increase, with the residual unfunded balance met by funding from reserves, and set a Council Tax and precept for 2017/2018 as required by statute.

9.2 Approve the flexible use of capital receipts strategy as set out in paragraph 2.40, which is that capital receipts in 2017/2018 will be used to either finance future capital expenditure or to repay borrowings and will not be used in this year to fund the revenue cost of reform projects.

9.3 Approve the fees and charges for 2017/2018, as set out in Appendix E.

9.4 Approve the continued payment of Members Allowances for 2017/2018 in accordance with the approved scheme.

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

None.

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

Proposal for Council Tax Increase of 1.95%

An increase in Council Tax of 1.95% would require the Authority to set a Band D Council Tax of £75.29 per annum in 2017/2018.

Specifically in 2017/2018 Council Tax would be set at the following levels:

Band A	50.19
Band B	58.56
Band C	66.92
Band D	75.29
Band E	92.02
Band F	108.75
Band G	125.48
Band H	150.58

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

	Taxbase	**Percentage**	**Precept £**
Ashfield	32,546.20	10.6%	2,461,768.36
Bassetlaw	33,916.77	11.0%	2,610,593.57
Broxtowe	33,126.78	10.8%	2,528,083.23
Gedling	36,306.09	11.8%	2,668,835.47
Mansfield	28,895.00	9.4%	2,290,706.52
Newark and Sherwood	37,828.75	12.3%	2,878,152.54
Rushcliffe	41,777.00	13.5%	3,152,525.28
Nottingham City	63,368.00	20.6%	4,952,426.65
Total	307,764.59	100.0%	23,543,091.62

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

APPENDIX B

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

STATEMENT BY AUTHORITY TREASURER

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

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

I have consulted with the Head of Finance and note that the required level of working balances is calculated using a risk assessment methodology. I am satisfied that, on the basis of those risk assessments, the proposed level of balances is adequate.

I note however that the current level of balances exceeds this recommended level but note the projected budget requirements for 2017/2018, 2018/2019 and 2019/2020 exceed the possible grant and council tax yields for those years.

Earmarked Reserves are held for specific purposes, and include amounts for Unapplied LPSA Reward Grant, The Community Safety Fund, Pensions, Organisation Transition and Communications Development.

I have also been consulted fully concerning the build up and calculation of both the Revenue and Capital budgets and am content that these have been prepared in an accurate and robust manner such that the Authority will have adequate resources to discharge its responsibilities under various statutes and regulations.

Neil Timms CPFA MIRM
FIRE AND RESCUE AUTHORITY TREASURER

APPENDIX C

PROPOSED CHANGES TO BASE BUDGETS 2017/2018 – 2019/2020

		2017/18 Budget £000's	2018/19 Budget £000's	2019/20 Budget £000's
Base Budget Previous Year		41,295	40,805	41,159
Admin Pay				
	Restructures	-55	-8	0
	Deletion of Posts - FP x 2 & PT	-136	0	0
	Redundancies - PT	-38	0	0
	Pay Award 1%	57	63	67
	Increments	67	70	41
	Increase in Employers Pension rate	132	5	5
	End of pay protection Admin Restructure	0	0	-26
	Temporary project work: change transition: ICT	195	0	-195
	Temporary project work: change transition: Engineering	75	0	-75
	Temporary project work: change transition: HR	20	0	-20
	Temporary project work: change transition: Procurement	30	0	-30
	Temporary project work: change transition: Corporate Support	30	0	-30
	Other minor changes	-26	-3	-2
		352	127	-264
Wholetime Pay				
	Changes to bank holidays	86	-61	31
	Changed budget assumptions re temp promotions and competency	202	0	0
	Changed budget assumptions re pre-planned overtime	44	0	0
	Changed budget assumptions re overtime, pension migration, pension opt outs	-477	-13	-33
	Pay Award 1%	213	212	200
	Increase in Employers Pension rate	0	0	272
	Remove funding for Project Work	-185	0	0
	Apprentices - new budget (0 / 12 / 12)	0	119	84

		2017/18 Budget £000's	2018/19 Budget £000's	2019/20 Budget £000's
	Increase in pre-planned overtime to cover vacancies	300	0	-300
	Changed budget assumption re number of posts - Net saving after retirements, leavers, new trainees (455 / 445 / 449) - (-21 / -31 / -27)	-673	-728	-92
		-490	-472	163
Retained Pay				
	Changes to bank holidays	20	-21	11
	Changed budget assumptions	-21	-3	0
	Increase in CS work	83	100	0
	Changed budget assumptions re no. of courses / posts	-165	318	33
	Increased use of RDS for Service Delivery		0	300
	Increase in Employers Pension rate	0	0	46
	Pay Award 1%	29	28	31
		-53	422	421
Control Pay				
	Changes to bank holidays	6	-3	1
	Changed budget assumptions re CPD, pension opt out and overtime	-41	0	0
	Establishment change -1 SM, +1 WM	-6	0	0
	Pay Award 1%	10	10	10
	Increase in Employers Pension rate	16	0	0
		-15	7	12
Non-Pay Changes				
Capital Financing				
	Net Change	113	259	167
Non-Pay & Income				
	<u>Inflation</u>			
	Members Allowances 1%	1	1	1

	2017/18 Budget £000's	2018/19 Budget £000's	2019/20 Budget £000's
Premises inflation (net)	10	7	0
Premises contracts price increases	9	10	11
Pensions inflation	0	18	0
Other non-pay inflation	0	4	0
	21	40	12
Adjustments to Budget			
Remove contribution from reserves to support SRT restructure	-350	0	0
Reduce Surplus on Collection Fund	49	0	0
Adjust FireLink grant in line with actuals	-35	0	0
	-336	0	0
Unavoidable Growth:			
Business rates - (1 YO)	0	0	0
Retirement / long service awards	1	0	0
Motor tax / licences	0	0	0
Blue light fittings	26	8	0
Insurance tender	2	0	0
Pension administration workloads	6	0	0
Apprenticeship Levy	107	0	2
Contribution National Pensions Scheme Board	4	0	0
Reduced telephone call income	3	0	0
Ill health retirements	33	0	0
Motor insurance	27	0	0
Communications licences	0	0	0
Community safety consumables	3	0	0
Reduction in trading co income	0	0	0
Reduction in investment income	10	0	0
Overnight accommodation	12	0	0
	235	8	2
Growth			
Training CFBT / BAAR 3	48	0	0

		2017/18 Budget £000's	2018/19 Budget £000's	2019/20 Budget £000's
	Spring Forward programme (1 YO)	10	-10	0
	Backlog building maintenance	20	0	0
	Workplace culture benchmarking	0	9	0
	ICT Training requirement (1 YO)	20	-20	0
	Pulp Friction at SDC, recruit Cook (1 YO)	10	-10	0
	Reduction in Special Service Charges income due to policy change	32	0	0
	Additional RDS nos. Uniform	0	23	0
	Methods of entry training	1	0	0
	Hose reel branches	20	0	0
	Rip saws and impact drivers	25	0	0
		186	-8	0
	Net Change to Non-pay / Income re Princes Trust Reduction			
	Reduction in Princes Trust Income due to fewer teams	74	0	0
	Reduction in Princes Trust non-pay due to fewer teams	-1	0	0
	Reduction in Princes Trust non-pay due to fewer teams	-122	0	0
		-49	0	0
	Corrections / Minor Adjustments			
	Pensions	0	-8	13
	Training	4	0	0
	Corporate Comms Training	0	-1	0
	Refund NHS Charges - professional subscriptions	0	0	0
	Business rates	0	0	0
	Motor tax	0	0	0
	Office equipment	-1	0	0
	Fire foam	0	2	0
	Insurance claims handling	-1	0	0
	Subscriptions / Reference books	-1	0	0
	Corporate costs	-2	0	0
	Contribution earmarked reserves	0	-1	0

		2017/18 Budget £000's	2018/19 Budget £000's	2019/20 Budget £000's
	Catering	0	0	0
		-2	-8	13
	Reversal of Temporary Budget Changes			
	Fitness Equipment	-9	0	0
	No longer doing Workplace Culture benchmarking	-22	0	0
		-31	0	0
	Redesign of Service Delivery			
	Less PPE due to restructure of SRT	-19	0	0
	Less PPE required as nos. of staff reduce	-25	0	0
		-44	0	0
	Procurement			
	Tyres	-5	0	0
	Entonox contract price saving	-3	0	0
		-8	0	0
	Maximise benefit & value of assets			
	Closure of Central, opening of London Rd	-40	0	0
	Reduction in business rates	0	0	-5
	Gas detection suits life extended	-45	0	0
		-85	0	-5
	Changes in Budget Assumptions			
	Electricity	-30	0	0
	Gas	-25	0	0
	Fuel	-28	0	0
	ICT contracts	-20	0	0
	PPE	-24	0	0
	Pensions	-31	0	0
	Partnerships	-12	0	0
		-170	0	0
	New ways of working			
	Training Instructors	-21	0	0
	Restructure - Estates	-21	-5	0

		2017/18 Budget £000's	2018/19 Budget £000's	2019/20 Budget £000's
	Media / Comms restructure	-1	0	0
	Reference books / publications	0	0	0
	Payroll in-house	-51	0	0
	Travel expenses	-17	-17	-17
	Printing	-4	0	0
		-115	-22	-17
Total Changes:		-490	354	504
Proposed Base Budget: Budget Requirement:		40,805	41,159	41,663

APPENDIX D

CASH LIMIT 2017/2018 to 2019/2020

		Original Budget 2016/2017 £000's	Revised Budget 2016/2017 £000's	Budget Requirement 2017/2018 £000's	Budget Requirement 2018/2019 £000's	Budget Requirement 2019/20 £000's
Employees						
	Direct Employee Expenses	31260	31296	31141	31226	31558
	Indirect Employee Expenses	446	401	326	295	295
	Pension	837	901	917	927	940
		32543	**32598**	**32384**	**32448**	**32793**
Premises-Related Expenditure						
	Repairs Alterations and Maintenance of Buildings	545	545	550	556	556
	Energy Costs	367	367	367	367	367
	Rents	76	76	57	57	57
	Rates	710	710	710	710	705
	Water	81	81	90	91	91
	Fixture and Fittings	1	1	1	1	2
	Cleaning and Domestic Supplies	322	322	322	329	337
	Grounds Maintenance Costs	26	26	26	27	28
	Premises Insurance	36	36	37	37	37
	Refuse Collection	38	38	39	42	44
		2202	**2202**	**2199**	**2217**	**2224**
Transport-Related Expenditure						
	Direct Transport Cost	1038	1038	949	958	958
	Recharges	123	123	118	118	118
	Public Transport	28	28	38	38	38
	Transport Insurance	149	149	32	32	32
	Car Allowances	367	367	364	347	330
		1705	**1705**	**1501**	**1493**	**1476**

		Original Budget 2016/2017 £000's	Revised Budget 2016/2017 £000's	Budget Requirement 2017/2018 £000's	Budget Requirement 2018/2019 £000's	Budget Requirement 2019/20 £000's
Supplies & Services						
	Equipment Furniture and Materials	683	684	707	709	709
	Catering	60	60	74	64	64
	Clothes Uniforms and Laundry	345	345	423	446	446
	Printing Stationery and General Office Expenses	60	60	35	35	35
	Services	585	629	727	732	732
	Communications and Computing	1534	1500	1488	1488	1488
	Expenses	39	39	42	42	42
	Grants and Subscriptions	38	38	40	40	40
	Miscellaneous Expenses	236	234	197	198	199
		3580	**3589**	**3733**	**3754**	**3755**
Third Party Payments						
	Other Local Authorities	58	58	13	14	14
	Private Contractors	0	0	-23	-23	-23
		58	**58**	**-10**	**-9**	**-9**
Support Services						
	Finance	169	169	176	178	178
	Corporate Services	42	42	42	42	42
		211	**211**	**218**	**220**	**220**
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	-194	-194	-243	-244	-244
		-194	**-194**	**-243**	**-244**	**-244**
Other Income						

		Original Budget 2016/2017 £000's	Revised Budget 2016/2017 £000's	Budget Requirement 2017/2018 £000's	Budget Requirement 2018/2019 £000's	Budget Requirement 2019/20 £000's
	Government Grants	-637	-637	-720	-720	-720
	Other Grants/Reimbursements and Contributions	-490	-554	-741	-742	-742
	Interest	-76	-76	-76	-76	-76
		-1203	**-1267**	**-1537**	**-1538**	**-1538**
Capital Financing Costs						
	Interest Payments	1091	1091	1231	1188	1277
	Debt Management Expenses	1301	1301	1329	1631	1710
		2392	**2392**	**2560**	**2819**	**2987**
BUDGET		**41,294**	**41,294**	**40,805**	**41,159**	**41,663**

FEES AND CHARGES – SPECIAL SERVICES AND USE OF FACILITIES 2017/2018

	2016/17 Charges	2017/18 Proposed Charges
Personnel: per hour, or part of an hour:		
Full Crew	£268.80	£271.50
Station Manager and above	£60.00	£60.60
Watch Manager	£49.20	£49.70
Crew Manager	£46.80	£47.30
Firefighter	£44.40	£44.80
Appliances and Vehicles: per hour, or part of an hour:	£39.60	£40.50
Loan of Salvage Sheet:		
Charge for fitting	£268.80	£271.50
Charge for removing	£268.80	£271.50
Charge for salvage sheet	£86.39	£88.30
Copy of a Fire Report	£66.00	£66.70
Hire of Meeting Room:		
Full day	£225.60	£230.60
Half day	£116.40	£119.00

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

POLICING AND CRIME ACT 2017

Report of the Chief Fire Officer

Date: 24 February 2017

Purpose of Report:

To present to Members the Policing and Crime Act 2017.

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1. BACKGROUND

1.1 On 11 September 2015 the Government published a consultation document regarding collaboration between emergency services and the future governance arrangements for fire and rescue services.

1.2 At a meeting of the Policy and Strategy Committee on 13 November 2015 a response was ratified by Members and submitted as part of the consultation process.

1.3 During 2016 the resultant 'Policing and Crime Bill' was progressed through parliamentary process and on 31 January 2017 the Bill received Royal Assent and will become enacted as the 'Policing and Crime Act 2017'.

2. REPORT

2.1 The Policing and Crime Act 2017 (the Act) is a substantial document containing over 400 pages covering a number of areas with regards to policing. The intention of this report is to provide Members with a broad overview of the sections that affect the Fire and Rescue Authority. For completeness, a full copy of the Act can be found at:
http://www.legislation.gov.uk/ukpga/2017/3/contents/enacted

2.2 **Part 1, Chapter 1: Collaboration Agreements**. The Act states it a statutory duty for Police bodies, Fire bodies and Ambulance trusts in England to consider if entering into collaboration agreements could be in the interests of efficiency or effectiveness of that, or those other services.

2.3 A collaboration agreement must be in writing and agreed by the relevant bodies. The Act does not preclude any of the bodies from entering in to collaboration with other parties. To provide transparency in this area it is proposed that all future reports to the Authority will include a specific section to identify any collaboration implications.

2.4 **Part 1, Chapter 2: Police and Crime Commissioners etc. Fire and Rescue Functions**. The Act enables a Police and Crime Commissioner (PCC) of an area to become the Fire and Rescue Authority (FRA) for that area. Furthermore, the PCC will have the ability to consolidate the Police and Fire Service in to one organisation, under the direction of a single Chief Officer (a 'Chief Constable' although this position will be open to senior Fire Officers). Schedule 1 of the Act defines the process for the PCC to become the FRA and create the single employer.

2.5 Where the PCC wishes to take on the responsibilities of a FRA, and if required, create a single employer, they must develop a proposal that demonstrates it is in the interests of economy, efficiency and effectiveness, or in the interests of public safety. The FRA must cooperate in the preparation of the proposal through the provision of relevant information.

2.6 The PCC will also need to consult with the relevant local authorities (City and County Councils) and people in the PCC's police area, and publish their response to the consultation process.

2.7 Where there is agreement to the proposal from the relevant local authorities, it will be considered by the Secretary of State who may make an order to give effect to the proposal.

2.8 Where local agreement does not exist, the Secretary of State must obtain an independent assessment of the proposal, any representations made by the relevant local authorities, and the summary of views expressed by the people in the police area. The Secretary of State must have regard to that independent assessment before making an order to give effect to the proposal.

2.9 Where an order is made for the PCC to take on the responsibility of the FRA they will become the Police, Fire and Crime Commissioner, and the relevant Police and Crime Panel will have its' responsibilities extended to provide scrutiny for fire functions and be renamed the Police, Fire and Crime Panel.

2.10 Where the PCC does not wish to become the FRA they may request to be appointed to the FRA and associated committees, enabling them to speak and vote on functions of the FRA. The authority must consider the request and publish their reasons for agreement or refusal of the request.

2.11 **Part 1, Chapter 4: Inspection of Fire and Rescue Services**. The Fire Services Act 2004 is amended to enable Her Majesty to appoint a Fire and Rescue Inspector who must inspect and report on the efficiency, and effectiveness of Fire and Rescue Authorities in England as determined by the Secretary of State.

2.12 The Fire and Rescue Inspector must from time to time publish an inspection programme and framework setting out what they propose to inspect. Where an inspection takes place a report must be compiled and published.

2.13 The Fire Minister, in his speech to Reform on 07 February stated that a revised National Framework will be published that will provide greater clarity on the areas of focus for future inspections and reform.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the contents of this report, however, as the implications of Act are fully embedded it is possible that additional areas of work will be required, for example in preparation of an inspection. Where these implications arise members will be made aware through the normal governance processes.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no direct 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

This report presents the Police and Crime Act 2017 which has a number of direct implications on the Authority. The relevant areas of the Act are discussed in the main body of the report, and all future decisions made by the Authority will need to give due regard to the Act.

8. RISK MANAGEMENT IMPLICATIONS

The Act has the potential to bring significant change and opportunity to the Authority. As more information is defined, for example through the publication of a revised National Framework or Inspection Programme further information and guidance will be provided to Members.

9. RECOMMENDATIONS

It is recommended that Members:

9.1 To note the enactment of the Policing and Crime Act 2017.

9.2 Approve the inclusion of a ‘Collaboration Implications’ section on all future Authority reports.

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

None

John Buckley
CHIEF FIRE OFFICER

NOTTINGHAMSHIRE
Fire & Rescue Service
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Fire and Rescue Authority

UPDATE ON SUSTAINABILITY STRATEGY FOR 2020

Report of the Chief Fire Officer

Date: 24 February 2017

Purpose of Report:

To provide an update to the Authority on the progress made against the Sustainability Strategy for 2020.

CONTACT OFFICER

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1. BACKGROUND

At the meeting of the Authority on 26 February 2016, Members approved a number of recommendations presented by the Chief Fire Officer in a report titled Sustainability Strategy for 2020. This report put forward a number of proposals to explore options to increase the resilience of operational resources, engage in collaboration and deliver savings within the anticipated financial constraints.

2. REPORT

2.1 The Sustainability Strategy for 2020 identified five main areas of work to be explored to ensure the Service remains focused on effective delivery of services whilst addressing anticipated financial constraints.

2.2 This report considers the recommendations, provides an update on progress made within the strategy and identifies the areas of focus for 2017/18.

2.3 **Alternative Crewing**: models have been explored which have the ability to utilise crew numbers of less than four to deal with certain incidents types, or be used to provide additional resources at larger more protracted incidents. This is not a move away from existing minimum crewing arrangements, but an opportunity to maximise the use of all retained resources that would alternatively be unavailable.

2.4 **Mixed Crewing:** systems have been considered which would enable the maintenance of all front line appliances, however costs would be reduced by converting appliances crewed by wholetime personnel to retained personnel during time periods of low activity.

2.5 There is potential to implement this concept at any of the stations where both wholetime and retained duty systems are in place. This has the potential to realise significant savings whilst having minimal impact on operational outcomes.

2.6 Both systems have the potential to enhance the earnings capacity of retained personnel due to an increase in their deployments at times which correlates with their availability and by reducing periods where the appliance is off the run due to crewing deficiencies. This could support recruitment and retention activity and enhance overall retained resilience and availability.

2.7 Alternative and mixed crewing approaches mentioned above have the potential to impact on the service delivery function and require a broader public consultation process. Therefore, detailed proposals will be included in a future report to the Fire Authority during 2017 to enable full and in-depth consultation to take place prior to any decisions being made.

2.8 **Crewing Collective Agreement:** negotiations are ongoing with workforce representatives which have identified the potential to remove a number of wholetime posts from within the operational ridership without affecting the availability of appliances and the standard crewing model. This has the potential to generate significant savings in the region of £600k and a report will be presented to the Authority for consideration and decision.

2.9 **Voluntary Secondary Contracts:** this area has been explored and it has been identified that there is not the need to introduce a second contract as this can be entered into by volunteers through local agreement. This would be termed ‘Voluntary Arrangements’

2.10 This flexible approach allows for individual members of staff to register their interest in working additional hours to support deficiencies. These arrangements would enable the Service to provide short term resources to maintain fire cover, particularly at retained stations, and engage in other activity without affecting the approved establishment.

2.11 Individuals who engage in the voluntary arrangements will be paid at the normal hourly rate for the work undertaken. All costs would be contained within existing pay and overtime budgets as the concept would be deployed where cover is required due to vacancies or lack of critical availability at retained stations. Where the concept is deployed for ad-hoc work in areas such as positive action for recruitment, or job related testing etc, project budgets will reflect the financial requirements.

2.12 Safeguards will be required to ensure that availability of resources are not affected due to individuals undertaking additional hours elsewhere, and a system will be required to manage deployments equitably.

2.13 This approach will provide flexibility through transitional periods and allow time for the Authority to make critical decisions on the future of the permanent establishment whilst maintaining effective fire cover and undertaking other essential activities.

2.14 The Chief Fire Officer intends to fully develop a process to support the introduction of ‘Voluntary Arrangements’ consult with staff and implement a system during 2017.

2.15 **Collaboration:** a report titled ‘Collaboration Update’ was presented to the Policy and Strategy Committee on 03 February 2017. That report identifies the current collaboration work ongoing and potential opportunities for the future. An outcome of the report is that the Chair of the Authority has responded to Derbyshire Fire and Rescue Authority’s integrated risk management plan consultation to express an interest in engaging in greater collaboration with them.

2.16 Reports will be presented to Members to ensure they are fully aware of the development of existing collaboration, and to identify further opportunities. Additionally, all future reports will contain specific a collaboration implications section to support the expectations of the Policing and Crime Act 2017.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report, however it is a key aim of the Sustainability Strategy to identify and secure savings to meet the anticipated financial constraints for the period to 2020, as set out in the Medium Term Financial Plan.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT

There are no direct implications arising from this report, however each strand of work will need to fully explore the relevant implications and respond accordingly within the existing policies of the Authority.

5. EQUALITIES IMPLICATIONS

There will be a likelihood of some equalities implications arising from such a period of change. These will be managed by the Service to ensure that no particular sector of the organisation or community is disadvantaged by any decisions made.

6. CRIME AND DISORDER IMPLICATIONS

Fire and rescue authorities have a duty to exercise their functions in a way that prevents crime and disorder in their area.

7. LEGAL IMPLICATIONS

The Fire Authority has to satisfy its legal obligations under various legislation, but primarily the Fire and Rescue Services Act 2004 and the Civil Contingencies Act 2004. Going forward this will also include the Policing and Crime Act 2017. Any proposals will be assessed to ensure the Fire Authority will not be in breach of these legal duties.

8. RISK MANAGEMENT IMPLICATIONS

The primary risk to the Fire Authority arising from this report is one of finance and being able to balance a diminishing budget. The work ongoing within this area is part of a short, medium and long term strategy that will keep the Service viable and continue to meet public expectations.

9. RECOMMENDATIONS

That Members note the contents of the report.

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

None.

John Buckley
CHIEF FIRE OFFICER

NOTTINGHAMSHIRE
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Fire and Rescue Authority

COMMITTEE OUTCOMES

Report of the Chief Fire Officer

Date: 24 February 2017

Purpose of Report:

To report to Members the business and actions of the Fire Authority committee meetings which took place in January and February 2017.

CONTACT 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	13 January 2017
Finance and Resources Committee	20 January 2017
Human Resources Committee	27 January 2017
Policy and Strategy Committee	03 February 2017

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 (NFRS) - COMMUNITY SAFETY

MINUTES of the meeting held at Fire and Rescue Service Headquarters, Bestwood Lodge, Arnold, Nottingham, NG5 8PD on 13 January 2017 from 10.01 - 11.14

Membership

Present	Absent
Councillor Eunice Campbell (Chair)	Councillor Sybil Fielding
Councillor Brian Grocock	Councillor Roger Jackson
Councillor Patience Uloma Ifediora	
Councillor Dave Liversidge	
Councillor Ken Rigby	
Councillor Gordon Wheeler	

Colleagues, partners and others in attendance:

Wayne Bowcock	-	Deputy Chief Fire Officer, NFRS
Dan Quinn	-	Area Manager, NFRS
James Welbourn	-	Governance Officer

10 APOLOGIES FOR ABSENCE

Councillor Sybil Fielding (substituted by Councillor Brian Grocock)
Councillor Roger Jackson (substituted by Councillor Gordon Wheeler)

11 DECLARATIONS OF INTERESTS

None.

12 MINUTES

The minutes from the meeting held on 7 October 2016 were agreed as a true record and were signed by the Chair.

13 EMERGENCY FIRST RESPONDER TRIAL

Wayne Bowcock, Deputy Chief Fire Officer at NFRS updated Members on the trial collaboration with East Midlands Ambulance Service (EMAS) on the implementation of an Emergency First Responder (EFR) Scheme at Carlton, Edwinstowe and Worksop fire stations.

The following information was highlighted:

(a) the trial has harmonised the training standard, as well as the way NFRS respond to incidents;

(b) EFR trial was a voluntary process for NFRS staff to engage with.

NFRS would like to get involved with data and evidence and give the trial a more solid footing ahead of the National Joint Committee (NJC) meeting in February;

(c) the trial has only been run at retained stations so far; once the results of the Harworth and Newark trial are known there is a possibility of it being run at wholetime stations;

(d) there have been occasions where it has not been possible to get an ambulance to support the fire crew within the 8-10 minute guideline;

(e) Red 1 and Red 2 are the most life threatening calls. If the Fire Service are first on the scene, they can provide basic support to patients until EMAS arrive;

(f) Carlton appears to be the busiest of the three locations;

(g) the average wait time until the arrival of an EMAS resource at an incident for the Fire Service is 40 minutes. This is not impacting on the ability of the Fire Service to respond to fire incidents;

(h) Emergency First Response incidents are very different to a fire situation or a Road Traffic Accident (RTA). Emergency First Response is very personal and puts a set of different pressures on the crews. Enhanced welfare is in place;

(i) NFRS are talking to EMAS to enquire about their sickness levels and how that may affect the fire crews;

(j) the EFR trial ends on 21 February;

After questions from Members, further information was provided:

(k) the NJC commissioned the University of Hertfordshire last year to carry out a review of the trials. The contract with the University of Hertfordshire is due to end and will produce a report back to the NJC. Wayne Bowcock has asked for a copy of this report;

(l) fire appliances turning up at locations that are in need bolsters the reputation of NFRS, and also offsets the reduction in demand for fire incidents. However, it is clear that NFRS are not trying to stray into a different area of business, as fire incidents will remain the core business.

RESOLVED to:

(1) note the report;

(2) ask for a joint report of EMAS and NFRS to come back to the Community Safety Committee outlining the benefits of the trial.

14 SERVICE DELIVERY RESPONSE PERFORMANCE

Dan Quinn, Head of Service Delivery at NFRS provided Members with an update on the development of performance reporting for Service Delivery Response.

The following information was provided:

(a) it is not often heard in public how well the Service is doing; success should be celebrated and better communication with the public is needed;

(b) NFRS is looking at preventative measures with other Blue Light services, such as the Winter Campaign video;

Following questions from Councillors, further information was provided:

(c) there is no upward trend on vehicle fires through the data that NFRS has available. On major road networks, lorry fires are generally because of a fire in the load, or something to do with the brakes of the lorry;

(d) new vehicle technology is causing concern; for example, NFRS will have to stay up to date with advancing battery technologies;

(e) highest level objectives will be in the Integrated Risk Management Plan; performance can ultimately be measured against these in this 2014-19 plan;

Councillor Wheeler left at 1104, shortly before the end of this item due to other County Council commitments.

(f) some measures are used by NFRS to try and prevent fires in the homes of vulnerable people, such as issuing deep fat fryers and electric blankets;

(g) messages about the services that NFRS offer are established under the Health agenda. ‘Safe and Well’ will be one of the signposting agencies.

RESOLVED to note the content of the report.

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY (NFRS) - FINANCE AND RESOURCES

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 20 January 2017 from 9.59 - 12.01

Membership

Present	Absent
Councillor Malcolm Wood (Chair) Councillor John Allin Councillor Chris Barnfather Councillor Dave Liversidge Councillor Roger Jackson Councillor Darrell Pulk	Councillor John Clarke, Substituted by Councillor Darrell Pulk Councillor Gordon Wheeler, Substituted by Councillor Roger Jackson)

Colleagues, partners and others in attendance:

John Buckley	-	Chief Fire Officer, NFRS
Therese Easom	-	Head of Corporate Communications, NFRS
Councillor Brian Grocock	-	Member of Fire Authority, observing
Sue Maycock	-	Head of Finance, NFRS
Ian Pritchard	-	Head of Procurement and Resources, NFRS
Neil Timms	-	Treasurer to the Authority
James Welbourn	-	Governance Officer

18 APOLOGIES FOR ABSENCE

Councillor John Clarke (substituted by Councillor Darrell Pulk)
Councillor Gordon Wheeler (substituted by Councillor Roger Jackson)

19 DECLARATIONS OF INTERESTS

None.

20 MINUTES

The minutes of the meeting held on 14 October 2016 were confirmed as a true record and signed by the Chair.

21 REVENUE AND CAPITAL MONITORING REPORT TO NOVEMBER 2016

Sue Maycock, Head of Finance at NFRS introduced a report to Members on the financial performance of the Service in the year 2016/17 to the end of November 2016.

The following points were highlighted:

(a) the Service have managed to borrow at a much lower rate than anticipated;

(b) there are now less than 476 FTE on the approved establishment;

(c) due to the decrease in the establishment, overtime has increased;

(d) London Road Fire Station has not been rated for Business Rates yet. In addition, rates are still being paid on the Central Fire Station, as well as charges for gas and electricity at the Guildhall. When the Central site is sold next year, there will be an application for a refund on rates;

(e) the work with East Midlands Ambulance Service and the Police should be celebrated.

RESOLVED to:

(1) note the contents of the report;

(2) approve the capital variation of £190,000 in respect of the Breathing Apparatus project, as expenditure in advance of the main project to be carried out in 2017/18.

22 PRUDENTIAL CODE MONITORING REPORT TO NOVEMBER 2016

Neil Timms, Treasurer to the Fire Authority informed Members of performance for the three month period to 30 November 2016 relating to the prudential indicators for capital accounting and treasury management.

The following points were highlighted:

(a) all targets and parameters are now being met;

(b) the view has always been taken that a minimum sovereign rating of AA is wanted. If the UK does get downgraded to AA-, bank accounts with Barclays should be retained along with UK investments.

RESOLVED that, if the UK sovereign rating is downgraded, the Authority's strategy will be to continue with existing banking arrangements and to retain current investments with UK institutions.

The Authority will then need to reconsider its investment strategy in a further report to Members, with any immediate requirements in the interim to be agreed between the Treasurer and the Chair of the Finance and Resources Committee.

23 BUDGET PROPOSALS FOR 2017/2018 TO 2019/2020 AND OPTIONS FOR COUNCIL TAX 2017/2018

Sue Maycock, Head of Finance at NFRS introduced a report allowing Members to consider the options for the recommendation of a balanced revenue budget, as well as considering implications for Council Tax.

The following points were highlighted:

(a) pay and non-pay budgets have been evenly managed. There has been an increase in capital financing charges, but it was less than predicted last year;

(b) the Apprenticeship Levy is a new item that has not previously been budgeted for, and will be an estimated £107,000 per year;

(c) most contingencies within budgets were eliminated several years ago;

(d) the extent to which surplus balances are allowed to be consumed by budget overspending must be part of a plan.

Members present agreed that in the papers to Full Fire Authority, they would like to see previous year's budgets, as well as the forecasts. Table format would be best for ease.

Councillor Pulk also requested than an extra column be added underneath the figures, which would explain the balances.

RESOLVED to send the budget report onto the Fire Authority, with the Finance and Resources Committee recommending a 1.95% increase in Council Tax.

24 NEWARK FIRE STATION PROJECT

John Buckley, Chief Fire Officer at NFRS updated Members on the Newark Fire Station Project.

The following points were highlighted:

(a) there is no impact on retained members of staff by remaining on the existing site;

(b) the intention is to demolish the existing premises, and replace it with a three-bay station, similar to Retford Fire Station at 685 sq metres;

(c) the price is due to be submitted from tenderers on 3 February;

(d) to maintain operational cover during construction, NFRS will stop using Newark for garaging purposes. The end bay will be taken off.

RESOLVED to note the report and give authority to proceed with the project to build a new fire station on the existing site at Boundary Road.

25 INTERNAL AUDIT REPORT - CARDIFF CHECKS

Sue Maycock, Head of Finance at NFRS provided Members with the results of the internal audit work undertaken in relation to Cardiff Checks in 2015/16.

RESOLVED to note the report.

26 IMPACT OF THE FALL IN THE VALUE OF STERLING

Sue Maycock, Head of Finance at NFRS set out the risks to the Authority arising from the fall in the value of currency following the European Union referendum, and potential risk control measures.

There is no direct impact to NFRS as things are rarely bought in Euros or Dollars; most of the time items are bought in Sterling. However, if NFRS bought from a company who trades in these currencies, they could pass on the increase in cost.

RESOLVED to note the contents of the report.

27 NATIONAL FIRE SERVICE PROCUREMENT REFORM

John Buckley, Chief Fire Officer provided an update to Members on the national fire service procurement reform, as well as the National Procurement Strategy.

There has been no written directive of what the reform of the fire service would look like. The process as a whole was about triggering debate, and looking to have a better aligned procurement process for UK Fire Services.

Ian Pritchard has been put forward as a category lead; NFRS are recognized as having a professional, excellent procurement team. There will be a payback for NFRS in terms of knowledge gained, as well as the overall lowering in prices in the future as fire services work together. With a slicker research and development regime, there will be less cost carried forward into the product.

RESOLVED to note the content of the report.

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY - HUMAN RESOURCES (NFRS)

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 27 January 2017 from 9.59 - 11.05

Membership

Present	Absent
Councillor Michael Payne (Chair)	Councillor Eunice Campbell, Substituted by Councillor Brian Grocock
Councillor Liaqat Ali (left during item 5)	
Councillor Brian Grocock	
Councillor Mike Pringle	
Councillor Liz Yates	
Councillor Jason Zadrozny (from item 4)	

Colleagues, partners and others in attendance:

Councillor Gordon Wheeler	-	Fire Authority member, observing
Wayne Bowcock	-	Deputy Chief Fire Officer, NFRS
Tracy Crump	-	Head of People and Organisational Development, NFRS
Ian Pritchard	-	Head of Procurement and Resources, NFRS
Matt Sismey	-	Equality and Diversity Officer, NFRS
James Welbourn	-	Governance Officer

16 APOLOGIES FOR ABSENCE

Councillor Eunice Campbell - other City Council business (substituted by Councillor Brian Grocock)

17 DECLARATIONS OF INTERESTS

None.

18 MINUTES

The minutes of the meeting held on 4 November 2016 were agreed as a true record and signed by the Chair.

19 HUMAN RESOURCES UPDATE

Tracy Crump, Head of People and Organisational Development at NFRS updated Members on key human resources metrics for the period 1 October – 31 December 2016.

The following points were highlighted:

(a) efforts are being made to make sure employees feel confident to declare their sexual orientation, religion and ethnic origin under equalities monitoring statistics;

(b) NFRS have been in the Stonewall Top 100 for the past few years, and retained this again this year by being placed 99. NFRS are a relatively small organisation, with over 430 organisations entering the index. A lot of these 430 entries were large private sector organisations that have a lot of resources at their disposal;

(c) HR Business Partners are involved with all shortlisting and attend all interviews, giving an independent overview. Adjustments are made for candidates with disabilities;

Following questions from members, further information was provided:

(d) there is an induction programme for all new employees, as well as online equalities training, which is mandatory for all employees. There is specific training for management roles;

(e) half day sessions are run for new starters touching on issues such as vulnerability. Mental health training has been provided in the past. There has also been more specific training aimed at firefighters that attend areas where more targeted training is needed. Gypsy Traveller training would be an example of this;

(f) female firefighters have been asked if they would be willing to act as 'buddies' to mentor female applicants;

(g) taster sessions are still offered to potential recruits.

RESOLVED to:

(1) endorse the report;

(2) provide equalities monitoring information on a half yearly basis. If issues arise in between these updates, then they should be brought to the attention of the Human Resources Committee;

20 AUDIT OF RECRUITMENT OUTCOMES

Matt Sismey, Equality and Diversity Officer at NFRS provided Members with the results of the internal audit work undertaken in relation to applications received to support staff and retained duty system recruitment.

Members suggested that, to try and avoid wasting applicants' time, as well as the time of NFRS, there could be a need to communicate the availability and location requirements at the application stage.

The 'five minute rule' has been relaxed on a couple of occasions but this depends on the staffing levels of the station in question.

RESOLVED to note the outcomes from the report.

21 APPRENTICESHIP UPDATE

Tracy Crump, Head of People and Organisational Development at NFRS provided an update on the apprenticeship reforms being introduced by the government, and the potential implications for NFRS.

The following points were highlighted:

(a) it will be highly difficult for the service to draw down the levy funding in the first year as there are very few relevant apprenticeship frameworks in operation;

(b) the target for public sector organisations will be that 2.3% of new starters need to be on apprenticeships. For authorities that don't meet the target, there would need to be a statement put out outlining why targets can't be met, as well as notifying the Secretary of State;

(c) it has been accepted that a trailblazer Operational Firefighter Apprenticeship Scheme will be developed during 2017

Members expressed concern that the Levy was lacking in detail and nuance.

RESOLVED to note the report.

22 CHANGE TO PERMANENT ESTABLISHMENT - COMMUNITY SAFETY

Wayne Bowcock, Deputy Chief Fire Officer at NFRS introduced a report outlining potential restructure of the Community Safety Team.

RESOLVED to support the permanent deletion of the role of Risk Reduction Officer to support the transfer of Prince's Trust activities to the Community Safety team with effect from 1 February 2017.

23 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, 2 and 3 of Schedule 12 A to the Act.

24 RESTRUCTURE OF THE EQUIPMENT AND TRANSPORT SECTIONS

Wayne Bowcock, Deputy Chief Fire Officer at NFRS introduced the report on the Restructure of the Equipment and Transport Sections.

RESOLVED to agree the recommendations in 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 3 February 2017 from 10.00 - 11.41

Membership

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

Colleagues, partners and others in attendance:

John Buckley	-	Chief Fire Officer, NFRS
Tracy Crump	-	Head of People and Organisational Development, NFRS
Therese Easom	-	NFRS
Sue Maycock	-	Head of Finance, NFRS
Craig Parkin	-	Assistant Chief Fire Officer, NFRS
Ian Pritchard	-	Head of Procurement and Resources, NFRS
Malcolm Townroe	-	Clerk to the Fire Authority
James Welbourn	-	Governance Officer

19 APOLOGIES FOR ABSENCE

None.

20 DECLARATIONS OF INTERESTS

None.

21 MINUTES

The minutes of the meeting held on 11 November 2016 were agreed as a true record and signed by the Chair.

22 REVISED CORPORATE GOVERNANCE FRAMEWORK

John Buckley, Chief Fire Officer presented Members with details of the new CIPFA/Solace framework for delivering good governance in Local Government.

It was proposed to accept this revised code as it is rather than amending the existing one.

RESOLVED to approve the adoption of the revised Local Code of Corporate Governance.

23 INFORMATION GOVERNANCE UPDATE

John Buckley, Chief Fire Officer provided an update to Members on the information governance arrangements at NFRS.

The following points were highlighted:

(a) Craig Parkin, Assistant Chief Fire Officer at NFRS has been nominated as the senior officer responsible for information governance;

(b) Freedom of Information (FOI) requests can be costly and very time consuming. NFRS have tried to publish as much information as possible on their website to try and mitigate the number of FOIs.

There can be some vexatious FOI requests, but there have been very few to date.

RESOLVED that the Chief Fire Officer provides an information governance report annually to the September meeting of the full Fire Authority, to include freedom of information requests, data protection areas of interest, the Regulation of Investigatory Powers Act (RIPA) activity and an overview of environmental information requests.

24 COLLABORATION UPDATE

John Buckley, Chief Fire Officer provided an overview on current and prospective collaborative activities by NFRS.

To add to this, the Chair had received a letter from Brandon Lewis MP, Minister of State for Policing and the Fire Services regarding the Police and Crime Bill. The Bill is due to come into force on 3 April. The Chair intends to meet with Paddy Tipping, Nottinghamshire Police and Crime Commissioner (PCC) to discuss issues over the proposed new legislation.

There has been no formal request from the PCC to become a Member of the Fire Authority. However, if the PCC were to sit on the Fire Authority, there will be some work to do on political balance as the PCC would be a 19th Member. Information will be circulated to Members as soon as it is available.

Following this, further information was given on collaboration:

(a) NFRS have taken part in co-location since the 1960s. A recent example of co-location would be the floor sharing with Nottingham City Council at the new London Road Fire Station. NFRS also co-locate with the East Midlands Ambulance Service (EMAS);

(b) joint working occurs at an operational level, as well as high level intelligence. This feeds into day to day operations issues, as well as leading to high level joint training, and initial response training.

Medical co-responding has taken place for 15 years – NFRS were one of the authorities that were involved in initial testing for this;

(c) NFRS have been a successful delivery partner for the Prince’s Trust;

(d) NFRS have an ability to respond back to Derbyshire Fire and Rescue Services’ Integrated Risk Management Plan (IRMP) consultation. It is also an opportunity to see what other areas of work Nottinghamshire and Derbyshire can collaborate on;

(e) engagement with the workforce is key when moving forward with collaboration. The Chief has engaged an organisational development programme, as well as having regular conversations with trade unions.

RESOLVED to:

(1) endorse the collaboration work undertaken by the Service;

(2) ask the Chief to respond to the Derbyshire Fire and Rescue Service IRMP consultation to explore opportunities to enter into a formal collaboration arrangement;

(3) receive a future report from the Chief Fire Officer on the implications arising from the Policing and Crime Bill when it receives Royal assent.

25 EMERGENCY SERVICE NETWORK (ESN) UPDATE

Craig Parkin, Assistant Chief Fire Officer provided an update on the progress of the Emergency Services Network (ESN) programme.

The following information was provided:

(a) concerns have been raised about the deliverability of the ESN project following public accounts committee hearings. If there is a delay leading to slippage, this could be costly;

(b) Government are still expecting to transition to the new system in December 2019;

(c) NFRS are quite fortunate that their transition can happen quite early on compared to other Fire and Rescue services. Airwave services will be running in parallel with the new system, and NFRS can revert back to this if needed;

(d) services across the East Midlands have been focusing on how ESN can be delivered together. There is a workshop in March for blue light services being facilitated by NFRS.

RESOLVED to note the report.

26 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 paragraphs 1, 2 and 3 of Part 1 of Schedule 12A of the Act.

27 LEASE FOR HUCKNALL FIRE STATION

Ian Pritchard, Head of Procurement and Resources introduced the item on the lease for Hucknall Fire Station.

RESOLVED to accept the recommendations contained within the report.

28 CLAIM FOR AN EX-GRATIA PAYMENT

John Buckley, Chief Fire Officer reported to Members a claim for an ex-gratia payment.

RESOLVED to accept the recommendations as detailed in the exempt minute.

By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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