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NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

MEETING OF THE AUTHORITY

Date: Friday, 15 December 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

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

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 22 September 2017 from 10.30 am - 12.36 pm

Membership

Present
Councillor Brian Grocock (Chair)
Councillor Michael Payne (Vice Chair)
Councillor Liaqat Ali
Councillor Andrew Brown
Councillor Eunice Campbell
Councillor John Clarke (minutes 18-31 inclusive)
Councillor Sybil Fielding
Councillor Vaughan Hopewell
Councillor Patience Uloma Ifediora
Councillor John Longdon
Councillor Francis Purdue-Horan
Councillor Phil Rostance
Councillor Parry Tsimbiridis
Councillor Jonathan Wheeler
Councillor Malcolm Wood
Councillor Jason Zadrozny

Absent
Councillor Jackie Morris
Councillor Mike Quigley MBE

Also in attendance
Nottinghamshire Police and Crime Commissioner, Paddy Tipping

Colleagues, partners and others in attendance:

John Buckley	-	Chief Fire Officer, NFRS
Wayne Bowcock	-	Deputy Chief Fire Officer, NFRS
Craig Parkin	-	Assistant Chief Fire Officer, NFRS
Malcolm Townroe	-	Clerk and Monitoring Officer to the Fire Authority
Theresa Channell	-	Acting Treasurer
Becky Smeathers	-	Head of Finance
Andrew Cardoza	-	Director of KPMG LLP External Auditors
Simon Allsop	-	Temporary Scheme Manager of Nottinghamshire Fire Pension Scheme
Catherine Ziane-Pryor	-	Governance Officer

14 APOLOGIES FOR ABSENCE

Councillor Mike Quigley – personal
Councillor Jackie Morris - personal

15 DECLARATIONS OF INTERESTS

John Buckley, the Chief Fire Officer, declared an interest in agenda item 14, 'Impact on Annual Allowance Change / Joint Administration and Communications Strategy (SLA)' (minute 27) and so intended to withdraw from the meeting for the duration of the item.

16 CHANGE IN MEMBERSHIP

RESOLVED

(1) to note the appointment of Councillor Parry Tsimbiridis to the Fire Authority in place of Councillor Nicki Brooks and to confirm his appointment to the Community Safety Committee, Personnel Committee and Strategic Equalities Board.

(2) to note the appointment of Councillor Jonathan Wheeler to the Fire Authority in place of Councillor Tony Harper and to confirm his appointment to the Policy and Strategy Committee and Community Safety Committee.

17 MINUTES

Subject to minute 7(3) and the vote for the Chair of the Finance and Resources Committee showing that Councillor Mike Quigley was nominated and not Councillor Andrew Brown, the minutes of the meeting held on 9 June 2017 were confirmed as a true record and signed by the Chair.

18 CHAIRS' ANNOUNCEMENTS

The Chair welcomed everyone to the meeting and introduced the newly appointed Head of Finance, Becky Smeathers.

Her Majesty's Inspectorate of Constabulary now has responsibility to inspect Fire and Rescue Services. The Chief Fire Officer (CFO) and Chair of the Authority have been invited to a briefing in London next month and will inform members of the implications.

The CFO and Chair recently represented the Authority at the Firefighters National Memorial Service in London where they laid a wreath in remembrance of those who have given their life in the line of duty. The event was very moving and very well attended.

The members' seminar was held last week and provided a useful opportunity to discuss in detail the direction of the Service in these difficult times and issues currently being dealt with.

Former Authority Members Ken Rigby, Councillor Chris Barnfather, Councillor Gordon Wheeler and Liz Yates were thanked for their service to the Authority and presented with a certificate of thanks.

19 ANNUAL GOVERNANCE STATEMENT 2016/17

John Buckley, Chief Fire Officer, presented the Annual Governance Statement 2016/17 which requires the approval of the Authority before the Annual Accounts can be considered for approval.

The Annual Governance Statement refers to the most recent review of governance arrangements and identifies the challenges ahead, a summary of which is included in the covering report.

The Chair assured the Authority that all identified challenges will be addressed.

RESOLVED to approve the Annual Governance Statement 2016/17.

20 FINAL ACCOUNTS 2016/17

Becky Smeathers, newly appointed Head of Finance, introduced the report which presents the final detailed accounts for 2016/17 and seeks Authority's approval.

The covering report refers to the core statements of accounts, revenue expenditure, capital expenditure, reserves and pensions.

Within the Statement of Accounts, Becky Smeathers informed the committee that pages 47-50 of the Statement of Accounts would be removed (agenda pages 91-94) as these had been included in error.

Councillor Malcolm Wood, Chair of the Finance and Resources Committee, commended the finance team on putting together a comprehensive set of final accounts.

Members had previously expressed concern regarding variances, but at 1%, this level of variances is considered acceptable.

In response to member's concerns regarding the £263,000 operational pay under spend, the Chief Fire Officer informed the committee that for the current and future years, a more risk-based approach to staff budgeting is being applied as part of a strategy in preparation of planned reductions (retirements and leaving the Service) ensuring that any over establishment is only temporary. The high level of staff at the start of financial year has been budgeted for but also taken into account is the predicted level of establishment, therefore resulting in fewer variances. It is recognised that establishment prediction is not an exact science as staff are only required to give 28 days' notice.

RESOLVED

(1) to approve the Statement of Accounts for 2016/17, as attached at Appendix A to the report;

(2) to note the financial results for the 2016/17 year for Nottinghamshire Fire Safety Limited, as attached at Appendix B to the report.

21 EXTERNAL AUDITORS' REPORT TO THOSE CHARGED WITH GOVERNANCE 2016/17

Andrew Cardoza, Director of KPMG LLP External Auditors, presented the external auditors draft report to those charged with governance 2016/17 and informed the committee that he was satisfied with his findings, appreciated the standard of work undertaken by the Authority and was expecting to issue an unqualified audit opinion.

Councillor Malcolm Wood, Chair of the Finance and Resources Committee, welcomed the unqualified opinion of a completely 'clean' audit, stating that this was a reflection on the high standards and quality of staff within the Authority.

RESOLVED

(1) for the contents of the External Auditors' ISA 260 report, attached as Appendix A to the report, to be noted;

(2) to approve the management representation letter to the External Auditors as set out in Appendix B to the report.

22 TREASURY MANAGEMENT ANNUAL REPORT 2016/17

Becky Smeathers, Head of Finance, presented the report of the Treasurer which provides a retrospective update on treasury management activity during the 2016/17 financial year.

The report provides an overview of;

- economic review;
- review of the investment and cash management strategy;
- investment and cash activity in 2016/17;
- review of investments/ cash position and useable reserves;
- review of the borrowing strategy and borrowing activity in 2016/17;
- summary of compliance with treasury and prudential limits.

Becky Smeathers responded as follows to Councillor's questions:

(a) the 0.4% difference in actual net revenue against approved net revenue is as a result of some loans being taken out later than expected due to internal budgeting and low interest rates;

(b) with regard to the £4m loan which is expected to be repaid by the end of next year, the option is available to repay the loan early, however, this would be dependent on interest rates.

RESOLVED to note the report.

23 ANNUAL STATEMENT OF ASSURANCE 2016-17

John Buckley, Chief Fire Officer, presented the Annual Statement of Assurance 2016/17, which provides assurance on financial, governance and operational matters, in line with the requirements of the Fire and Rescue Service National framework, replacing the 'Annual Report'.

RESOLVED to approve the Annual Statement of Assurance 2016-17 for publication.

24 CONSULTATION ON MIXED AND ALTERNATIVE CREWING

Prior to consideration of the item, the Chair informed the Authority that questions have been submitted by the Fire Brigades Union regarding this and the next item (realignment of operational resources). Although the questions have been submitted after the deadline, in the interests of openness and transparency, on this occasion only, they have been accepted and may be asked.

In summary, the FBU opposes the increase of attendance time which will be caused by mixed crewing, and seeks assurance from the Authority that safety will not be compromised by the proposals.

The Chair responded that the report recommends that proposals are the subject of public consultation, but that the landscape of operation has changed in recent years with the number of incidents halving. With a duty to provide the best service within financial constraints, mixed crewing would provide an opportunity to align the availability of resources with demand, in preference to reducing the number of appliances and staff.

The Chief Fire Officer presented the report, adding that there were significant financial pressures which must be responded to, ensuring a balanced budget is achieved at a time when funding is reduced, and so five potential options are proposed in the appendix to the report.

Citizens are safer now from fire than they have ever been, so reducing whole time capacity overnight by moving to mixed and alternative models to provide a valuable saving and more efficient working. Consideration also needs to be given to increased retirement age of firefighters with alternatives suggested to the current 12-hour shift pattern.

A 12 week consultation period is recommended, which will enable staff and citizens to respond. There is an intention to visit staff at stations and actively seek responses so that members can have a complete view prior to further considerations.

Alternative crewing is complex. Currently, if less than 4 retained crew members are available, the appliance is not used and another station is called upon. This is often the case at Southwell Fire Station where it has been difficult to recruit due to the local demographics. When fewer than 4 crew members are available, the call is transferred to Carlton or Newark. However, it is proposed that if 3 crew members are available, then the appliance is utilised as that appliance and crew can have a significantly positive impact at an incident. All crew are fully trained but additional training will be provided if required and crews of 3 will still not be sent to incidents where there is a risk of expansion but if assistance is needed for other incidents, back-up will still be available.

Councillor Jason Zadrozny requested an amendment to the recommendation, to remove Ashfield Fire Station from the consultation and therefore any potential changes to crewing, but as it was not seconded, it was not carried and the original recommendation remained.

Further comments from Authority members included:

(a) Although there is little doubt that there will be a robust response to the consultation, Central Government should be lobbied by all members regarding the on-going reduction of funding and pressures on the Service;

(b) Citizens need to understand the current position and the impact of reduced funding going forwards and be motivated to respond to the consultation;

(c) The proposal to consult is supported, but not the subject proposals and diminishing Service;

(d) There needs to be a clear pathway laid out, ensuring that the press and public are fully engaged and understand the implications on the Service and their Council Tax of the on-going funding cuts;

(e) If the Fire Minister is lobbied and citizens informed and engaged, it is possible that changes to crewing may be avoided;

(f) This is an outstanding Service with staff, both front line and back office, doing a valuable job. The Staff and Authority need to stand as one team and the suggestion to lobby the Fire Minister is welcomed as influence within Central Government can make a difference ;

(g) We all need to do everything possible to ensure that this is full and meaningful consultation as the final recommendations are not pre-determined;

(h) Councillors and Officers across the country are being forced to make these type of decisions due to the on-going funding restraints. Nottinghamshire Fire and Rescue Service have already implemented all possible savings whilst trying to protect front line Services. There really is nowhere else to find savings other than changing how the Service operates;

(i) The Authority and Fire Brigades Union (FBU) need to stand shoulder to shoulder regarding the austerity cuts and the terrible impact so far;

The Chief Fire Officer welcomed opportunities to speak with Officers, the FBU and Citizens on the current position and consultation. It is vital that citizens understand the full implications of the current position and exercise their right to give an opinion.

The Chair thanked members for their comments and assured the Authority that the subject of the report has been carefully considered over a period of time but no alternatives identified. Following several large incidents, citizens need to understand the significance of the Service and the implications of the proposals.

RESOLVED to publicly consult on the Mixed and Alternative Crewing options as detailed in the body of the report.

It is noted that Councillor Jason Zadrozny did not support the recommendation.

25 REALIGNMENT OF OPERATIONAL RESOURCES

As referred to in the previous minute, prior to the Authority’s consideration of the item, the FBU asked a question which, in summary, highlighted the deletion of posts and 6 operational appliances since the introduction of the austerity cuts, the deletion of officer posts was recently increased by another 20 posts and now a further 16 posts are proposed to be deleted. The FBU queried at what point did the Authority refuse to make further cuts to front line services and refuse increased response times?

The Chair responded that to date the Authority has implemented a cost reduction of £13million on operating costs and cannot avoid the legal duty to act appropriately with the resources it has. However, whilst the concerns of the FBU are shared and representations have been made to Central Government, with regard to this item, the Chief Fire Officer has given assurances that the proposals within the report will not impact on the ability of the service to respond to incidents, and is an example of where efficiencies can be made without unduly affecting outcomes.

The Chief Fire Officer presented the report which recommends the realignment of operational staff numbers to match the crewing requirements following previously agreed changes to the operational cover, by deleting 16 vacant posts.

The following points were highlighted:

(a) If approved, there will be no changes to Terms and Conditions for staff (as a result of the realignment) and there would be no impact on crewing and operations;

(b) Consultations have already taken place, including with the FBU;

(c) The saving from deleting the posts would be in the region of £590,000 and contribute to achieving the targets within the sustainability strategy for 2020.

Members pointed out that an illegal budget (which did not meet future funding as per the 2020 sustainability strategy) could not be set without the Authority being 'thrown out' and Central Government Officers taking over the Service and implementing far harsher actions.

RESOLVED to delete 16 vacant firefighter posts from the operational establishment.

26 COLLABORATION STRATEGY

John Buckley, Chief Fire Officer, presented the report which proposes the introduction of a Collaboration Strategy to develop existing arrangements and activities.

In addition to the details within the report, the following points were highlighted:

(a) Collaboration is a significant part of how the Service will operate in future

(b) Partners are already collaborating with each other and whilst the Fire and Rescue Service already collaborates on different levels, this needs to be more broadly;

(c) While some collaboration opportunities have been emerged naturally, the Service has a duty under the Policing and Crime Act 2017 to continually consider collaboration opportunities with other emergency services;

(d) The strategy provides a clear structure and proposes that a strategic collaboration board is established with each partner organisation, with arrangements reviewed every six months;

(e) Where scoping of further opportunities may initially result in additional costs, funding to cover this can be sought from Central Government resources.

Paddy Tipping, the Police Crime Commissioner, commented:

During this period of austerity, the Fire and Rescue Service needs to save a further £2-3 million in the next few years, however the Police are in a position where a saving of £16 million is required. I will pursue the issues raised in today's meeting with the Fire Minister, but Services need to ensure that value for money is achieved with regard to estate, emergency planning and community safety whilst delivering more comprehensive services. The newly formed 'Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services' (MHICFRS) specifies the requirement for a fresh focus on collaboration.

Comments from Authority members included:

(f) There are still areas, including the 'back office' where further savings through collaboration can be made;

(g) Collaboration is supported and can work well as is shown by the local Police moving into the Carlton Retained Fire Station instead of relocating miles away. The PCC and CFO should be congratulated for facilitating this;

(h) There will be some difficulties to get over, but collaboration will be beneficial in the longer term.

RESOLVED to adopt the proposed Collaboration Strategy.

27 IMPACT OF ANNUAL ALLOWANCE CHANGES / JOINT ADMINISTRATION AND COMMUNICATIONS STRATEGY (SLA)

Prior to consideration of this item, Chief Fire Officer John Buckley withdrew from the meeting having declared an interest under minute 15, Declarations of Interests.

Simon Allsop, Temporary Scheme Manager of Nottinghamshire Fire Pension Scheme, presented the report which;

(i) updates members on the changes to the Annual Allowance;

(ii) seeks approval for the discretion to use Voluntary Scheme Pays for scheme members;

(iii) seeks approval for the introduction of a Firefighters Pension Scheme Joint Administration and Communications Strategy (SLA) with Derbyshire Fire and Rescue Service and Leicester, Leicestershire and Rutland Combined Fire Authority.

The changes to pensions are outlined within the report.

The Authority's approval for discretionary use of Voluntary Scheme Pays will enable high earning individuals (including firefighters with a second job) to offset tax against their pension, without any financial implications for the Fire and Rescue Service.

A copy of the Administration Communications Strategy is attached to the report.

RESOLVED

(1) to approve the discretionary use of Voluntary Scheme Pays for affected members of the Pension Scheme;

(2) to approve the introduction of the Firefighters Pension Scheme Joint Administration and Communication Strategy (SLA).

Following the conclusion of this item, the Chief Fire Officer John Buckley returned to the meeting.

28 REPORT OF THE INDEPENDENT REMUNERATION PANEL

Malcolm Townroe, Clerk and Monitoring Officer to the Authority presented the report of the Independent Remuneration Panel, which has been considered by the Policy and Strategy Committee which recommends approval by the Fire and Rescue Authority.

The Authority is required to have a member's allowance scheme which is regularly reviewed by an independent panel to ensure that the scheme is fit for purpose.

It is noted, as was highlighted during the Policy and Strategy Committee, due to differing structures, organisation and governance, it is not possible to make a full comparison with schemes operated by other Authorities.

The following comments were made by members of the Authority:

(a) it is a concern that there appears to be a significant disparity between the Chair, Vice-Chair, and Major Committee Chairs. The scheme should be reconsidered by Policy and Strategy Committee to enable further discussion;

(b) having been considered by an Independent Review Panel which has provided an independent report and decision that the scheme is fit for purpose, further consideration is not necessary and the Authority should only accept or reject the recommendations of that panel;

(c) This is a difficult item to challenge as it would be preferable to respect the recommendation of the independent panel. However, the member's allowances scheme model appears to be based on the circumstances and structures of 2006, prior to the new governance and committee arrangements. There is no evidence to suggest that it is reasonable that chairs of Committees should not be recognised, so the model should be reconsidered with better recognition for chairs of committees and the lead opposition spokesperson;

(d) It is correct that members should not set their own allowances, that's why the task has been allocated to an independent review panel. The recommendations of the review panel are welcomed, but members' comments and concerns should be considered at the next review.

RESOLVED

(1) to accept the recommendation of the Policy and Strategy Committee to accept the findings of the independent review panel regarding members' allowances and annual uplift arrangements;

(2) to approve that Members' allowances continue to be paid on the same basis as the existing scheme and that inflators continue to be applied on an annual basis linked to increases set by the National Joint Council for Local Government Service.

29 PAY POLICY

Chief Fire Officer John Buckley, presented the report which provides a Pay Policy Statement for approval by the Authority in line with the requirements of the Localism Act 2011. It is noted that have not been any policy changes since the Pay Policy was approved last year.

RESOLVED to approve the Statement of Pay Policy at Appendix A to the report.

30 ANNUAL REPORT ON TRANSPARENCY AND DATA PROTECTION

Further to the Policy and Strategy Committee's request in April 2017 that the Authority receives more detailed information, Chief Fire Officer John Buckley, presented the annual report which updates the Authority on Nottinghamshire Fire and Rescue Service's information governance, which has been given a 'clean bill of health'.

The report provides information on:

(a) freedom of information requests;
(b) environmental information requests;
(c) data protection;
(d) Regulation of Investigatory Powers Act 2000 (RIPA).

Since the recruitment to the Information Governance Manager post, compliance with freedom of information (FOI) requests response times have significantly improved.

Whilst partnership working and collaboration, including sharing of information, continues to expand, this further complicates the operating environment and increases the focus on risk controls being applied and sustained.

RESOLVED to note the report.

31 COMMITTEE OUTCOMES

RESOLVED to note the minutes of the following committees:

Community Safety Committee 30 June 2017
Finance and Resources Committee 07 July 2017
Human Resources Committee 14 July 2017
Policy and Strategy Committee 21 July 2017

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

MEDIUM TERM FINANCIAL STRATEGY 2017/18 TO 2020/21 AND BUDGET GUIDELINES 2018/19

Joint Report of the Chief Fire Officer and the Interim Treasurer

Date: 15 December 2017

Purpose of Report:

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

To inform Members of the likely budget position for 2018/19 and to request that the Fire Authority set general guidelines within which the Finance and Resources Committee will develop a detailed budget proposal for 2018/19.

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1. BACKGROUND

1.1 The Fire Authority has a number of strategies in place to support good financial management and governance of the Authority.

1.2 The Medium Term Financial Strategy provides an overarching view of the way in which the Authority’s finances will be managed and it brings together various related financial strategies in one cohesive document. It also explains how the financial strategy supports the Authority’s other key strategies and plans.

1.3 The updated Medium Term Financial Strategy builds on the strategy approved by the Fire Authority in September 2016 and covers the four-year period from 2017/18 through to 2020/21.

1.4 As part of the 2016/17 budget process, the Authority accepted the government’s offer of a four-year settlement, covering the four years from 2016/2017 through to 2019/20. This has provided more certainty about the value of Revenue Support Grant and Non-Domestic Rates income during this period.

1.5 This level of certainty allows for better planning of the budgetary position going forward, although it should be noted that there are many other areas of uncertainty inherent in budget planning and the budget requirement figures contained within this report will be estimates. Nevertheless, the Authority must consider its budgetary position going forward and provide the Finance and Resources Committee with guidance as to the parameters within which to develop a budget proposal for 2018/2019 and beyond, before final budget proposals are considered by the Fire Authority in February 2018.

2. REPORT

FINANCIAL POSITION

2.1 The Medium Term Financial Strategy is attached in full at Appendix A to this covering report. It considers the current financial position of the Authority and looks at the estimated budgetary position over the next three years against a backdrop of both the national and local financial position, including the levels of reserves that the Authority holds.

2.2 The current financial position of the Authority remains stable, even after several years of financial restraint. Wherever possible, budget reductions identified for future years have been implemented as soon as possible and this has contributed towards some underspends in prior years which have enabled balances to be maintained at a healthy level. This in turn has allowed a measured approach to be taken to budget reductions over the past few years.

2.3 A gradual process of using balances and reserves to lower the revenue costs of capital going forward has enabled the capital programme to be maintained whilst still being able to meet budget reduction targets. The level of general reserves is estimated to be £7.1m at 31 March 2018, with a risk-assessed minimum level of general reserves set at £4.4m in February 2017. This may change when the risk assessment is reviewed as part of the budget process and if the outturn position differs from that reported to Finance and Resources Committee on 13 October 2017.

2.4 This makes available general reserves up to a value of £2.7m (subject to changes identified in Paragraph 2.3 above) to support the revenue budget over the next three years during the implementation of the Sustainability Strategy 2020. This will enable the required programme of change to be delivered effectively, following appropriate consultation and governance processes during the earlier stages of the projects.

EXTERNAL FUNDING

2.5 The four-year finance settlement offer accepted by the Authority, set out reductions in external funding of almost 21% between 2015/16 and 2019/20. This equates, in cash terms, to a loss of around £4.2m of funding. The funding offer remains provisional at present for 2018/19 and 2020/21 and will be confirmed late December. It is anticipated that funding levels for 2020/21 will remain flat into 2020/21 for the purpose of planning.

2.6 The Chancellor's Autumn Statement was delivered to Parliament on 22 November. This statement indicated a deterioration in the status of national public finances with the Country's growth forecasts cut to below 1.5% until 2020. Against this backdrop, it is expected that public spending will continue to be restrained.

2.7 The referendum limit currently stands at 2% - ie: a Council Tax increase at 2% or more will trigger a local referendum on the level of Council Tax. The Department for Communities and Local Government consulted on potential relaxation of the 2% in some circumstances, although Fire was not mentioned as a specific case.

REVENUE BUDGETS

2.8 The budget process this year has continued to focus on the need to find savings and efficiencies wherever possible. The Chair of the Finance and Resources Committee has again worked closely with Officers to gain assurances as to the robustness of budget estimates. This year, the Chair of the Finance and Resources Committee and the Head of Finance worked with budget holders to review the levels of Reserves held and considered the risk register used to determine minimum levels of General Reserves required.

2.9 Work on the budget requirement, which is the amount the Authority is required to spend to deliver its services, is nearing completion and covers the next three years. However, there are still some variables that may affect the overall budgetary position, and these will not be notified to the Authority by the Billing Authorities until the end of January. In summary, these unknown elements are:

- The level of the Council Tax Base
- Council Tax and Business Rates surpluses and/or deficits from prior years

2.10 The Chancellor's Autumn Statement forecasted inflation over the next four years to be in the region of 2%. This is combined with lower growth and increased economic uncertainty leading up to Britain's exit from the European Union. This indicates that the Authority's budget will be under additional pressure during this medium-term period with an increased level of risk relating to economic factors outside of the Authority's control.

2.11 The MTFS provides an estimate of the budgetary shortfall based on expenditure figures provided to Fire Authority in February 2017, adjusting for known pressures and assuming a 1.95% increase in Council Tax. This is shown in the table below, along with the shortfall with no increase in Council Tax for comparison.

	2017/2018 £	**2018/2019 £**	**2019/2020 £**	**2020/2021 £**
Total Grant Yield	**17,107,758**	**16,416,470**	**16,162,193**	**16,137,000**
Budget Requirement	40,804,872	41,709,002	42,733,208	43,503,208
Balance to be met locally	23,697,114	25,292,532	26,571,015	27,366,208
Council Tax Yield – 1.95% increase	23,171,596	23,942,934	24,740,359	25,564,563
Budget Deficit – 1.95% CTax increase	**525,518**	**1,349,598**	**1,830,656**	**1,801,645**
Budget Deficit Nil CTax increase	**525,518**	**1,808,119**	**2,769,563**	**3,243,436**

2.12 The pressures identified in the MTFS and included in the table above are outlined below.

2.13 **Pay Awards (£320k)** – Both the ongoing firefighter pay negotiations and Local Government employee negotiations have offered 2% pay awards to date. Lower graded Local Government employees have been offered slightly higher than 2% to bring salaries in line with the National Living Wage. Original budgets for 2018/19 onwards included a 1% pay award. The impact of an across the board 2% pay offer is estimated to be in the region of £320k. This may increase further once final pay awards are agreed.

2.14 **Pensions and National Insurance (£350k) -** The budgetary provision for both superannuation and National Insurance was insufficient in 2017/18, which has resulted in a forecast overspend in these budgets. The 2018/19 budgets similarly need adjusting. The impact is anticipated to be £250k for superannuation and £100k for National Insurance.

2.15 **Business Rates (£230k) -** Following the 2017 revaluation exercise, many business rates were significantly increased. The authority has appealed against several large increases but has been unsuccessful. Budgets will need to be increased by £230k to cover the additional costs.

2.16 **Minimum Revenue Provision (MRP) (Saving of £350k) -** MRP is the amount charged to revenue for the repayment of debt required to fund prior years' capital expenditure. The authority has worked hard to maximise the life of its assets and has extended the life of specialist vehicles and fire appliances life from 12 to 20 years. This has been made possible through the procurement of better quality vehicles. The MRP is therefore spread over an increased number of years, thus reducing the cost. After taking account of this and some delayed expenditure on the capital programme, savings in the region of £350k are anticipated in the MRP budget.

2.17 Whilst the figures in the table above have been adjusted for the pressures identified, final budget projections are not yet complete and the figures shown are for general guidance only at this stage.

2.18 The average Band D Council Tax across Shire Fire Authorities is £72.68. The 2017/18 Band D Council Tax for this Authority stands at £75.29, 3.6% above the average and well within the middle range of authorities.

PROPOSED GUIDELINES

2.19 The meeting of the Finance and Resources Committee in January 2018 will be presented with the latest budgetary position. Although the variables referred to in paragraph 2.9 will not have been finalised by then, the Authority should have received confirmation of the 2017/18 finance settlement and related matters. Therefore, the Committee will have sufficient information about the overall three-year budgetary plan to provide guidance to the Combined Fire Authority meeting in February.

2.20 The Authority's total funding for the revenue budget comprises the external funding elements as well as Council Tax precept. Whilst the amount of external funding cannot be directly influenced by the Fire Authority, the amount of the Council Tax precept will be set by the Fire Authority in February. It would seem appropriate therefore for the Finance and Resources Committee to focus on two areas:

a. The options for Council Tax to be recommended to the Fire Authority in February.

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

2.21 The Authority has a number of options for Council Tax:

a. Maintain Council Tax at the 2017/18 level.

b. Reduce Council Tax.

c. Increase Council Tax by an amount lower than the referendum limit (assumed to be 2%, but may be changed following the consultation exercise).

d. Increase Council Tax by an amount higher than the referendum limit.

2.22 The option to reduce Council Tax would present the Authority with an increased budgetary deficit to manage, as would the option to increase Council Tax by an amount higher than the referendum limit. For the latter option this is because a referendum would be triggered which would result in increased costs to the Authority. In the current financial environment, the options in paragraphs 2.20 c) and d) are considered to be the most appropriate parameters within which the Finance and Resources Committee should work.

2.23 If a budgetary position which shows a funding deficit is presented to the Finance and Resources Committee then this will require consideration of suitable options to eliminate this deficit. The options would depend upon the size of any deficit, but may include:

- Tasking the Chief Fire Officer with proposing further savings for consideration by the Fire Authority.

- Planning the use of General Reserves to support the budget whilst further budgetary savings are planned and implemented.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An initial equality impact assessment has not been prepared in relation to this matter.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

The primary corporate risk is that sufficient financial resources are not available to the Authority. An early guide for the Finance and Resources Committee in terms of the development of the budget will help to manage this risk.

9. COLLABORATION

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Approve the Medium Term Financial Strategy as set out at Appendix A.

10.2 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.

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

None.

Theresa Channell	John Buckley
INTERIM TREASURER TO THE FIRE AUTHORITY	**CHIEF FIRE OFFICER**

NOTTINGHAMSHIRE
Fire & Rescue Service

APPENDIX A

MEDIUM TERM FINANCIAL STRATEGY

2017/18 to 2020/21

CONTENTS

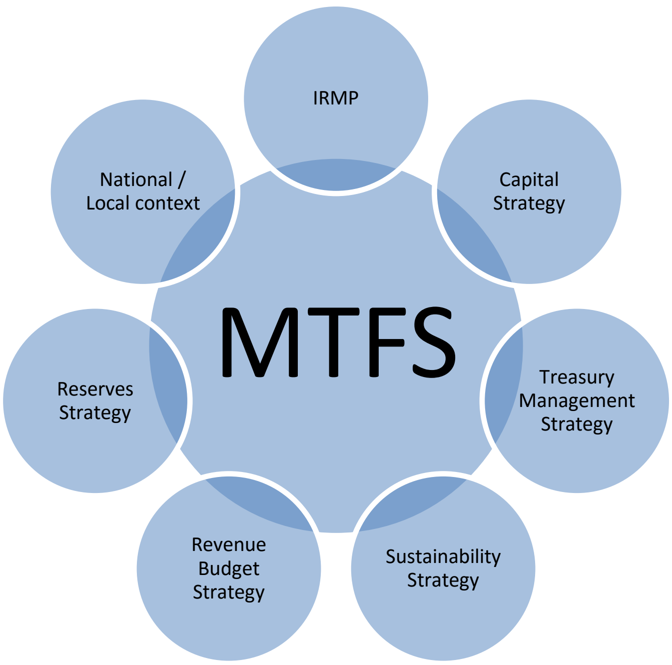
SECTION 1: PURPOSE AND OBJECTIVES OF THE STRATEGY

PURPOSE OF THE STRATEGY

1.1 The Purpose of the Authority's financial strategy is to provide clear and understandable information on actions that are needed to ensure the long term financial sustainability of the Authority. It supports affordable, sustainable service delivery through the planned use of revenue budgets, capital budgets and reserves.

1.2 A Medium Term Financial Strategy sets out how finances are to be managed in such a way as to manage levels of Council Tax, Reserves and Balances. In simple terms, it will set out how a stable and robust financial platform can be created such that developments and improvements in services set out in the Integrated Risk Management Plan (IRMP) can both be achieved and sustained over time.

1.3 The Strategy should link together with all other strategies of the organisation such as the, Capital Strategy, Treasury Management Strategy, Sustainability Strategy, Reserves Strategy and Revenue Budget Strategy.



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

1. To provide a stable financial foundation to assist the decision-making process.
2. To be fully cognisant of other supporting plans and strategies such as the workforce plan, equalities objectives and ICT strategies to provide a cohesive framework.
3. To enable the Authority to be proactive rather than reactive in terms of financing.

4. To support the continuance of the Authority’s core service strategies.

5. To support sustainable service delivery by the use of revenue budgets and reserves.

6. To seek to minimise the impacts on the Council Tax payer of fluctuations in demand for resources.

7. To hold a working balance of cash and reserves sufficient to respond to unexpected events and/or opportunities.

8. To be flexible and responsive to changes in needs and legislation.

9. To take account of the wider economic climate and local influences.

10. To ensure that the capital base of the Authority can be maintained within affordable and sustainable limits.

11. To provide forward looking indications of Council Tax levels.

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

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

1) Resources will be prioritised to meet the core aims of the Service as set out in the Integrated Risk Management Plan and its updates.

2) Priorities will be reviewed in the light of available resources and financial performance.

3) Capital Receipts will mainly be applied to the redemption of debt or the financing of additional capital assets subject to the Flexible Use of Capital Receipts Strategy (Appendix E).

4) Capital will be financed using the most advantageous method prevailing at the time finance is required within the requirements of the Prudential Code. Full options appraisal will be carried out before financing decisions are taken.

5) Capital development will only be carried out where there is a synergy with existing plans and where clear benefits can be identified.

6) The return on investments will take account of the advice received from the Authority’s external advisors.

7) Investment decisions will be based on a balance of risk and return, remain biased towards low risk activity and follow the CIPFA principles of Security, Liquidity, and Yield in that order.

8) Council Tax rates will be transparent and sustainable. This means that budgets will not be lowered and supported by balances unless this is part of a long term sustainable strategy and approved by Members.

9) Charging for services will remain sensitive to the needs of communities and their expectations of the service.

10) Sponsorship funding will not be sought to underpin front line or core service delivery unless a long-term plan for sustainability has been developed.

11) The Authority will continue to direct resources to the areas of greatest need in our communities and seek to address the wider safety agenda.

12) The Authority will actively seek to collaborate with partner organisations in both setting and delivering priorities.

13) The Authority will apply any year end surpluses to balances and/or reserves.

14) Longer term financial planning will take account of the possible use of reserves and balances to minimise the effect of reductions in funding as a means of transition but not of permanent support.

1.7 There are a number of key outputs which will help to both assure and monitor the effectiveness of this strategy and the underlying principles. The following list is not exhaustive but provides a flavour of the outputs that may be expected:

- Production of the three-year revenue and capital budgets, including associated briefing papers, consultations and seminars.
- The production of longer term strategies for ICT, Transport, Property and Equipment such that financial planning can be carried out both within and beyond the window of the medium term financial strategy.
- Production of quarterly monitoring statements for both Capital and Revenue including project based performance as appropriate.
- Supporting information provided to all Council Taxpayers via the internet.
- Treasury Management Strategy.
- Prudential Code Monitoring Reports produced quarterly.
- Flexible Use of Capital Receipts Strategy.
- Sustainability Plan (Efficiency Plan).
- External Audit reports.
- Risk based approach to the maintenance of Balances and Reserves.
- Internal Audit reports reviewed by the Finance and Resources Committee.
- Grant Claims etc. submitted on time.

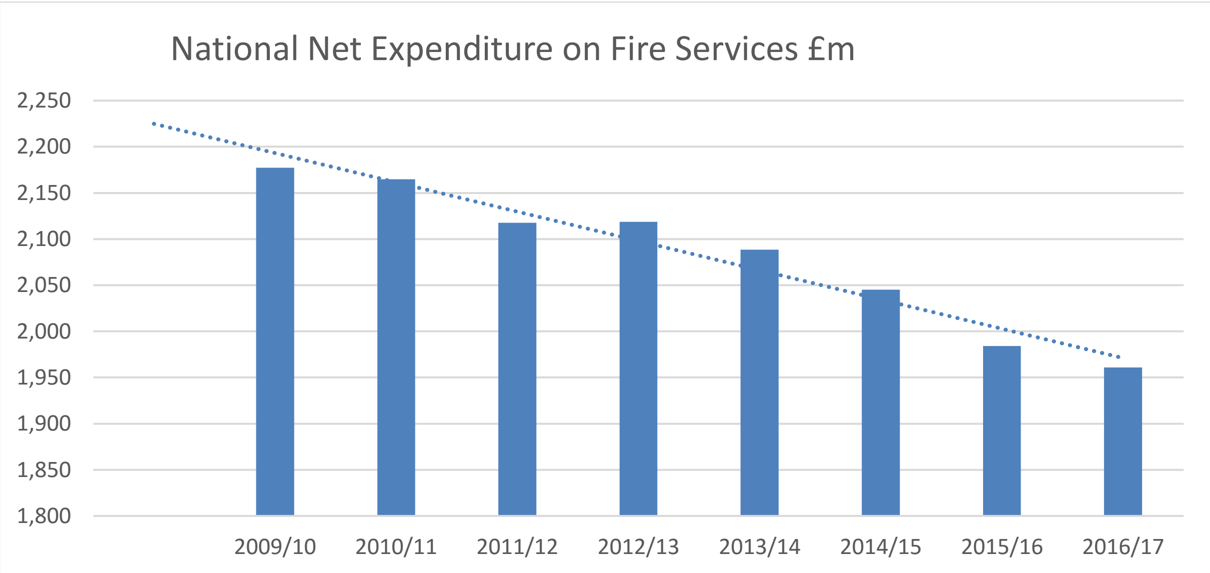
SECTION 2: ECONOMIC CONTEXT OF THE STRATEGY

2.1 A Medium Term Financial Strategy must take account of the current economic position in the UK and consider how its effects might be managed and/or mitigated.

2.2 The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. The Office for Budget Responsibility cut annual growth rates in the autumn statement to below 1.5% until 2020.

2.3 Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017. Further slow but gradual rate increases are expected during 2018.

2.4 The table below shows how national expenditure on fire service costs has decreased from £2.18bn in 2009/10 to £1.96bn in 2016/17. The downward trend is set to continue given the current economic climate and the Government's policy of austerity.



SECTION 3: LOCAL ISSUES IMPACTING ON THE MTFS

Pay Award

3.1 The ongoing 2017/18 firefighter pay award negotiations could result in increases above the 1% already offered. Every 1% increase in firefighters' pay will result in an increase to the pay budget in the region of £270k. It is considered unlikely that Central Government funding will be increased to cover the cost of the locally agreed pay award. A 2% pay award will be built into 2018/19 to 2020/21 budgets.

3.2 On 5 December 2017 the National Employers for Local Government Services made a pay offer for the period covering 1 April 2018 to 31 March 2020. The offer provides 2% for higher scale employees and slightly higher than 2% for lower scale employees, with the aim of bringing their salaries in line with the National Living Wage. This will have an impact on administrative and support staff who are on Local Government pay scales. A 1% pay increase was built into future year budgets as part of the 2017/18 budget process, but this will now be increased, in line with this offer. The cost of a 1% pay increase will be in the region of £50k.

Recruit Intake

3.3 It is anticipated that there will be 2 recruit intakes during 2018/19. There will be additional costs involved in training new recruits as ridership numbers will be increased while newly qualified firefighters gain their competent status.

Pensions

3.4 The budgetary provision for both superannuation and National Insurance was insufficient in 2017/18, which has resulted in a forecast overspend in these budgets. The 2018/19 budgets similarly need adjusting. The impact is anticipated to be £250k for superannuation and £100k for National Insurance.

3.5 Since the passing of annual pension liabilities for fire fighters to central government (now the Home Office), employers have been required to make a 21.7% of salary contribution to the scheme for those staff in the 1992 fire pension scheme. For the 2006 and 2015 fire pension schemes the contribution rates are 11.9% and 14.3% respectively. The Government Actuary Department is currently undertaking a full valuation of fire pension schemes as at April 2016 and this may result in a change to employer contribution rates, although the cost cap mechanism will limit this initially to no more than 2% above the current rate. If future valuations exceed the 2% cap, alternative methods of adjusting the overall cost of the scheme will need to be considered. A 2% increase will have an impact in the region of £400k from 2019/20, but this will be somewhat offset by reductions in superannuation contributions as firefighters taper from the 1992 scheme to the 2015 scheme.

3.6 Another risk area is that of Ill Health retirements. All the costs from such retirements now fall directly on to Authority budgets and costs per early retiree could be as high as £120,000. With firefighters now expected to work longer before retirement there may be an increase in ill health retirements if staff are unable to meet fitness standards. The Authority continues to maintain a budget for ill health retirements based on historical data and also has set aside a specific reserve to ensure that the volatility of these payments is “smoothed” through to the revenue account in a manageable fashion.

Emergency Services Mobile Communication Programme (ESMCP)

3.7 Set up by the Home Office, ESMCP will replace the current communication service provided by Airwave. The new service will be called the Emergency

Services Network (ESN). Utilising the latest mobile technology in 4G and LTE, ESN aims that the functionality, coverage, security and availability needs of the UK's emergency services are fully met.

3.8 A Regional Strategic Board has been established and a Regional Coordinator has been appointed to work with Service leads and to enable collaboration across the regions.

3.9 The programme was anticipated to go live during 2017/18, but there have been significant technical delays and the go live date will be delayed. The funding was initially fixed by the Home Office and now looks to be insufficient for our regional needs due to the extended time span of the project. Whilst negotiations are continuing with the Home Office there is additional pressure on ICT budgets and the Earmarked reserve set aside for this purpose.

3.10 On completion, it is hoped that the annual cost of ESN will be met by the Home Office in full.

Business Rates

3.11 Following the 2017 revaluation exercise, many business rates were significantly increased. The authority has appealed against several large increases but has been unsuccessful. Budgets will need to be increased by £230k to cover the additional costs.

3.12 The Business Rate retention scheme is currently due to be implemented in 2019/20, although this does need parliamentary approval and is dependent on getting results from all of the pilot scheme projects, some of which will not start until April 2018.

3.13 The options being considered are that Fire will either form part of the local business rate pool, where 100% of local business rates will be retained within the region, or be withdrawn from Business Rates completely and receive fire grant in a similar way to the police receiving police grant at present.

Minimum Revenue Provision (MRP)

3.14 MRP is the amount charged to revenue for the repayment of debt required to fund prior years' capital expenditure. The authority has worked hard to maximise the life of its assets and has extended the life of specialist vehicles and fire appliances life from 12 to 20 years. This has been made possible through the procurement of better quality vehicles. The MRP is therefore spread over an increased number of years, thus reducing the cost. After taking account of this and some delayed expenditure on the capital programme, savings in the region of £350k are anticipated in the MRP budget.

SECTION 4: MEDIUM TERM RISKS

4.1 The Authority's Strategic Risk register has identified that there are a number of risks over and above budget reductions which can affect this strategy in the medium term, some of which are beyond the direct control of the Authority. The rapidly changing economic climate at the present time, for example, brings with it a number of risks any one of which could significantly impact upon this strategy.

Investment Interest Rates

4.2 The Authority has accumulated reserves of cash both in respect of working balances and other reserves. These cash balances are invested to generate income from interest. The outlook for rates is still very low which means that vetting and the choice of investment counterparty is becoming more important. The process for managing these funds is set out in the Treasury Management Strategy document which is approved by the Fire Authority in February of each year.

Loan Interest Rates

4.3 As the Authority matures and outstanding debt becomes a more significant burden on the revenue budget there is naturally an increased exposure to movements of interest rates. Although the Authority has adopted a general policy of using fixed interest rate vehicles to minimise this risk in the longer term there is still an exposure from the loan charges on new capital being greater than anticipated.

4.4 It is common in the Public Sector to use maturity loans as the most appropriate vehicle for capital financing. These loans do not repay any capital until maturity but interest charges only, and they therefore present a refinancing risk at the end of their term. They are currently the most cost effective way of borrowing but it is considered essential that the Authority has sufficient accumulated cash to repay principal at term. This ensures that the authority retains control of overall debt levels.

4.5 In order to assist this, the authority will take opportunities to make voluntary Minimum Revenue Provision (MRP) contributions as they arise.

4.6 The Authority has adopted a medium-term strategy to hold long term debt at low rates but reschedule this at a later date if rates are more advantageous. The overall strategy for borrowing is set out in the Treasury Management Strategy document and in the Prudential Code Report. This strategy needs to “follow through” in terms of eventually seeking to mirror the debt outstanding profile with the profile of asset lives. This will be possible by rescheduling debt again if shorter term interest rates fall in relation to long rates however there is no sign of this at present.

4.7 The Authority will remain at risk of breaching its own prudential code targets for loan maturity if borrowing is deferred and internal cash resources are used to finance capital expenditure due to an adverse cost of carry (the difference between borrowing and investment interest rates). Such breaches will not pose a significant risk to the Authority and can be resolved when borrowing is eventually taken.

Council Tax Support

4.8 Since 2014/15, Council Tax Benefit has been paid from the collection fund administered by the billing authorities. Costs therefore are shared between the billing authorities and the precepting authorities of which Fire is one. In return for this Government made a grant which is the equivalent of 90% of 2012/2013 spending on council tax benefit to help authorities fund this change. Whist the system is now well embedded, any change in the economic prosperity of the region may have an impact on levels of Council Tax Benefit being claimed. This will fall as a cost to the Authority.

Long Term Capital Sustainability

4.9 As referred to above the Authority is becoming more mature in terms of the build-up of loan debt and leasing to support the capital base of the organisation. It is considered that capital financing costs should not usually consume more than 8% of revenue budgets and this “credit ceiling” for affordable borrowing, which is covered within the principles of the Prudential Code, will be more closely matched to the profile of the asset base going forward. This strategy is to ensure that the credit ceiling is not reached before the requirement to undertake major capital schemes is exhausted. The Authority has considered the sustainability of its capital plans in terms of the ICT Strategy, the Fleet Strategy and the Property Strategy and these have been mapped out over a 20-year period to assist in the revenue budget planning process.

4.10 Revenue Budget pressure and the availability of surplus balances has caused the Authority to use surplus revenue budget to fund capital items. This has been expedient in the short term but cannot be continued indefinitely because capital assets which have been purchased from revenue will create an underlying need to borrow for replacement in future years which may cause the 8% ceiling to be breached.

4.11 The 8% ceiling is further threatened by the reducing size of the revenue budget, although so far capital financing costs have remained within this self-imposed limit.

4.12 The Prudential Code requires that capital investment plans, including financing, are affordable, prudent and sustainable. The further use of revenue underspends or balances to fund capital investment will not meet the sustainability requirement so the approach in future will be to ensure that the capital programme contains only “invest to save” or essential projects and to use the cash released from the Minimum Revenue Provision charge to repay loans such that new loans are only required to finance new capital expenditure and not to replace expiring maturity loans.

4.13 In the meantime revenue contributions will be allocated against a range of asset lives thus spreading this risk over a number of years.

SECTION 5: FINANCIAL MANAGEMENT

5.1 The External Auditors of the Authority have consistently issued unqualified audit reports and positive management letters to the Fire Authority in respect of their audit of accounts and their conclusion on the effective arrangements in place to achieve value for money.

5.2 The Authority's external auditor is currently KPMG and this will continue up to and including the audit of accounts for 2018/19. From 2019/20 Ernst & Young will take over as the Authority's auditors.

5.3 The prevailing economic climate has caused increased financial pressures to be placed upon all public-sector bodies and the Fire Service is no exception. There have been a number of significant changes to the funding mechanism and it is clear that the overall funding position is expected to continue to worsen over the next three years.

5.4 The challenge of the organisation however is not how to survive in this period of austerity but how to continue to both provide and develop high quality services for the communities it serves. Finance is a clear enabler in this context and sound financial management is essential to ensure that maximum value can be achieved with the resources available.

5.5 The organisation will continue to manage its financial resources to the highest professional standards and back this up with a strong governance framework which will include scrutiny by the Finance and Resources Committee (both generally and as an Audit Committee), regular reporting to elected members and the Strategic Leadership Team. In addition, an independent Internal Audit function is maintained to give additional assurances to both Members and Senior Officers.

5.6 The post of Head of Finance is responsible for developing and maintaining the Medium Term Financial Strategy and this post reports directly to the Chief Fire Officer.

5.7 The Authority continues to have the support and advice of an independent Treasurer who will work closely with the Head of Finance to advise the Fire Authority on financial matters and provide an independent source of advice when required. The Treasurer plays a key role in financial strategy and this again strengthens the financial management role.

5.8 These changes have allowed budget holders, service managers, Finance, HR and other support functions to work together to develop plans which consider interdependencies, pressure on both financial and non-financial resources, and relative priority of proposed developments and their relevance to the plan. This process has also made a positive contribution to medium term revenue and capital planning.

5.9 Developments in the Service will be resourced from several sources including:

- Recycling resources released by efficiency savings
- Reassessment of service priorities
- Additional revenue budget allocation where appropriate
- Government Grant Funding
- From efficiency savings arising from collaborative working
- Sponsorship (where resources are temporary or not core activity)

SECTION 6: COMPONENTS OF THE MEDIUM TERM STRATEGY

6.1 This section briefly explains some of the processes and key components that underpin the medium term financial strategy.

Revenue and Capital Budgets

6.2 The process for the preparation of revenue and capital budgets is now mature but continues to develop each year to accommodate the changing financial environment. There is now positive involvement of business plan owners in the development of the budgets which have been drawn up side by side with business plans. This has continued to be developed still further in the preparation of the Revenue Budget from 2017/18 to 2018/2019 and there is now increased ownership around budget decisions. The Finance and Resources Committee has full involvement in the process and the Chair of the Finance and Resources Committee plays an active part in interviewing budget managers to fully understand the underlying detail within the budgets. The Finance and Resources Committee makes recommendations to the Fire Authority.

6.3 The maturity of other plans and strategies has also proven useful in this process as retirement and recruitment profiles from the workforce plan have informed the revenue budget process and the strategies for ICT, Fleet and Property have enabled a cohesive Capital Programme to be developed. It is important to understand that the process of constructing a revenue and capital budget is an iterative one which is driven entirely by organisational priorities. The service’s plans and strategies directly drive the budget and not the other way around. Of course, affordability is a key consideration hence the iterative nature of the process but it is important that when financial constraints are imposed the impacts on service development and/or delivery are fully transparent. Therefore, there is a direct relationship between, for example, the Fleet Strategy and the Capital Programme because the Capital Programme was developed from that strategy and the two are in complete alignment. The same is true for other strategies also.

6.4 The Capital Programme is a three-year programme of longer term projects which cross over the financial year end boundaries. This means that projects may overspend or underspend within a single year, and historically the position has been one of underspending. It is not acceptable that revenue funds are earmarked to finance the capital programme and then not used, particularly when savings have had to be found from elsewhere within the revenue budget. In order to alleviate this issue, it has been accepted that there will be an element of “over programming” but that revenue to support the capital programme will take this into account.

Council Tax

6.5 As part of the budget setting for 2017/2018 to 2020/21 the Authority agreed indicative budgets for 2017/2018 of £40,805,872. This required a rise in Council Tax of 1.95% to £75.29 at Band D.

Fees and Charges

6.6 The Authority is permitted to make charges for the provision of a range of services to the public and to commerce. It has however been the practice of the Authority to avoid making charges for services which the public have a reasonable expectation of receiving free of charge. Revised scales for Fees and Charges are approved by Fire Authority as part of the Budget Setting report in February of each year. An example of where a charge would be made is for the containment and clearance of debris, spillages, discharges or leaks from a vehicle or storage tank where the owner can be readily identified. Charges are made on the basis of recovering costs only i.e. with no profit element and no charges are made in situations where there is a risk to life or property, nor where vulnerable persons are involved. The amount of income which can be raised from these charges is relatively low.

Treasury Strategy

6.7 The Treasury Strategy for the Authority was set out in full in a report to the Fire Authority on 24 February 2017 and is attached at Appendix 1 . This strategy complies fully with the Chartered Institute of Public Finance and Accountancy code of practice on Treasury Management which the Authority has adopted. The strategy relies for its success on the appointment of financial advisors who enable the Authority to lend and borrow as prudently as possible. Efforts will continue to be made to ensure a sufficient spread of investment counterparties to minimise risk exposures.

External Funding

6.8 Efforts will continue to be made to secure as much external funding as possible either from Government Grant or from sponsorship and partnerships. These are managed carefully to ensure that the sudden withdrawal of funding does not have a negative impact on revenue budget nor cause the Authority embarrassment from having to close down successful projects due to lack of external funding.

6.9 There are no plans at the present time to enter into any Private Finance Initiative (PFI) funding for capital projects unless there is a strong indication that such a vehicle might prove cost effective.

Reserves and Provisions

6.10 The Local Government Act 2003 requires that Authorities maintain adequate reserves and provisions to help ensure that the medium term policy programme is sustainable and that it can be delivered. In accordance with good accounting and financial practice, reserves and provisions will always be made in the accounts where appropriate. In simple terms, the difference between a reserve and a provision is that a provision is made for a known liability arising from a legal obligation whereas a reserve is created for a discretionary purpose.

Working Balances

6.11 In addition to reserves and provisions the Authority is also required to maintain an adequate level of working balances and the Treasurer is required to certify that these are adequate under S25 of the Local Government Act 2003.

6.12 Balances are maintained at an appropriate level by carrying out a risk assessment of financial risk exposures and calculating a value for balances. Accepting that the value of balances may fluctuate to deal with both emergent and changing risk the Authority set a minimum level of balances of £4.4m on 24 February 2017. This is reviewed each year as part of the budget setting process. At the end of 2017/18 the level of balances is £7.8m although there are planned reductions in balances going forward as they are used to cushion the transition to a tighter financial regime in future years. The Reserves position is further considered in Section 10.

The Prudential Code

6.13 The freedoms provided by the Prudential Code for Capital Accounting are to be fully used to make the best possible investment decisions in relation to capital spending in order that meaningful choices can be made between borrowing, leasing and the use of capital receipts. Nevertheless, it is still considered important that the Authority should not expose itself to unduly high levels of debt and it is necessary for a view to be taken as to how much debt is sustainable in the longer term. This position has been reviewed and it is clear that given the strategies in place for Fleet and Property over the next 20 years' levels of debt should be able to be maintained to a level where the revenue effects of borrowing do not exceed 8% of overall revenue resources available. The risk to this is that as revenue budgets fall this underlying percentage will begin to rise.

Value for Money

6.14 The Authority continues to show its commitment to achieving Value for Money through continual budget scrutiny, good project management and improved procurement processes.

SECTION 7: COLLABORATIVE WORKING

7.1 The Policing and Crime Bill has introduced a duty to collaborate with the three emergency services where it is in the interest of efficiency and effectiveness. To this end, a Collaboration Strategy was approved by Fire Authority on 22 September 2017. This will not preclude collaboration with other types of organisation where there are benefits to be achieved.

7.2 Collaboration is not something new to the organisation. The authority has taken advantage of many opportunities to reduce costs and increase resilience and effectiveness through joint procurement, joint use of estates and shared specialist vehicles.

7.2 The initiative launched in 2007/8 to enable stronger links to be forged with the voluntary sector by sponsoring some voluntary sector led projects in support of our Service Plan objectives continues to gain momentum.

SECTION 8: THE REGIONAL DIMENSION

8.1 The Authority remains committed to supporting joint and collaborative working with fire sector colleagues across the region and is now a partner in the Tri-Service Control mobilising system, as well as in other initiatives such as the ESMCP project.

8.2 The Authority is also working closely with regional colleagues on the national project to implement a new communications system.

SECTION 9: OUTLOOK FOR 2018/19, 2019/20 AND BEYOND

9.1 The Authority set a budget in February 2017 which for 2017/2018, is balanced by way of a contribution from reserves of £526k. The estimate for 2018/2019 is indicating a shortfall of the order of £1.3m. As this rolls forward, and if unaddressed, it becomes £1.7m by 2019/2020, assuming no Council Tax increases for 2018/19 and 2019/20.

9.2 Predictions of budget requirements were set out in the February budget papers. However, given the pressures outlined in section 3 of this strategy, it is anticipated that the budget requirement will increase as shown below:

	2017/2018 £	**2018/2019 £**	**2019/2020 £**	**2020/2021 £**
Feb Budget Requirement	40,804,872	41,159,002	41,663,208	42,163,208
2% pay awards (3.1 - 3.2)	0	320,000	640,000	960,000
Additional Pension & NI costs (3.3)	0	350,000	550,000	500,000
Business Rates (3.11)	0	230,000	230,000	230,0000
Minimum Revenue Provision (3.14)	0	(350,000)	(350,000)	(350,000)
Revised Budget Requirement	**40,804,872**	**41,709,002**	**42,733,208**	**43,503,208**

9.3 Funding Streams, as indicated in the 2017/2018 finance settlement, are expected to reduce as follows:

	2017/2018 £	2018/2019 £	2019/2020 £	2020/2021 £
Revenue Support Grant	6,978,641	5,961,472	5,335,308	4,985,309
Business Rates	3,469,609	3,599,029	3,751,787	3,864,340
Top Up Grant	6,659,508	6,855,969	7,075,098	7,287,351
Total Grant Yield	**17,107,758**	**16,416,470**	**16,162,193**	**16,137,000**

9.4 The figures in the table above up to and including 2019/20 were indicative figures included in the government's finance settlement. For planning purposes, figures for 2020/21 have been estimated to stay roughly flat are and shown as though the current funding regime will continue. This may change if the revised business rates retention scheme is implemented or replaced with Fire Grant (see 3.10), although the amounts received should not differ significantly.

9.5 The government made an offer to local authorities that settlement figures for the four year period to 2019/20 will be honoured if authorities confirmed acceptance of this offer and publish an efficiency plan. This Authority's efficiency plan is called the Sustainability Plan 2017/18 to 2020/21 and is attached to this strategy as Appendix F.

9.6 If it is assumed that Council Tax yield will increase by between 1% and 1.5% in each of the years 2017/2018 to 2020/2120, and that a council tax increase of 1.95% is approved in each year, the budgetary shortfall is calculated in the following table:

	2017/2018 £	2018/2019 £	2019/2020 £	2020/2021 £
Total Grant Yield	**17,107,758**	**16,416,470**	**16,162,193**	**16,137,000**
Budget Requirement	40,804,872	41,709,002	42,733,208	43,503,208
Balance to be met locally	23,697,114	25,292,532	26,571,015	27,366,208
Council Tax Yield*	23,171,596	23,942,934	24,740,359	25,564,563
Budget Deficit	**525,518**	**1,349,598**	**1,830,656**	**1,801,645**

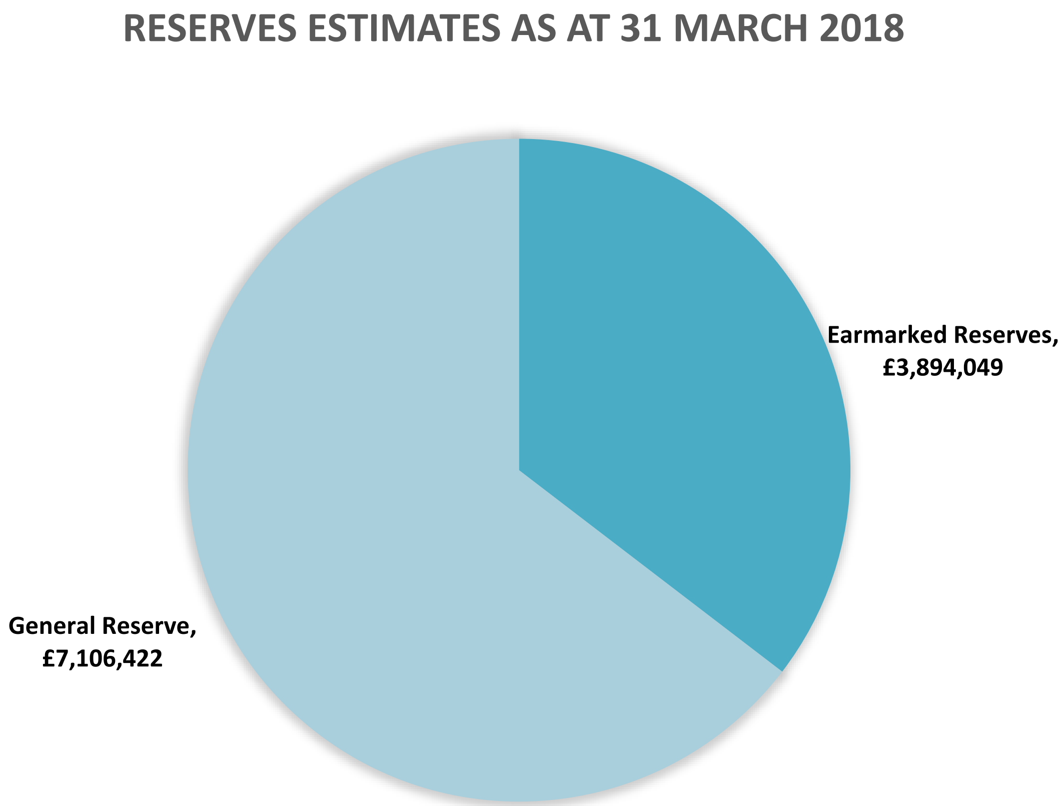
*Assumes a rise in tax base and a 1.95% rise in Council Tax each year.

9.7 If council tax increases are not approved in each of the years 2018/2019, 2019/2020 and 2020/2021 then the forecast cumulative deficit by 2020/2021 increases to £2,153,436.

9.8 The budget requirement for 2020/21 cannot be accurately estimated at this point but has been projected forward. More detailed figures will be provided as part of the budget setting process.

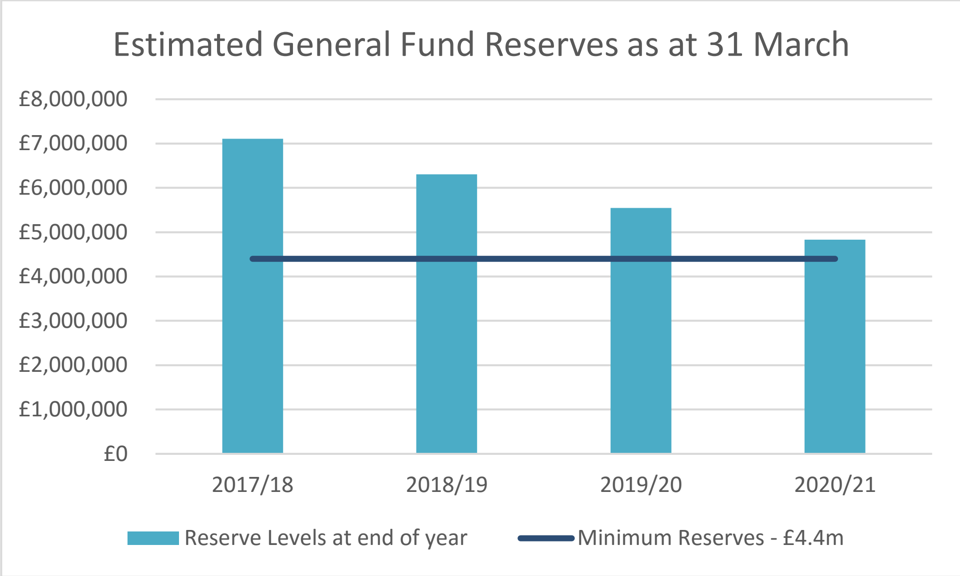
SECTION 10: RESERVES

10.1 Estimated Reserve levels as at 31 March 2018 are £11m, as shown in the following diagram.



10.2 The authority reviews the levels of reserves and working balances it requires as part of the budget process each year. A minimum level of working balances was set at £4.4m by Fire Authority on 24 February 2017. This is based on assessing the risks to the Authority and calculating the potential financial impact of those risks.

10.3 If expenditure continues in line with expectations outlined in 9.6, then General Reserves will reduce to £4.8m as demonstrated in the graph below below.



10.4 The information shown in the above graph assumes that Council Tax will increase by 1.95% in each year. It does not take account of any unplanned expenditure that may need to be met from the General Reserve or existing Earmarked Reserves. With the current pressures on budgets it is not anticipated that there will be underspends which could be used to top up reserves in the coming years.

SECTION 11: SAVINGS STRATEGY

11.1 In February 2016 the Fire Authority approved a Sustainability Strategy for 2016/17 to 2019/20 which set out the requirement to balance the budget each year alongside possible areas of service delivery and ways of working which could be considered for re-design in order to achieve budgetary savings whilst still maintaining a high quality service for the community. Officers are now working on the various elements of this strategy.

11.2 16 posts have been removed from establishment following the realignment of operational resources to take account of a reduction in the number of Fire Appliances and reintegration of the standalone Specialist Rescue Teams. This resulted in the saving of £590k.

11.3 The consultation exercise on Mixed Crewing is presently underway, which could result in savings in the region of £1m. Any consequent decisions made by the Fire Authority will be built into future budgets. If not approved, alternative areas for savings will need to be identified.

11.4 Annual savings in excess of £200k have been achieved following improved procurement procedures, as reported to Finance and Resources Committee on 13 October 2017.

11.5 The Collaboration Strategy was approved By Fire Authority on 22 September 2017. There have already been considerable savings from collaborating with our partners in areas such as Estates and joint procurement of vehicles and IT systems. The strategy will support the development of further collaboration projects.

11.6 The budget process has been undertaken with a view to make savings and budget holders have been challenged on levels of budgets and prior year underspends. This has helped to tighten budgets and keep the additional savings required to a minimum.

11.7 When looking for budget reductions the overall spend profile of the Authority must be considered. Approximately 79.4% of the revenue budget is spent on pay. This has increased from 75% in recent years. Around 6.3% is spent on capital financing costs and the remaining 14.3% on non-pay items. Since 2010/2011 savings of over £11m have been made prior to 2017/18, with just under £7m of these from pay budgets.

11.8 It is expected that general reserves will be required to support the budget over the next three years whilst changes are implemented, of this Medium Term Financial Strategy.

SECTION 12: COUNCIL TAX

12.1 At present, there remains a maximum limit of 2% on the amount Council Tax can be increased before invoking a referendum. The Communities for Local Government (CLG) have consulted on potential changes to the referendum principles for 2018/19 increases in Council Tax, although the outcome of the consultation has not yet been announced.

12.2 If Council Tax levels remain at current levels with no increases from 2018/19 onwards, then the Authority will have insufficient funds to maintain expenditure levels. The deficit will have risen to £2.2m for 2020/21 (section 9.7). Reserves would need to be utilised and would fall to £2.2m, well below the £4.4m minimum amount set by Fire Authority.

12.3 As outlined in section 9, if Council Tax is increased by 1.95% each year the deficit is estimated to be in the region of £712k and reserves will remain above the £4.4m minimum limit.

12.4 The average 2017/18 Council Tax precept for Shire Fire Authorities is £72.68. The current Council Tax precept for Nottinghamshire Fire Authority is £75.29 – 3.6% above the average but well within the mid-range of Fire Authorities.

12.5 The deficit and reserve figures identified above do not take account of the many other influences outlined in this report, and it is acknowledged that the potential savings discussed will reduce the shortfall. Budget profiles will continue to be updated as more information becomes available.

12.6 At its meeting on 16 February 2018 the Fire Authority will consider the budget report with the objective of setting Council Tax levels for 2018/19.

SECTION 13: SUMMARY

13.1 Whilst there remain clear challenges ahead, the Authority starts this journey in a relatively positive position whereby it has sufficient reserves to underpin the changes required in the coming years.

13.2 With careful budgetary planning and resource maximisation it is anticipated that the Authority will be able to forge a future path that will enable it to meet priorities and balance the budget.

APPENDIX A

TREASURY MANAGEMENT STRATEGY FOR 2017/18

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

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

The suggested strategy for 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.

The strategy covers:

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

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

BALANCED BUDGET REQUIREMENT

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Authority to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This includes a statutory requirement to make a prudent provision for an annual contribution from its revenue budget towards the reduction in its overall borrowing requirement. This charge is known as the Minimum Revenue Provision (MRP). This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

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

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

- Any increases in the Minimum Revenue Provision are limited to a level which is affordable within the projected income of the Authority for the foreseeable future.

ECONOMIC BACKGROUND

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%.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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%

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

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

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

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

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

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

BORROWING STRATEGY

The prudential indicators for borrowing are set out in Appendix B. Background information relating to these indicators is contained within the Prudential Code for Capital Finance 2017/18 report which is elsewhere on this agenda.

The capital financing requirement is the sum of money required from external sources to fund capital expenditure i.e. the Authority’s underlying need to borrow or lease. For 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.

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.

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.

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.

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.

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.

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).

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.

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.

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

- If it were felt that there was a significant risk of a sharp **fall** in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- If it were felt that there was a significant risk of a much sharper **rise** in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

The Authority's gross debt position is projected to be £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.

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.

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.

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

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

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

The Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Authority is low in order to give priority to security of its investments. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Authority will not engage in such activity.

Investment opportunities will arise when there are temporary cash surpluses. In accordance with guidance from CIPFA, and in order to minimise the risk to investments, the Authority sets a minimum acceptable credit quality of counterparties for investment. To determine the institutions with which investments may be placed, the Authority uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors forming the core element. It is recognised that ratings should not be the sole determinant of the quality of an institution, and Capita's creditworthiness service does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries;
- Information from the financial press and share price information.

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

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

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

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

The Authority has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix C. This list will be added to or deducted from by Officers should ratings change in accordance with this policy. The 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.

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

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

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

The risks associated with investing will be reduced if investments are spread e.g. over counterparties or over countries. The Authority will therefore aim to limit its investment with any single counterparty to £2m. It is, however, difficult to impose any further spreading requirement due to the relatively small size of the Authority's investments and the fact that investment institutions will often only accept a minimum investment sum, which may render any such policy unworkable. Despite this Officers will, wherever possible, avoid the concentration of investments with one counterparty or group.

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

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

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

Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.

MINIMUM REVENUE PROVISION POLICY 2017/18

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

Under the regulations, Authorities must make a "prudent provision" for MRP and guidance is given on the interpretation of this: "provision for the borrowing which financed the acquisition of an asset should be made over a period bearing some relation to that over which the asset continues to provide a service". This guidance translates into the asset life method. Authorities are permitted to continue charging MRP calculated using the old method for borrowing and credit arrangements which funded capital expenditure incurred before 1 April 2007. This method calculates a charge of 4% of the capital financing requirement each year to revenue.

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

- For all borrowing and credit arrangements to fund capital expenditure incurred before or during 2006/07, the minimum revenue provision applied in 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.

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

TRAINING OF OFFICERS AND MEMBERS

Under the Code, good practice is defined as ensuring that all staff involved in treasury management are appropriately trained and experienced to undertake their duties. Employees within the Finance Department who carry out treasury management activities are suitably trained and experienced and routinely attend at least one treasury management update event each year to ensure that their knowledge keeps pace with changes

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.

APPENDIX B

PRUDENTIAL INDICATORS AND TARGETS

PRUDENTIAL INDICATORS FOR AFFORDABILITY

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%

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.

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.

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

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.

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

PRUDENTIAL INDICATORS FOR CAPITAL EXPENDITURE AND EXTERNAL DEBT

Estimate of Total Capital Expenditure to be Incurred in 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.

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

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.

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

Operational Boundary and Authorised Limit for External Debt

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

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

Cash flow forecasts have been prepared for 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

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

The Service carries out its own treasury management in accordance with the CIPFA Code of Practice for Treasury Management, which was revised in 2011. The Authority has adopted a low risk approach to treasury management, which seeks to ensure that investments are secure and that there is sufficient liquidity of funds to enable the Authority carry out its business.

Gross and Net Debt

The actual amount of external long term borrowing as at 31/03/16 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.

The Treasury Management Strategy 2016/17 report, which is elsewhere on this agenda, outlines the proposal to borrow over the next three years to finance the capital programme and to replace maturing loans, and the decision about when to borrow will depend upon interest rate forecasts. For the purposes of setting indicators, assumptions have been made about when borrowing may take place – the reality of this will be determined by Officers in conjunction with the Authority's treasury advisers.

The proportion of net debt to gross debt can highlight where an Authority is borrowing in advance of need, as it shows the extent to which funds have been borrowed and then invested. Whilst the Authority is permitted to borrow in advance to finance the capital programme approved within the Medium Term Financial Strategy, where borrowing rates are higher than investment rates this creates a "cost of carry". Therefore when investment interest rates are low, as they currently are, this cost is reduced by keeping the proportion of net debt to gross debt as high as is practicable. For information, the proportion of net debt to gross debt as at 31 March 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

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.

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

The total value of lending is not expected to exceed £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.

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

The code of practice and CIPFA guidelines state that there should be no direct linkage between the assets financed and the term of loans taken out. Upper limits in terms of loan maturity are set to ensure that the Authority is not exposed to the risk of having to repay loans and then re-borrow in the short term when interest rates might be high.

It is recommended that the maturity structure limits remain unchanged for 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%

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

APPENDIX C

The Proposed Capital Programme for 2017/2018 to 2019/2020

<u>Capital Programme Item</u>	<u>2017/18 Proposed</u>	<u>2018/19 Proposed</u>	<u>2019/20 Proposed</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Appliance Replacement	0	0	2,417,000
Special Appliances	530,000	0	99,500
Appliance Equipment	58,000	0	0
Light Vehicle Replacement	849,000	363,500	187,000
Transport Total:	**1,437,000**	**363,500**	**2,703,500**
Special Appliances Equipment	87,000		
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:	**1,062,000**	**0**	**650,000**
London Road Fire Station	120,000		
Refurbishment and Rebuilding Fire Stations	126,000		
Alterations to new Hucknall Fire Station	730,000		
Newark Fire Station	1,858,000	425,000	75,000
Property Total:	**2,834,000**	**425,000**	**75,000**
ICT Capital Programme	140,000	140,000	140,000
Mobile Computing	20,000		
Business Process Automation	189,000	20,000	20,000
Performance Management System	103,000		
ICT Total:	**452,000**	**160,000**	**160,000**
Tranman Software	36,000	0	0
Emergency Services Mobile Communications Project	116,700		
Tri Service Mobilising System	171,000	40,700	
Payroll System	45,000		
Finance Agresso Upgrade	20,000		
IT Systems Total:	**388,700**	**40,700**	**0**
<u>Total Capital Programme:</u>	**6,173,700**	**989,200**	**3,588,500**

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**

APPENDIX E

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

Introduction

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

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

Application

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

Accountability and Transparency

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

The strategy must list each project to be funded through capital receipts flexibility, with details of the expected savings and service transformation. With effect from the 2018/19 strategy details must be included of projects approved in previous years and progress against achievement of the benefits outlines in the original strategy.

Strategy for 2017/18

For the financial year 2017/18 there are no projects to be funded through capital receipts flexibility. The government's guidance on this was issued after the Fire Authority had approved the budget in February 2016 and this budget included plans to use future capital receipts either to finance future capital expenditure or to repay borrowings. If it is felt in the future that the use of capital receipts flexibility would be beneficial to the Authority then a revised strategy will be reported to the Fire Authority for approval. The strategy for 2018/19 will be included within the budget report to the Fire Authority.

APPENDIX F

SUSTAINABILITY PLAN 2017/18 TO 2020/21

1. Introduction

1.1 This Sustainability Plan sets out how Nottinghamshire Fire and Rescue Authority (the Authority) plans to reduce its cost base over the period from 2017/18 to 2020/21 in order to balance its revenue budget in the context of an expected reduction in external funding. This plan is designed to meet the Home Office requirement for Fire and Rescue Authorities to publish an Efficiency Plan in return for a four year funding settlement.

1.2 This Sustainability Plan is appended to the Medium Term Financial Strategy (MTFS) and should be read within the context of the strategy. In particular, this plan seeks to fulfil the core objective (see Section 1.1 of the MTFS) of "to support the continuance of the Authority's core services and strategies", and has been prepared in accordance with the principles set out in Section 1.2 of the MTFS.

1.3 The principal aim of the Authority is "Creating Safer Communities" and underpinning this aim are three principles, which are:

- to deliver high quality services,
- with an engaged and motivated workforce,
- within a framework of strong governance and financial stability.

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

1.4 The amount by which the base revenue budget must reduce by 2020/21 is between £2.5m and £3.8m. This range is approximate and the cost reduction required could be more than £3.8m or less than £2.5m. The reason for this variation is that the calculation of the budget requirement in future years depends on a number of uncertain factors which will only crystallise into certainties as time progresses. Examples of these factors are:

- the level of pay awards over the four year period
- wider economic factors such as inflation and interest rates
- actuarial valuation of pension schemes and resulting employer contribution rates
- government fiscal policies such as National Insurance rates or new levies
- the impact of reforms to funding such as business rates retention, potential fire grant, the fair funding review, referendum limits, other grants
- council taxbase levels
- decisions on council tax by those charged with governance

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

2. Timetable

2.1 The reduction in budgets required of up to £3.8m by 2020/21 will need to be achieved through cashable savings. Where efficiencies can be found which do not release cashable savings, the non-cashable benefits will be used to resource other priority areas. The table below sets out the timescale for achieving savings in each of the four years:

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

* reduction not yet achieved

2.2 Consultation with employees, representative bodies and the public will be undertaken where appropriate, with the results feeding into the change programme.

2.3 Where planned savings cannot be achieved in line with the above timetable e.g. due to the requirement for consultation, then the Authority's general reserves can be used to support the budget temporarily in line with principle no. 14 in Section 1.2 of the MTFS. The minimum level of reserves required to be held was risk-assessed in February 2016 and the amount of available reserves which could be used to support the budget is therefore £3.5m as at 1st April 2016.

3 Areas for Change: Sustainability Strategy 2020

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

3.1.1 Continue with existing collaborative arrangements and seek to increase the coverage of these where possible and practicable. Examples of existing collaboration arrangements are:

- The sharing of fire stations with the East Midlands Ambulance Service (EMAS). As at 1st April 2016 facilities at a number of fire stations were being used by EMAS employees and these arrangements are generating rental income.
- The sharing of premises with other partners e.g. the use of Fire Authority buildings by both the Police and St Johns Ambulance. These arrangements are also generating rental income.
- The First Responder scheme which supports EMAS is being undertaken by crews at two fire stations as at 1st April 2016 and is funded by EMAS. The Co-responding scheme has been in place for a number of years.
- The use of certain training facilities provided by regional fire and rescue services, which has avoided the need to build our own facilities.
- A finance and procurement system purchased and developed with two other fire and rescue services, which has achieved economies of scale.
- A mobilising system purchased and developed with two other fire and rescue services, which has achieved economies of scale, reduced staffing costs and has improved resilience.
- Certain aspects of fire investigation are carried out with regional resources, generating cost savings. The national Primary Key Authority concept for fire protection has generated efficiencies and this Authority carries out that role for Boots PLC.

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

3.2 <u>Procurement – Savings target: £350k</u>

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

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

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

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

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

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

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

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

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

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

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

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

Transparency and Reporting

3.5 Options will be presented to those charged with governance, for consideration and decision, taking account of consultation responses where appropriate.

3.6 Annual reports monitoring progress against this plan will be published within the Statement of Assurance.

3.7 Reports to those charged with governance, and minutes of meetings, will continue to be published so that interested parties can see how the Service is being transformed.

4 Conclusion

4.1 The period ahead will be one of immense change, which will require significant effort from employees and input from a range of stakeholders in order to achieve the Service's core aims and objectives whilst managing within a smaller budget.

4.2 The expectation is that the resulting organisation in 2020 will still deliver high quality services which will continue to address the risks identified in the Integrated Risk Management Plan and meet the needs of the community. Working practices within the Service will be modern and efficient and the cost base will be reduced to a sustainable level.

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

TREASURY MANAGEMENT MID YEAR REVIEW 2017/18

Report of the Interim Treasurer to the Fire Authority

Date: 15 December 2017

Purpose of Report:

To provide Members with an update on treasury management activity during the first half of the 2017/18 financial year.

CONTACT OFFICER

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1. BACKGROUND

1.1. The Authority operates a balanced budget, which broadly means that cash raised during the year will meet its cash expenditure. Part of the treasury management operations is to ensure that this cash flow is adequately planned, with surplus balances being invested with low risk counterparties. The second main treasury management function is the funding of the Authority's capital plans. The capital programme provides a guide to the borrowing needs of the Authority, which is essentially the planning of longer term cash flows to ensure the Authority can meet its capital spending requirements. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.

Accordingly, treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by the Fire Authority on 9 April 2010. The Code was updated in 2011.

1.3 The primary requirements of the Code are as follows:

1. The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.

2. The creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.

3. Receipt by the Fire Authority of an annual Treasury Management Strategy Statement for the year ahead, a mid-year review report and an annual report covering activities during the previous year.

4. Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Finance and Resources Committee.

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

- An economic update for the first part of the 2017/18 financial year
- A review of the Treasury Management Strategy Statement
- A review of the Authority's investment portfolio for 2017/18
- A review of the Authority's borrowing strategy for 2017/18
- A review of compliance with Treasury and Prudential Limits for 2017/18

1.5 The Authority has appointed Link Asset Services (previously known as Capita Asset Services) as its external treasury management adviser. The sale of Capita Assets Services to the Link Group was completed on 3 November 2017. The services provided will not change under the new ownership.

2. REPORT

ECONOMIC UPDATE

2.1 After relatively strong growth in 2016, growth in 2017 has been fairly weak; quarter 1 and 2 were +0.3% and quarter 3 was +0.4%. Growth in the first half of 2017 was the slowest for the first half of any year since 2012. This slowdown has been largely attributed to the increase in inflation caused by the devaluation of sterling. This has pushed up the cost of imports and led to a reduction in consumer disposal income, which in turn has led to weak growth in the services sector of the economy as consumers cut back on expenditure. The devaluation of sterling has resulted in increased demand for exports which is resulting in strong growth in the manufacturing sector, however the manufacturing sector accounts for just 11% of GDP compared with 75% for the services sector.

2.2 At its meeting on 1 November the Monetary Policy Committee (MPC) voted to increase bank rate by 0.25 percentage points to 0.5% in an attempt to bring inflation back down to the 2% target. CPI inflation rose to 3% in September, and the MPC expects inflation to peak above 3% as the past depreciation of sterling and recent increases in energy prices continue to pass through to consumer prices. The minutes of the MPC meeting indicated that any future increases in bank rate are expected to be at a gradual pace and to a limited extent.

2.3 Economic growth in the EU is picking up and was +0.5% in quarter 1 and +0.6% in quarter 2. Despite providing massive monetary stimulus, the European Central Bank is struggling to get inflation up to its 2% target. It is therefore unlikely to start increasing rates until possibly 2019.

2.4 US growth has been fairly volatile, with quarter 1 at +1.2% and quarter 2 rebounding to 3.1%. Inflationary pressures are building in the American economy, and there could be one more rate rise in 2017. Further rates rises are also likely in 2018.

INTEREST RATE FORECASTS

2.5 The Authority's treasury advisor, Link Asset Services, has provided the following forecast:

	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Mar 2021
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.25%
5yr PWLB	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.30%
10yr PWLB	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	3.00%
25yr PWLB	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%
50yr PWLB	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.40%

2.6 The overall balance of risks to economic recovery in the UK is currently to the downside, but there is huge uncertainty surrounding the Brexit negotiations.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- UK economic growth and increases in inflation being weaker than anticipated.
- Weak growth in the UK's main trading partners.
- Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows to the UK.
- A resurgence of the Eurozone sovereign debt crisis.
- Monetary policy action failing to stimulate sustainable growth.

Potential upside risks to current forecasts for UK gilt yields and PWLB rates (especially longer term PWLB rates) include:

- The pace and timing of increases in the Federal Funds Rate in the US could cause investors to reassess the relative risks of holding bonds as opposed to equities, leading to a major flight from bonds to equities.
- UK inflation returning to significantly high levels, causing an increase in the inflation premium inherent to gilt yields.

REVIEW OF THE TREASURY MANAGEMENT STRATEGY

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

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

2.8 The Authority will aim to limit its investment with any single counterparty to £2m although the strategy noted that this was sometimes difficult to achieve. No term deposits will be made for more than 1 year without the prior approval of the Treasurer and the Chair of Finance and Resources Committee. The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Link's weekly credit list of potential counterparties. The Authority will therefore use counterparties within the following durational bands:

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

2.9 The Authority will avoid locking into longer term deals whilst investment rates are down at such low levels unless exceptionally attractive rates are available which make longer term deals worthwhile.

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

2.11 In the first half of the year, there were no instances of the bank account being overdrawn.

REVIEW OF THE INVESTMENT PORTFOLIO

2.12 During the first half of the year, two investments were made (excluding the overnight sweep to the Business Premium Account). Both investments were call deposits with Barclays Bank: £3.5m in a 95 day notice account and £5m in a 32 day notice account. Ordinarily the Authority would avoid placing such a large amount with a single counterparty, however Officers had difficulty finding suitable alternative counterparties with which to invest the pension top-up grant. £2.5m has already been withdrawn from the 32 day account, and notice has been given to withdraw the remaining £2.5m. An analysis of investments as at 30 September 2017 revealed that the Authority had £14.050m invested with 5 different institutions at an average interest rate of 0.45%. All of the £14.050m was placed with UK institutions (as defined by the Bank of England Prudential Regulation Authority.

2.13 Investment income earned up to 30 September 2017 totalled £22k. The budgeted target of £66k therefore seems unlikely to be achieved at this stage. This is partly due to a decrease in interest rates following the cut in the Bank of England base rate in August, and partly due to lower than expected levels of cash balances as a result of a decision to delay long term borrowing for capital expenditure and instead rely on “internally borrowing” funds from the Authority’s reserves.

REVIEW OF THE BORROWING STRATEGY

2.14 The strategy for 2017/18 is to use a combination of capital receipts, borrowing and internal funds to finance capital expenditure.

2.15 In the Treasury Management Strategy it was predicted that the Authority would need to borrow up to £8m during the 3 year period from 2017/18 to finance the capital programme and replace up to £4.5m of maturing loans. A £2m PWLB loan matured in September 2017 and two PWLB loans totalling £2.5m are due to mature in 2018/19.

2.16 Forecasted PWLB interest rates have fallen during the year, with the forecasted rate for a 25 year maturity loan taken out in March 2017 reducing from 3.00% on 3 April 2017 to 2.90% on 14 November 2017. It is uncertain how long this downward trend will continue, especially given the high levels of uncertainty around the likely impact of the forthcoming Brexit negotiations.

2.17 As borrowing rates are currently higher than investment rates the Authority can avoid carrying costs by not borrowing too far in advance of expenditure, however a balance needs to be struck between avoiding unnecessary carrying costs and managing the interest rate risk which arises from delaying borrowing while interest rates are at relatively low levels. The Authority is currently maintaining an under-borrowed position, which means that the capital financing requirement is being partly funded by the Authority’s reserves and balances rather than by loan debt. This strategy, known as “internal borrowing” is prudent at the moment as investment returns are low and counterparty risk is relatively high. However, this strategy is not sustainable in the longer term and borrowing will have to be taken at some point in the future to ensure that reserves and balances are “cash-backed” to an appropriate level. The timing of this borrowing will very much depend on prevailing economic conditions and the Authority’s ability to ensure the security of funds and demonstrate value for money in its investment returns. Current cash flow forecasts show that the Authority is likely to require further borrowing of £2.5m by March 2018. Officers will work with treasury advisors to decide if this borrowing should be short or long term, and if it is appropriate to borrow more than this amount in order to reduce the Authority’s under-borrowed position.

2.18 The Authority has taken out three short term loans during the period from April to November 2017. £2.5m was borrowed from the London Borough of Newham, and two loans of £250k and £1.2m have been taken from Nottinghamshire County Council. All of these loans have been repaid.

Officers opted for short term rather than long term borrowing on these occasions in order to avoid unnecessary carrying costs, as outlined in paragraph 2.17.

2.19 No rescheduling of debt has taken place to date, as the interest rate climate has not resulted in an advantageous environment for rescheduling.

2.20 All aspects of the borrowing strategy remain in place at this mid-point in the year.

REVIEW OF COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

2.21 The following indicators were approved by Members for the 2017/18 financial year. As at 30 September, the actual performance was as shown in the final column of the table below.

Treasury or Prudential Indicator or Limit	Approved for 2017/18	Actual as at 30/09/17
Estimate of Ratio of Financing Costs to Net Revenue Stream	6.0%	Not available until year end
Estimate of the Incremental Impact of the New Capital Investment Decisions on the Council Tax (Band D)	£0.40	Not available until year end
Estimate of Total Capital Expenditure to be Incurred (including slippage)	£5,113,000	£4,120,000
Estimate of Capital Financing Requirement	£28,407,000	Not exceeded
Operational Boundary	£27,726,000	Not exceeded
Authorised Limit	£30,538,000	Not exceeded
Upper limit for fixed rate interest exposures	100%	100%
Upper limit for variable rate interest exposures	30%	0%
Loan Maturity:	Limits:	
Under 12 months (including LOBO)	Upper 20% Lower 0%	23.50%
Under 12 months (excluding LOBO)	Upper 20% Lower 0%	5.80%
12 months to 5 years	Upper 30% Lower 0%	15.70%
5 years to 10 years	Upper 75% Lower 0%	14.30%
10 years to 20 years	Upper 100% Lower 0%	0.00%
Over 20 years	Upper 100% Lower 30%	46.60%
Upper Limit for Principal Sums Invested for Periods Longer than 364 Days	£2,000,000	Not applicable

2.22 The table above shows that a breach of the < 12 months limit has occurred in the first half of the year. However, this is due to the inclusion of a £4m "Lender Option Borrower Option" LOBO loan in the < 12 months category. The terms of the LOBO loan state that the lender may revise the rate every five years, and at that point the Authority may choose to repay the loan without penalty if the amended rate is not advantageous. The next opportunity for revision is 7 March 2018, which is why the loan is shown in the < 12 months category. Unless the Authority chooses to repay the loan early due to an unfavourable interest rate change, the loan will mature in 2078. As the risk of the loan maturing in 2018 is low due to medium term interest rate forecasts, the re-financing risk arising from the loan maturing within 5 years is low. Therefore this breach of the loan maturity indicators is considered acceptable. If the LOBO loan is excluded from the < 12 months category, the proportion of loans maturing during this time reduces from 23.50% to 5.80%, which is well within the limit set.

REVISED CIPFA CODES

2.23 The Chartered Institute of Public Finance and Accountancy (CIPFA) is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November. The 2018/19 Treasury Management Strategy and the 2018/19 Prudential Code for Capital Finance will reflect the revised Codes when they are reported to Members in February 2018.

MIFID II

2.24 The Markets in Financial Instruments Directive ("MIFID I") came into force in 2007. "MIFID II" refers to a revision of the Directive which will be effective from 3 January 2018. Under the revised regulations, Local Authorities will be categorised as "retail clients". Such a categorisation will limit both the financial instruments and providers available to the Authority for treasury management purposes. However, authorities can opt up to become "elective professional clients" if certain criteria are satisfied. Officers have been advised that this Authority will be eligible to opt up, and preparations are being made to do so.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report details a review of activities rather than a new policy.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

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

8. RISK MANAGEMENT IMPLICATIONS

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

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

Theresa Channell
INTERIM TREASURER TO THE FIRE AUTHORITY

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

JOINT PENSION BOARD

Report of the Chief Fire Officer

Date: 15 December 2017

Purpose of Report:

To consider the amalgamation of Nottinghamshire, Leicestershire and Derbyshire Pension Boards to create an East Midlands Joint Pension Board.

CONTACT OFFICER

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1. BACKGROUND

1.1 Since April 2015, the Public Service Pensions Act 2013 required that the Authority has a local Pension Board for the fire fighters' pension schemes. The Board consists of employer and employee representatives in equal number and is established to assist the scheme manager in the administration of the pension scheme. It is not a decision-making body, but holds a scrutiny role.

1.2 The Scheme Manager is responsible for the governance and administration of the scheme. This role is held by the Fire Authority. The function is discharged to a nominated officer, currently the Head of Finance.

1.3 Whilst the provisions of the Public Service Pensions Act apply to both the fire fighters' pension schemes and the Local Government Pension Scheme (LGPS), the obligations for the LGPS are discharged to the County Council in its capacity as Scheme Manager.

2. REPORT

2.1 At its meeting on 27 February 2015, the Fire Authority gave approval for the creation of a Joint Pension Board with Leicestershire and Derbyshire Fire Authorities.

2.2 However, it became apparent that the legislation required joint boards to have the approval of the Secretary of State, and that this would not be possible within the required timescales. Consequently, each authority set up their own interim boards.

2.3 Initially, the Secretary of State appeared reluctant to consider joint boards. However, it is understood that this has now changed and there is some momentum between the three authorities to once again move forward with the joint board proposal.

2.4 Officers within the three authorities believe that the time is now right to move forward in the creation of an East Midlands Joint Board. The Local Government Association's fire fighter pension specialists (Scheme Advisory Board) have offered to assist in the process of gaining the approval of the Secretary of State and getting the joint board set up. Derbyshire and Leicestershire Fire Authorities have already given approval to setting up the joint board.

2.5 There are many benefits to be achieved from operating a joint board, especially since the three authorities share the same pension administrator and are dealing with common pension issues. It would be an opportunity to develop best practice and contributes to the collaboration agenda.

2.6 If a joint board were to be created it would be anticipated that members from the three interim boards would be retained. This would mean that there would be a total of six employee representatives and six employer representatives, with the chair probably rotating between the three Fire Authorities. The final governance arrangements would be subject to consideration by individual Fire Authorities.

2.7 The Pension Board has received a report on this issue are fully supportive of the proposal. However, given that it is almost three years since the Fire Authority initially approved the creation of a Joint Pension Board it was thought appropriate to request the Fire Authority to reconsider its decision at its meeting on 15 December 2017.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications resulting from this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are human resources implications arising directly from this report, in that pension matters affect most employees. Human resources department staff are fully involved in pension issues to ensure that human resources implications are considered.

5. EQUALITIES IMPLICATIONS

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

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The Public Service Pensions Act 2013 introduced a framework for the governance and administration of public service pension schemes. This report aims to fulfil the requirement for Pension Board members to assist the Scheme Manager in ensuring that effective administration arrangements are in place.

8. RISK MANAGEMENT IMPLICATIONS

The Pensions Risk Register identifies the high turnover of members of the Pension Board as a risk due to the loss of knowledge and experience. The creation of a Joint

Pension Board will expand on the number of members on the Board and therefore help to develop a depth of knowledge and experience.

9. COLLABORATION IMPLICATIONS

The creation of the East Midlands Joint Pension Board meets the collaboration agenda. If successful it will be the first Joint Pension Board to be created in the country.

10. RECOMMENDATIONS

It is recommended that Members approve:

10.1 The creation of an East Midlands Joint Pension Board.

10.2 A joint request be submitted to the Secretary of State to gain approval for the creation of an East Midlands Joint Pensions Board.

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

None.

John Buckley
CHIEF FIRE OFFICER

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

PRINCIPAL OFFICER PAY REVIEW

Report of the Clerk and Interim Treasurer to the Fire and Rescue Authority

Date: 15 December 2017

Purpose of Report:

To approve the recommendation of the Policy and Strategy Committee in relation to the outcomes of the Principal Officer pay review.

CONTACT OFFICER

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1. BACKGROUND

1.1 The conditions of service for Principal Officers within Nottinghamshire Fire and Rescue Service are largely determined by the National Joint Council (NJC) for Brigade Managers of Local Authority Fire and Rescue Services. The NJC seeks to reach agreement on a national framework of pay and conditions for Brigade Managers for local application throughout the Fire and Rescue Services in the UK. Collectively the agreements are contained within the “Gold Book”.

1.2 The Authority has determined that, in addition to annual pay review undertaken at a national level by the NJC, a two yearly local review of principal officer pay would be undertaken.

1.3 At its meeting on 31 January 2014, the Policy and Strategy Committee agreed revised benchmarking arrangements as part of its local review of Chief Officer pay. The comparator group comprises of 18 Fire and Rescue Services who form the ‘Family Group’ of authorities who are similar to the Nottinghamshire Fire and Rescue Service in terms of population size, deprivation levels, risk area and total fire calls. In determining its decision on an appropriate pay level, it was agreed that consideration would be given to the median average salary of this review group.

1.4 The last review was undertaken in 2015, at which time it was determined that the pay of the Chief Fire Officer was in line with the median average salary of the review group, and therefore there was no case for the application of a local pay award.

2. REPORT

2.1 The Policy and Strategy Committee, at its meeting on 10 November 2017, considered a report from the Authority Treasurer and Clerk to the Fire Authority which set out the outcomes from the Chief Fire Officer salary review. The comparator salaries used were those of the ‘Family Group’ referred to in Paragraph 1.3.

2.2 The outcome of this review is attached as Appendix A.

2.3 The median salary within this group is £ £144,948 per annum, although the range is from £ £116,738 to £157,449.

2.4 Previously Members have approved a three-point pay structure for Principal Officers such that salary would be based on 90% of the full role salary in the first year of appointment, on 95% in the second year of appointment and 100% in the third year of appointment. Progression to be subject to confirmation of satisfactory performance in role.

2.5 The current salary banding for the Chief Fire Officer role is therefore in the range £135,297 (90%) to £150,330. The Chief Fire Officer is paid at the top of this band due to his length of tenure in role.

2.6 Based upon the outcomes of the pay review, there is nothing, therefore, that would suggest that the pay of the Chief Fire Officer in Nottinghamshire is significantly out of line with some of the other Chief Officers within the comparator group. This would indicate that the pay of the Chief Fire Officer is currently set at the appropriate level, and the Policy and Strategy Committee recommended that there should be no pay increase applied.

3. FINANCIAL IMPLICATIONS

The budget for Principal Officers' pay is based on the incremental point in the three-point scale which is appropriate for each of the Officers. At this point in time all three Principal Officers are paid at 100% of the current maximum salary for each role, in line with their length of service.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

4.1 A local two-yearly review of Principal Officer pay levels forms a contractual provision for the roles of Chief Fire Officer, Deputy Chief Fire Officer and Assistant Chief Fire Officer.

4.2 Any change in the way that Principal Officer pay is undertaken by the Authority would need to be reflected in the published Pay Policy.

4.3 Any proposal to reduce the pay of the Chief Fire Officer to the level of the family group median salary may need to involve some level of pay protection.

5. EQUALITIES IMPLICATIONS

As there are no implications for existing policy or to service provision, no equality impact assessment has been undertaken.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

7.1 In line with the requirements of the Localism Act, any decisions relating to pay in excess of £100k per annum must be discussed and agreed by the full Fire Authority at a public meeting.

7.2 The Authority is required to publish its pay policy which includes the way in which Principal Officer pay is determined.

8. RISK MANAGEMENT IMPLICATIONS

A robust and auditable methodology for setting Principal Officer salary levels is essential to ensure that the Service can stand up to external and internal scrutiny in respect of this matter. In establishing its pay policy, the Service needs to ensure that it can recruit and retain a high calibre of senior officers to ensure that NFRS meets the expectations of the Service and the community.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Approve the recommendation of the Policy and Strategy Committee to apply no increase to the pay of the Chief Fire Officer based upon the outcomes of the local pay review.

10.2 Note that the next Principal Officer pay review take place in 2019, for application from 1 January 2020.

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

None.

Malcolm Townroe	Theresa Channell
CLERK TO THE FIRE AUTHORITY	**TREASURER TO THE FIRE AUTHORITY**

APPENDIX A

COMPARATOR SALARY LEVELS (in ascending order)

(Please note that this information has been provided on the basis that it does not identify participant authorities.)

116,738
120,865
121,106
121,784
125,959
127,513
129,820
140,923
144,854
Median point - £144,948
145,043
146,571
148,796
150,330
153,779
155,231
155,794
156,090
157,449

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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Nottinghamshire and City of Nottingham
Fire and Rescue Authority

INSPECTION OF FIRE AND RESCUE SERVICES IN ENGLAND

Report of the Chief Fire Officer

Date: 15 December 2017

Purpose of Report:

This report updates Members on developments following the announcement by the Home Office that Her Majesty's Inspectorate of Constabulary is to be expanded to take on the role of inspectorate of fire and rescue services in England.

CONTACT OFFICER

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1. BACKGROUND

1.1 English Fire and Rescue Services have been subject to a range of different performance improvement regimes in previous years, such as Best Value, Operational Assessment of Service Delivery, Peer Challenge, Comprehensive Performance Assessment and Comprehensive Area Assessment (CAA).

1.2 Most recently, the Authority received a peer assessment offered through the Local Government Association in 2015.

1.3 The Home Office announced on 19 July 2017 that Her Majesty's Inspectorate of Constabulary (HMIC) would be expanded to take on the role of inspectorate of fire and rescue authorities in England. HMIC has since been renamed Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

2. REPORT

2.1 The inspectorate will consider how efficient and effective fire and rescue services (FRS) are; will highlight good practice and identify areas where they need to improve, so that action can be taken to overcome them. This will include how FRSs prevent and respond to incidents; whether the FRS provides value for money as well as reviewing the FRS's leadership, training, diversity, values and culture.

2.2 Her Majesty's Chief Inspector of Constabulary, Sir Thomas Winsor, has been appointed as Chief Fire and Rescue Inspector, and the HMICFRS's existing inspectors are to be appointed as regional fire and rescue inspectors in addition to their existing police responsibilities.

2.3 At the autumn conference of the National Fire Chiefs Council, held in September 2017, delegates received a presentation from Zoe Billingham. In addition to being Her Majesty's Inspector for the Eastern Region, she is the senior responsible officer for HMICFRS's inspections of fire and rescue services.

2.4 The Chair of the Fire Authority and the Chief Fire Officer (CFO) also attended an event hosted by the HMICFRS on 10 October. The event included presentations from HMICFRS, as well as time for delegates to discuss operational and governance issues, share practice and experiences, and offer views on HMICFRS's early proposals for an inspection regime of the fire and rescue service. More recently, Zoe Billingham has also attended an informal meeting in Nottinghamshire with the Authority Chair and CFO.

2.5 The Police Efficiency; Effectiveness and Legitimacy (PEEL) inspection framework is being used as the basis for fire inspections, but with leadership replacing the legitimacy strand. Therefore, HMICFRS will assess and report on the efficiency, effectiveness and leadership of the 45 FRSs in England.

2.6 Work is underway to develop the methodology with the sector over the coming months, the inspections will examine:

- Operational Service Delivery – prevention, protection, resilience and response;
- Organisational effectiveness – leadership, training, diversity, values and culture;
- Efficiency – value for money, matching resources to meet demand, collaboration.

2.7 It is important for Members to note that the scope of the inspection will not consider the activity of the actual Fire Authority.

2.8 FRSs will receive the same graded judgements as applied to police forces. Those gradings being: Outstanding; Good; Requires Improvement; and Inadequate. Inspection reports will be openly published.

2.9 The inspection will focus on a single inspection with onsite fieldwork of around a week's duration by a team of approximately ten people. This will be supported by data returns and a self-assessment produced by the Service in advance.

2.10 The fieldwork will be underpinned by a background monitoring framework, as already utilised with the police, and would involve a Service Liaison Lead allocated to up to three Services, whose role will be to establish a close relationship with the FRS throughout the year, acting as the 'eyes and ears' of the HMICFRS.

2.11 Over the coming months, HMICFRS are developing the methodology and criteria for judgements. They intend to pilot the methodology in three Services between January and April 2018. All 45 fire and rescue services will then be inspected, in tranches of 15, over an 18-month period commencing from April 2018. At this point it is not known when NFRS will be inspected.

2.12 The Service is required to provide a point of contact officer to liaise with HMICFRS and this role will be discharged by the Performance and Planning Manager. This will ensure the Service has a co-ordinated approach in preparing for the future inspection regime.

2.13 The Service is working closely with local Police colleagues to anticipate likely impact on the Service, and it is expected that some additional resources will be required in terms of data systems and/or people. In preparation, an earmarked reserve of £50k has been identified for 2018/19 which will be reviewed as more information is made available.

3. FINANCIAL IMPLICATIONS

An earmarked reserve of £50k has been established for 2018/19 in anticipation that additional resources may be required in terms of data system and/or people. As more information and experience is gained, formal proposals for resources will be developed and progressed through the normal governance arrangements where appropriate.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

The preparatory work will be co-ordinated by Corporate Support, but will require substantial resources from within other departments of the organisation. Officers are liaising with Police colleagues to better assess the resource implications on delivering on the HMICFRS expectations. It is highly likely that resources will need to be redirected into this priority area and details of these will be reported to the Authority in a future report.

5. EQUALITIES IMPLICATIONS

There are no equalities implications arising from this report as it only serves to provide Members with an overview of the recently formed 'Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services'.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

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

8. RISK MANAGEMENT IMPLICATIONS

Any fire and rescue service that HMICFRS deems to be failing under the new inspection regime, may be subject to intervention. Furthermore, if NFRS was to receive an unfavourable inspection report there is a risk of reputational damage to the Service.

9. COLLABORATION IMPLICATIONS

NFRS has been working with Nottinghamshire Police to gain knowledge and experience of preparation for these inspections. This area is currently one of the workstreams within the Authority agreed collaboration strategy with Nottinghamshire Police and progress will be reported through the established governance framework now in place.

10. RECOMMENDATIONS

That Members note the content of the report and agree to accept future reports when more detail emerges in relation to the new inspection regime.

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

None.

John Buckley
CHIEF FIRE OFFICER

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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Nottinghamshire and City of Nottingham
Fire and Rescue Authority

CONSULTATION UPDATE ON MIXED AND ALTERNATIVE CREWING

Report of the Chief Fire Officer

Date: 15 December 2017

Purpose of Report:

To update the Authority on consultation progress on Mixed and Alternative Crewing.

CONTACT OFFICER

Name :	Craig Parkin Assistant Chief Fire Officer
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1. BACKGROUND

1.1 At the Fire Authority meeting in September 2017, the Chief Fire Officer presented a report to seek approval to commence consultation on mixed and alternative crewing models, both of which were proposed within the Sustainability Strategy for 2020 agreed by Members in February 2016.

1.2 In April 2016 Policy and Strategy Committee approved the continual use of the Authority's consultation framework. This framework outlines the approach and methods of consultation that will be undertaken during periods of consultation.

1.3 Nottinghamshire Fire and Rescue Service (NFRS) has recently completed a competitive procurement process and has awarded a two-year contract to Opinion Research Services (ORS) for the supply of consultation services to support the Fire Authority around the Sustainability Strategy and the next Integrated Risk Management Plan (IRMP), currently being developed.

1.4 This report seeks to provide Members with an update on how the process of consultation is progressing.

2. REPORT

2.1 Consultation commenced on 25 September and is due to finish on 17 December 2017. This ensures that the twelve-week consultation period is completed prior to the Christmas period in line with the Authority's consultation framework, reducing the risk of delay in reporting the outcomes to the Fire Authority in February 2018.

2.2 The consultation programme has included internal and external elements with quantitative and qualitative elements with an emphasis on 'deliberative' or 'dialogue' methods of consultation.

2.3 So far, the consultation process has resulted in 2185 questionnaires completed, ten focus groups attracting 88 people, and five individual responses being received. Importantly, the ORS data shows where the respondents reside, and through the use of Mosaic data the team have been able to focus activities on areas where the response has been low.

2.4 Communication about the consultation has included website and intranet publication; media briefings and resulting coverage; letters and correspondence; and adverts (online and printed, for both city and county). These activities have been supplemented with extensive work through NFRS social media channels, including weekly Facebook advertising, which has allowed tens of thousands of citizens from across the county to become aware of the consultation and its timeframe.

2.5 The weekly updates received from ORS indicate that these channels are the most popular way that people are hearing about the consultation. By mapping the postcode data obtained through the monitoring questions on the questionnaire the consultation team have been able to constantly adjust the targeting of activities and communication.

2.6 In addition to utilising all internal communication channels, the Strategic Leadership Team has undertaken an extensive programme of station, watch and departmental visits to ensure all employees are informed and encourage them to participate in the consultation. These visits were facilitated by a senior manager alongside a member of the Shaping Our Future Team. In total 59 visits have been conducted and will form part of the findings of the report presented to Members.

2.7 At this point in time, NFRS does not have information on the way people have commented on the proposals, and will not have this information until the consultation process has been completed and ORS has analysed all data. This further ensures that the process remains transparent.

2.8 The outcomes of the consultation will be formally presented to the Fire Authority in February 2018 which will allow Members to consider the outcomes and inform decisions.

3. FINANCIAL IMPLICATIONS

A budget is already set aside for public consultation activities and the costs associated with mixed and alternative crewing consultation will be met within this existing budget.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

The consultation work is a significant demand upon the Service as a whole, predominantly being undertaken ‘in-house’ supported by ORS with facilitation and reporting of the outcomes of consultation to the Fire Authority.

5. EQUALITIES IMPLICATIONS

Any consultation process and strategy will need to demonstrate that the Authority has engaged with all sections of the community. The Service’s consultation exercises have been developed to be as accessible to, and targeted at, those people who are affected by the Service’s decisions and for whom the consultation is intended to reach.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The duty to consult the public is contained within the National Framework which is issued under Part 3, Section 21 of the Fire and Rescue Services Act 2004. Although this specifically relates to IRMP, effective consultation will serve to demonstrate accountability to communities.

8. RISK MANAGEMENT IMPLICATIONS

Effective consultation mitigates risk to the Authority as it demonstrates to the Secretary of State accountability and engagement with the community, thus removing the risk of Ministerial intervention; and reduces the risk of legal challenge, such as judicial review, over any proposals and changes the Authority may make as a result of consultation.

9. COLLABORATION IMPLICATIONS

9.1 Public consultation can often be complicated and an emotive activity. The engagement of ORS as an independent and external partner will ensure the Authority delivers a competent, targeted and proportionate consultation process.

9.2 To facilitate the promulgation of information, the Communications Team has worked very closely with a number of other local authorities to use their existing systems and networks to reach as many people as possible in the community, for example featuring in the Ashfield Newsletter that is delivered to 55,000 properties and the Contacts that reaches 110,000 residents in Gedling.

10. RECOMMENDATIONS

That Members note the progress on consultation on the mixed and alternative crewing options proposed in the Sustainability Strategy for 2020.

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

None.

John Buckley
CHIEF FIRE OFFICER

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

COMMITTEE OUTCOMES

Report of the Chief Fire Officer

Date: 15 December 2017

Purpose of Report:

To report to Members the business and actions of the Fire Authority committee meetings which took place in October/November 2017.

CONTACT OFFICER

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Chief Fire Officer

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1. BACKGROUND

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

2. REPORT

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

Community Safety Committee	06 October 2017
Finance and Resources Committee	13 October 2017
Human Resources Committee	20 October 2017
Policy and Strategy Committee	10 November 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. COLLABORATION IMPLICATIONS

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

10. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

John Buckley
CHIEF FIRE OFFICER

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

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

MINUTES of the meeting held at Fire and Rescue Service Headquarters, Bestwood Lodge, Arnold, Nottingham, NG5 8PD on 6 October 2017 from 10.02 am - 11.07 am

Membership

Present	Absent
Councillor Eunice Campbell (Chair)	Councillor Jason Zadronzny
Councillor Andrew Brown	
Councillor Patience Uloma Ifediora	
Councillor Parry Tsimbiridis	
Councillor Jonathan Wheeler	

Colleagues, partners and others in attendance:

Wayne Bowcock	-	Deputy Chief Fire Officer, NFRS
Kate Morris	-	Governance Officer
Dan Quinn	-	Area Manager, NFRS

10 APOLOGIES FOR ABSENCE

None

11 DECLARATIONS OF INTERESTS

None.

12 MINUTES

The minutes from the meeting held on 30 June 2017 were agreed as a true record and signed by the Chair.

13 SERVICE DELIVERY PERFORMANCE

Dan Quinn, Area Manager at NFRS provided Members with an update on the performance of the Service Delivery Directorate.

The following points were highlighted:

(a) there have been 0 fire fatalities in this period;

(b) Warsop achieved 97.3% Retained Duty System (RDS) availability, 7 out of 16 sections performed above 90%;

(c) exercise planning is currently focusing on high-rise fires and basement fires. Two successful exercises have been run with North and South Districts putting in significant resources;

(d) 25 RDS trainee firefighters started training, all are due to complete training in November 2017;

Following questions from Members, further information was provided:

(e) there has been a struggle to recruit and retain RDS staff in the Misterton and Collingham areas, however there are currently 14 interested candidates. A different approach was taken in this area, the Fire Service wrote directly to the community and focused on contacting those who had previously shown an interest;

(f) the Service is looking at introducing more flexible and more innovative ways to retain RDS Staff such as shorter or more flexible contracts;

(g) the service is looking at working with RAF bases and Army Bases, and recruiting service personnel as they leave the military. Student organisations are also being approached to promote the Fire Service;

(h) neighbourhood action teams with Councils can work to promote the Fire Service particularly to BME residents;

RESOLVED to note the contents of the Service Delivery Performance Report.

14 RISK REVIEW 2017

Wayne Bowcock, Deputy Chief Fire Officer at NFRS updated the Members on the review of new and existing site specific information on operational risks within Nottinghamshire.

The following points were highlighted:

(a) Following the Grenfell Tower fire in London NFRS established a Serious Event Review Group (SERG) that requested all information on high-rise buildings is reviewed and, where necessary, refreshed;

(b) As a result of this review the Operational Assurance team are reviewing all information held on category 3 and category 4 buildings and work to identify any risks not already recorded as Site Specific Risk Information (SSRI) has begun. This work is considered a Service priority;

(c) The reviewed and updated risk information will be accessible from mobile data terminals that are carried by crews to all incidents;

Following questions from Members, further information was provided:

(d) There are certain buildings that crews are called out to more often than others. Buildings like the Victoria Centre flats are regularly attended and crews will do hazard spotting at the same time as attending an incident. This hazard spotting work is then fed back after the incident;

(e) Crews likely to attend incidents at category 4 buildings, such as Victoria Centre, perform annual familiarisation visits and conduct their own risk assessments and service exercises help crews to become familiar with buildings.

RESOLVED to note the content of the report

15 GRENFELL TOWER FIRE

Wayne Bowcock, Deputy Chief Fire Officer at NFRS updated members on the work that has been carried out by the Service following the tragic fire at the Grenfell Tower Block, North Kensington, London.

The following points were highlighted:

(a) It is believed that this tragic incident will result in wide reaching legislative changes;

(b) Nationally there have been 400 buildings identified with similar aluminium composite materials cladding as that on Grenfell Tower block. Three of these buildings are within Nottinghamshire;

(c) As a consequence of the Grenfell Tower fire NFRS will have carried out over 60 audits of tall building with the majority being broadly complaint with the Regulatory Reform (Fire Safety) Order 2005 (RRO);

(d) The NFCC sends out daily situation reports which include details of audits completed nationally. The Serious Event Review Group acts as a centralised coordination point to ensure all information received is collated and all responses to requests for information are responded to in a timely manner;

(e) NFRS is the enforcing authority for the RRO and it is the responsibility of the designated Responsible Officer (RO) to ensure compliance with the RRO. The RO is any person having control to some extent or the owner of tall residential buildings;

(f) NFRS hosted a strategic briefing for housing providers, NHS, Clinical Commissioning groups, education providers and many other organisations with a view to ensuring the same consistent messages are being delivered across the county;

(g) The Stay Put policy has received national attention and will be reviewed nationally. NFRS supports the statement issued by the NFCC stating that on the majority of occasions where there is a high rise fire staying put is the right thing to do. However, in the case where smoke is entering a flat, or there is fire in a flat then the resident would be advised to evacuate;

(h) Control room staff have been given additional training in helping residents interpret the Stay Put policy safely;

(i) There will be a number of reports coming to this Board updating Members on the progress of the review and enquiry;

Following questions from Members, further information was highlighted:

(j) The NFCC recently issued a Sprinkler position statement which supports the use of sprinklers in all communal areas, and preferably in individual flats, of high rise buildings. NFRS fully supports this statement;

(k) There are still concerns with regards to the private rented housing sector and some landlords willingness to assess and comply with fire safety regulations. Nottingham City Council is looking to a selective licensing scheme for landlords which is working towards improving this situation;

(l) Some social housing providers require all electrical equipment to be PAT tested within its properties, however this requirement is not universal across all providers and landlords;

RESOLVED to note the contents of the report.

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

FINANCE AND RESOURCES COMMITTEE

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 13 October 2017 from 10.07 am - 11.07 am

Membership

Present	Absent
Councillor Malcolm Wood (Chair)	Councillor Mike Quigley MBE
Councillor John Clarke	
Councillor Brian Grocock	
Councillor Francis Purdue-Horan	

Colleagues, partners and others in attendance:

John Buckley	-	Chief Fire Officer
Theresa Channell	-	Interim Treasurer to the Authority
Becky Smeathers	-	Head of Finance
Ian Pritchard	-	Head of Procurement and Resources
Catherine Ziane-Pryor	-	Governance Officer

11 APOLOGIES FOR ABSENCE

None.

12 DECLARATIONS OF INTERESTS

None.

13 MINUTES

The minutes of the meeting held on 7 July 2017 were confirmed as a true record and signed by the Chair.

14 REVENUE AND CAPITAL MONITORING: 01 APRIL - 31 AUGUST 2017

Becky Smeathers, Head of Finance, presented the report of the Chief Fire Officer which informs the Committee of the financial performance of the Service from the start of the 2017/18 financial year until 31 August 2017, against the forecast outturn, identifying and explaining variances.

The following forecast variances were identified with further details and budget balancing solutions identified within the report:

Wholetime pay (excluding overtime)	- overspend	- £282,000
Control Pay	- overspend	- £73,000
Firefighter Pensions	- overspend	- £465,000
Business Rates	- overspend	- £231,000
Capital Finance Budgets (interest charges)	- underspend	- £174,000
Rent of Premises	- underspend	- £73,000

It is noted that funds to balance the budgets will be sought from earmarked reserves although some additional income and unexpected savings have occurred.

Member's questions were responded to as follows:

(a) an additional £600,000 is required to fund the deficit identified in the Local Government Pension Scheme (LGPS) following its tri-annual actuarial valuation. This was paid in one lump sum using internal borrowing rather than over the 3 years permitted in order to save approximately £33,000 in interest;

(b) since pension administration has been transferred to Leicestershire County Council, a further 5 individual historic errors have been identified going as far back as the 1970's. Assurance has been provided that errors did not relate to individual pension calculations but that costs should have been met by the Authority rather than the Pension Fund. It remains unclear if any further, broader errors may have been made and are yet to be identified. The errors found in the scheme result in an additional annual cost of £45,000, so maintaining a pension reserve of £309,000 is necessary;

(c) the Pensions Regulator is aware of the historic issues with the Firefighter's Pension scheme and is encouraging all Boards nationally to undertake data audits. For the Nottinghamshire scheme this has already been done, but there is no room for complacency and a further review will take place next year;

(d) a 1% pay rise has been presumed, but if 2% is announced, this will result in an additional cost of £300,000 per annum;

(e) with regard to the variables which have occurred, the Medium-Term Financial plan won't be reviewed as the £45,000 pension short-fall can be met from reserves for 2017/18 and will be taken into account in future budgets;

(f) the Service submitted an appeal against the £73,000 increase in business rates, but this was refused. It is noted that business rates have increase nationally.

Members expressed great concern at the historic pension mistakes and sought reassurance that the resulting financial pressures would not impact on current jobs and errors would be remedied as soon as possible.

RESOLVED to note the report.

15 PRUDENTIAL CODE MONITORING: 01 JUNE - 31 AUGUST 2017

Theresa Channell, Interim Treasurer to the Authority, presented the report which informs the Committee of performance against the prudential indicators for capital accounting and treasury management for the period between 1 June and 31 August 2017, for which no concerns have been raised.

With regard to Treasury Management Indicators, the interest earnings budget has been revised downwards from £66,000 to £53,000 to reflect the lower than anticipated interest rates.

It is predicted that interest charges on loans and the amount of debt will also be lower than predicted and no further long-term maturity loans have been acquired so far this year. As interest rates have been low, borrowing has been limited to short-term arrangements.

RESOLVED to note the report.

16 EXTERNAL AUDITOR APPOINTMENT

John Buckley, Chief Fire Officer, presented the report which informs the Committee that following a tender exercise in line with the Public Sector Audit Appointments Limited, Ernst and Young LLP has been appointed as External Auditors to the Authority.

RESOLVED to note the appointment of Ernst & Young LLP as the Authority's auditors from 2018/19 for five years.

17 TREASURY CONSULTANCY SERVICES CONTRACT RENEWAL

Becky Smeathers, Head of Finance, presented the report which informs the Committee that the contract for Treasury Consultancy Services, currently with Capita Treasury Solutions, has been extended for a year until the end of October 2018, to enable the Service to undertake a tender exercise.

RESOLVED to note the report.

18 ESTATES MANAGER POST AND REORGANISATION OF PROCUREMENT AND RESOURCES DEPARTMENT

Ian Pritchard, Head of Procurement and Resources, presented the report of the Chief Fire Officer, which updates the Committee on the reorganisation of the Procurement and Resources Department and the savings made to date.

The following points were highlighted and responses given to Members' questions:

(a) the post of Estates Officer has been changed to Estates Manager with a grade increase from 6 to 9 (funded from non-pay budget) and additional responsibilities including project management work which previously was contracted out;

(b) the cost of post upgrades is an additional £29,000 per year, however £218,700 annual budget saving are predicted as a result of the additional responsibilities and activity of the new posts;

(c) comprehensive procurement and contract management procedures are now established;

(d) areas of savings include:

blue light fitting to officers' cars by a local contractor (£33,000 pa);
early tendering of the Microsoft Enterprise Agreement (£30,000 pa);
re-tender of insurance cover (£97,000 pa);
Equipment savings (£15,000 pa);
Collaborative waste management with the Police (£1,200 pa);

(e) the mind set of staff has been altered to identify the need, then consider what could be suitable to fulfil that need and the value for money provided. The final object can be different to that initially presumed;

(f) there may be as much as a 50% reduction on the budgeted fleet order of £850,000, due to reconsideration of requirements, which could result in a substantial Capital Budget underspend and the possibility of selling vehicles sooner than previously but at the price paid;

The Committee welcomed the progress and achievement s to date.

RESOLVED to note the report.

19 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.

20 HUCKNALL AMBULANCE STATION COLLABORATION

Ian Pritchard, Head of Procurement and Resources, presented the report of the Chief Fire Officer.

The Committee requested speedier progress.

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

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

HUMAN RESOURCES COMMITTEE

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 20 October 2017 from 10.00 am - 11.03 am

Membership

Present	Absent
Councillor John Clarke (Chair)	Councillor John Longdon
Councillor Liaqat Ali	
Councillor Vaughan Hopewell	
Councillor Jackie Morris	
Councillor Andrew Brown (Substitute for Councillor John Longdon**)**	

Colleagues, partners and others in attendance:

Councillor Brian Grocock
Wayne Bowcock - Deputy Chief Fire Officer
Tracy Crump - Head of People and Organisational Development
Catherine Ziane-Pryor - Governance Officer

7 APOLOGIES FOR ABSENCE

Councillor John Longdon - personal

8 DECLARATIONS OF INTERESTS

None.

9 MINUTES

The minutes of the meeting held on 14 July 2017 were confirmed as a true record and signed by the Chair.

10 HUMAN RESOURCES UPDATE

Tracy Crump, Head of People and Organisational Development, presented the report of the Chief Fire Officer which updates the Committee on the key Human Resources metrics for Quarter 2, the period 1 July-30 September 2017.

The report provides statistical detail on sickness absence by group (whole-time and Control, Non-uniformed, and retained), including reasons for absence, disciplinary and grievances, and staffing numbers, with more detailed information contained within the appendices.

The 32.7% increase in sickness absence is a significant increase in full time employee sickness during Quarter 2, but it should be noted that this is partly due to the comparison against Quarter 1 when sickness levels were unusually low.

Wayne Bowcock, Deputy Chief Fire Officer, assured the Committee that NFRS has gold standard welfare arrangements and a first class Occupational Health Service, added to which, the Firefighters' Charity also offers top quality respite services.

It is noted that the total NFRS employee absence remains below the industry average.

RESOLVED to endorse the report.

11 UPDATE ON THE PEOPLE STRATEGY

Wayne Bowcock, Deputy Chief Fire Officer, presented the report which updates the Committee with details of the progress and activities undertaken since the Strategy was launched in April 2017.

Areas of work referred to include:

- The Safe and Well Programme;
- Emergency First Responder Trial;
- Sustainability Strategy and consulting on alternative crewing proposals;
- ICT Department changes to meet the demands of the Emergency Service Network;
- Leadership Strategy, including involvement with the 'Aspiring Leaders Programme';
- Open University Distance Learning Programme;
- 'Skills for Justice' accreditation;
- Alignment of operational training to the 'National Operational Competence Framework';
- Training for the new Drager Breathing Apparatus;
- Rolling out a yearlong programme on 'Compartmental Fire Behaviour Training';
- Sharing specific resources and collaborating in set areas with Derbyshire and Lincolnshire Fire and Rescue Services;
- Establishing an apprenticeship scheme
- Nurturing a positive workplace and culture with consultation and feedback;
- Implementing the recommendations of Bath University's operational fitness targets;
- Considering how to support the needs of an older workforce, including menopausal women;
- Targeted promotion of the Service to under-represented communities in preparation for whole-time firefighter recruitment in 2018.

Committee members' questions were responded to as follows:

(a) the First Responder pilot has concluded due to the withdrawal of voluntary firefighter participation pending the outcome of national pay negotiations. NFRS hasn't had access to any ambulance performance statistics to determine if loss of life may have been influenced;

(b) when responding to support the Ambulance Service, Firefighters were covered by NFRS insurance as they were acting as agents of the Service and therefore any issues would be the responsibility of NFRS;

(c) with regard to recruitment, email addresses are collected from interested parties at individual promotion events and these can be tracked through the application and appointment processes to ascertain which type of events attracted the most applications from under-represented groups.

The Committee welcomed staff engagement on the Sustainability Strategy and requested that members are able to attend.

RESOLVED

(1) to note the report;

(2) for the Deputy Chief Fire Officer to arrange for members of the Committee to be informed of, and invited to attend, staff consultation events regarding the Sustainability Strategy.

12 UPDATE ON APPRENTICESHIPS

Wayne Bowcock, Deputy Chief Fire Officer, presented the report of the Chief Fire Officer which informs the Committee of the apprenticeship levy and establishment of the Service's apprenticeship schemes. Full details of the levy, access to the levy and the proposed apprenticeship scheme are included within the report.

It is anticipated that the 2.3% apprenticeship levy on payroll will cost the Service approximately £114,000 per year. To access the levy funds, training can be provided to full-time apprentices so the Service is to establish apprenticeship roles as Fire Fighter, Business Support and Community Safety Officers.

Members of the Committee welcomed the establishment of apprenticeships within the Service.

RESOLVED to note the report.

13 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.

14 RETAINED SUPPORT STRUCTURE

Wayne Bowcock, Deputy Chief Fire Officer, presented the report of the Chief Fire Officer.

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

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY

POLICY & STRATEGY COMMITTEE

MINUTES of the meeting held at Fire and Rescue Services HQ, Bestwood Lodge, Arnold Nottingham NG5 8PD on 10 November 2017 from 10.00 am - 10.42 am

Membership

Present	Absent
Councillor Andrew Brown	Councillor Brian Grocock
Councillor Michael Payne	Councillor Sybil Fielding
Councillor Jonathan Wheeler	
Councillor Malcolm Wood	

Councillor Liaqat Ali (Substitute for Councillor Brian Grocock)
Councillor Parry Tsimbiridis (Substitute for Councillor Sybil Fielding)

Colleagues, partners and others in attendance:

John Buckley	-	Chief Fire Officer
Malcolm Townroe	-	Clerk and Monitoring Officer to the Authority
Becky Smeathers	-	Head of Finance
Catherine Ziane-Pryor	-	Governance Officer

8 CHAIR OF THE MEETING

RESOLVED for Councillor Michael Payne to Chair the meeting in the absence of Councillor Brian Grocock.

9 APOLOGIES FOR ABSENCE

Councillor Brian Grocock – personal
Councillor Sybil Fielding – personal

10 DECLARATIONS OF INTERESTS

John Buckley, Chief Fire Officer, declared an interest in Agenda item 4, ‘Principal Officer Pay Review’ (minute 12) in that it affected him directly, and informed the Committee that he would withdraw from the meeting prior to, and for the duration of that item.

11 MINUTES

The minutes of the meeting held on 21 July 2017 were confirmed as a true record and signed by the Chair presiding at the meeting.

12 PRINCIPAL OFFICER PAY REVIEW

Prior to the Committee's consideration of this item, John Buckley, the Chief Fire Officer, withdrew from the meeting , having declared an interest under minute 10. He did not return to the room until the item had concluded.

Malcolm Townroe, Clerk to the Authority, presented the joint report of the Clerk and Treasurer, informing the Committee of the outcomes of the Principal Officer Pay review which is required to be undertaken biennially.

The report informs the Committee that Chief Fire Officer Pay is set by a benchmarking exercise against other similar Fire and Rescue Authorities. Other Principal Officer Pay is calculated as a percentage of that total.

The report proposes that the current rate of pay is appropriate and so should not be altered.

Members of the Committee agreed with the findings of the report and commented that compared to some other Local Authority pay levels, the rate is appropriate.

It is noted that national pay awards are considered separately from this issue.

RESOLVED to submit a recommendation to the full Fire Authority that the current Principal Officer pay levels are appropriate and should be implemented from 1 January 2018.

13 EMERGENCY SERVICES NETWORK (ESN) UPDATE

Chief Fire Officer John Buckley, presented the report which updates the Committee on the progress of Emergency Services Network (ESN) since the last update in November 2016.

The aim of ESN is that emergency services collaborate to procure a mutually efficient, effective, robust and secure shared communications package with shared procurement, training and operational benefits and savings.

Central Government has now initiated a full national review of the ESN Business Case, including the national transition plan, to ensure that the scheme can be delivered to a realistic time scale and that suppliers are able to provide the technology required. This may result in changes to the document to which NFRS originally committed. This in turn is likely to have timescale and financial implications for the Regional Board and NFRS and results in uncertainty as to the relevance of work already undertaken. To date NFRS has budgeted £200,000 for ESN work and employed 3 full time equivalent staff specifically to work towards achieving the initial one year implementation target. Whilst Central Government has agreed to financially contribute to previous additional work, any further contribution is uncertain and therefore, to retain the specialist staff during the review period and once the revised document is released, the budget will need to be reviewed.

RESOLVED to note the contents of the report and agree to receive further updates as the project develops.

14 TRI-SERVICE CONTROL UPDATE

John Buckley, Chief Fire Officer, presented the report which updates the Committee on the progress in implementing the Tri-Service Control Programme since the last update in April 2017, and sets out how the next phase will be implemented.

Working across three services has, at times, proved a little dis-jointed but the programme is progressing well and the system is stable.

Vulnerabilities have been identified in NFRS systems which are being addressed. Progress across the three services is pleasing and initial concerns regarding some suppliers have been allayed. Additional funding requests are not anticipated.

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

15 COLLABORATION UPDATE

John Buckley, Chief Fire Officer, presented the report which provides an update on collaboration progress with Nottinghamshire Police and current activity relating to East Midlands Ambulance Service, including suggestions for the potential collaboration around corporate communications, transport, and human resources.

Areas identified for collaboration include:
- Estates;
- Learning and Development;
- Organisational Performance;
- Prevention Activities;
- Emergency Planning and Resilience

Further meetings are to take place to ensure a greater understanding of how each other work, including the existing Police collaboration in some areas between different forces.

It is believed that formal agreements could soon be possible, particularly with regard to estate sharing with EMAS at Hucknall on-call site (which is progressing well), facilities maintenance, and potentially sharing training resources with Derbyshire Fire and Rescue Service at Ripley, although discussions are still at an early stage.

Although there are initial costs involved in working towards collaboration, the longer-term savings will far outstrip the initial costs.

Councillors welcomed the collaborative approach between services and suggested that informal discussions also take place between elected members of the respective areas.

RESOLVED to note the report.

16 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 by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Act.

17 RESILIENCE ARRANGEMENTS UPDATE

John Buckley, Chief Fire Officer, presented the report which informs the Committee on the current resilience arrangements.

RESOLVED to note the report.

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