



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

Date: Friday, 16 December 2022 **Time:** 10.30 am

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

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

A handwritten signature in black ink, appearing to read "M. J. [unclear]".

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

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

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

Governance Officer: Catherine Ziane-Pryor
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The agenda, reports and minutes for all meetings of the Fire and Rescue Authority can be viewed online at:

<https://committee.nottinghamcity.gov.uk/ieListMeetings.aspx?CId=224&Year=0>

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Nottinghamshire & City of Nottingham Fire & Rescue Authority

MINUTES of the meeting held at Dunkirk and Beeston Suites - Highfields Fire Station, Hassocks Lane, Beeston, Nottingham NG9 2GU on 23 September 2022 from 12.06 pm - 3.01 pm

Membership

Present

Councillor Michael Payne (Chair)
Councillor Patience Uloma Ifediora (Vice Chair)
Councillor Callum Bailey
Councillor Steve Battlemuch
Councillor John Clarke MBE
Councillor Robert Corden
Councillor Sybil Fielding
Councillor Jay Hayes
Councillor Tom Hollis
Councillor Angela Kandola
Councillor John Lee
Councillor Toby Neal
Councillor Nick Raine
Councillor Mike Quigley MBE
Councillor Roger Upton (minutes 22-32 inclusive)
Councillor Jonathan Wheeler
Councillor Jason Zadrozny

Absent

Police and Crime Commissioner Caroline Henry

Colleagues, partners and others in attendance:

Craig Parkin – Chief Fire Officer
Becky Smeathers – Head of Finance and Treasurer to the Authority
Malcolm Townroe – Clerk and Monitoring Officer to the Authority
Michael Sharman – Assistant Chief Fire Officer
Catherine Ziane-Pryor – Governance Officer

22 The passing of Queen Elizabeth II and Councillor Eddie Cubley

On behalf of the Fire Authority and Fire Service, the Chair extended condolences to King Charles III on the passing of Queen Elizabeth II, who had a very close relationship with the

armed and emergency services. Her Majesty carried out her constitutional duties with continuity until the end, even though she was unwell. She will be greatly missed, particularly for her considered compassion. God save the King. The Chair and Chief Fire Officer have both written to the King with and condolences and respect to the wider royal family.

The Chair also extended condolences to the Conservative group with regard to the untimely passing of Councillor Eddie Cubley, who was an outstanding elected member and first class and valued member of the Authority. Although quiet, was self-assured, diligent and gentle, his questions were searching and poignant. He will be missed. On behalf of the Authority and Service, our heartfelt sympathy is extended to Eddie's family, friends and colleagues.

Members of the opposition parties echoed the Chair's sentiment and also expressed their condolences on the passing of the Queen and fellow Fire Authority member Councillor Eddie Cubley.

All in attendance observed one minutes standing silence.

23 Changes to Membership

It is noted that the following changes to appointments to the Fire Authority have been made by Nottingham City Council:

- Councillor David Trimble is replaced by Councillor Toby Neal
- Councillor Gul Khan is replaced by Councillor Jay Hayes
- Councillor Nicola Heaton is replaced by Councillor Angela Kandola

24 Apologies for Absence

None.

25 Declarations of Interest

None.

26 Minutes

The minutes of the meeting held on 22 July 2022 were confirmed as a true record and signed by the Chair.

27 Chair's Announcements

- a) With regard to the hot weather and resulting additional demands and pressures on the Service, on behalf of the Fire Authority, the Chair thanked firefighters and all those who support them for their huge efforts. Community feedback regarding the major incident at Ranskill, which required resources for over 35 days, has been very positive;

- b) The CFO and Chair have been meeting with local Members of Parliament and Chief Executives of local councils and providing an opportunity to discuss the great work of the Service, but more importantly the growing financial pressures and highlighted budget deficits in coming years, some of which are reflected later in the agenda. Conversations have been about the policies and politics around the growing pressures on the Service, particularly budgetary deficits in coming years. All have understood the position of the Service and the need for them to collectively make representations to Central Government about the investment required to continue delivering a first-class emergency service, which saves lives;
- c) On 7th October a seminar is planned with Members and MPs, so members are requested to take the time to attend and engage. Police and Crime Commissioner Henry will be attending if able, and joint letters are being drafted to the Home Office and Fire Minister outlining the financial challenges for the Authority. The Chair expressed gratitude for the cross-party support which greatly strengthens the case being put forward.
- d) This year's Awards Ceremony will take place on Thursday 24 November 2022, at the Albert Hall, Nottingham, with arrival from 18:00 for a 19:00 start. All members of the Authority are welcome to attend the event and be part of the celebrations, further details of which will be circulated shortly;
- e) The Emergency Services Carol Service will take place at Southwell Minster on the evening of Tuesday 13 December 2022. Fire Authority members are welcome to attend and should contact the Executive Assistant to the Chief Fire Officer to book attendance.

Members of the Authority supported the Chair's expression of appreciation for the exemplary work of firefighters during the exceptionally hot and dry summer and the excellent and valuable standard of communication on incidents with local elected members.

28 Futures 2025: Efficiency Strategy Update

Prior to consideration of the item, Stephen Tucker, representing the Fire Brigades Union, posed the following question with regard to paragraph 1.5 of the report:

The Service is currently proposing to remove 1 appliance from London Road, 1 appliance from Stockhill and to the night-time cover from West Bridgford, all to meet budgetary requirements. The posts that this Service wish to remove are already vacant due to a lack of recruitment by management, because of this, there are minimal financial savings to be made by removing these posts before the end of the financial year.

Given that we have already faced a 10% reduction in posts which is well above the 1.6% average and that we have one of the lowest financial costs per head across the country, we have already felt the devastating effects of the cuts that have already been imposed on this service, which is why the FBU applaud and support the proposal to revert Ashfield Fire Station to wholetime with adequate fire cover.

However, we do not, cannot, and will not accept that the same flawed and failed model should be implemented at another station, one which does not even have the resilience of an on-call appliance to even attempt to maintain a level of fire cover between 19:00-08:00.

Will the Authority agree to postpone all recommendations currently proposed until after the financial budgets have been officially announced by the government?

The Chair responded:

The difficult choices that the Authority is considering from this report and the backdrop of many years of resource reductions is unwelcomed by all those involved. The proposals recommended are for implementation from April 2023 onwards and have been preceded by in year temporary savings in 2022/23 including the management of staff numbers.

The move of resources to Ashfield takes a Service wide view of risk and a least worst option approach, meaning these resources are required to be taken from other, existing locations and still balance the budget.

Government grant only equates to approx. £7.5million and to delay decisions will build up a larger financial issue to address within a shorter time period. It should be reiterated that this decision seeks to go out to public consultation, pending any financial settlements being announced.

To delay would mean the consultation work would not be completed prior to the requirement to put forward a balanced budget proposal at the February 2023 Fire Authority meeting.

Mark Stilwell, representing the Fire Brigades Union, posed the following question with regard to paragraph 2.28 and table 1 of the report:

The FBU believe that this report is incomplete, misleading and does not show the full impact on the proposed cuts.

In recent times this service has faced spate conditions, it has relied on our members being recalled to duty, sacrificing their rest days to crew appliances and keep fire cover a safe level. How is it that this Authority can agree to further endanger the lives of the public and the safety of its fire crews by removing even more resilience from an already stretched and struggling workforce?

Whilst it is clear for everyone to see that the proposed cuts will result in reduced fire cover for the City of Nottingham, what the report does not show is the impact on the availability of the aerial ladder platform (ALP) current stationed at London Road. At a time when we should be learning from the horrific tragedies of Grenfell and Shirley towers. This service would look to reduce its High-rise capabilities and delay the attendance of sufficient resources to the largest area of risk within the county.

Again, the table does not show the impact on attendance times for the second, or third appliance which, in turn, has an impact on current safe working practices putting our firefighters and members of the public at a greater risk of harm.

We reiterate that the information supplied at this moment in time is incomplete, misleading, and dangerous.

Does the fire authority believe that they have sufficient information to make an informed decision based on the limited information presented to them in this paper?

The Chair responded:

Authority Members and political group leaders have been provided with briefings, information and opportunities through wider Fire Authority seminars to receive information from the CFO and it is with deep regret that we are here to consider such proposals.

The financial picture has been well documented over many months and indeed years, in numerous reports presented to both the full Fire Authority and the Finance and Resources Committee.

The CFO is clear that these proposals, if supported, will obviously have an impact, including which emergency resources will attend and the likely increase in response times.

If these recommendations are supported, a full implementation plan will be developed, this will of course include risk assessments that seek to address any significant change to working practices and the training needs of staff in future.

With regards to the ALP query, the FBU will be aware from its conversations with the CFO that this is a point already being considered in the implementation plan and that no reductions are proposed. Further work will include how these will be deployed in the future. The FBU will also be aware of the commitment to provide 2 new Aerial Ladder Platforms.

Mark Stillwell, representing the Fire Brigades Union, posed the following question with regard to paragraph 2.31 of the report:

The proposals call for a further 10% reduction to be made to operational firefighting crews. A significant reduction in the number of appliances directly correlates to a significant increase in fire calls for the remaining appliances, meaning longer working durations and inadequate rest periods between incidents.

The other work such as Safe and Well Visits, Business Safety Checks, Site Specific Risk Information Visits, School Visits, DICE & CRAE events which the Service has stated will be divided between the remaining appliances and neighbouring stations will undoubtedly force crews to leave their area without fire cover in an effort to try and meet the unachievable, unobtainable targets set out in the CRMP which was based on a workforce with increased staffing levels and a higher number of appliances.

Will this Fire Authority commit to using its reserves to stop the devastating impact to both firefighter safety and the delivery of an essential emergency service to the public, placing the Fire Authority in better position for requesting future funding?

The Chair responded:

The report recognises the impact and redistribution of workloads for the Service and in the recommendations laid out by the CFO, demands upon the resources that will be available are also being provided, for example, Unwanted Fire Signals. Ways of working

are clearly going to change for the Service, and this will take considerable time to plan for and implement.

The Authority, under the advice from the Treasurer has committed to using its available reserves in a balanced and proportionate way. I would also say that the report highlights remaining future years of budget deficit that will need to be addressed. Reserves can only be used once.

A cross-party letter has been drafted to send to the Fire Minister and the CFO and I have been meeting MP's to explain the future pressures facing the Authority.

I have huge sympathy and support for the fire fighters in their current protest on pay. I was proud that we as an Authority budgeted for a 3% increase in pay last year. I think Central Government's proposal of 2% is a slap in the face, particularly following the heroic work during the pandemic and recent months, beyond their usual roles and duties. I will continue to argue that the pay award needs to be higher. If it does comeback higher but needs to be funded from Central Government but if it isn't, then the rise will need to be found by the Authority which can only be met as a result from reserves.

We need try and ensure we have a balanced budget and try to ensure that pay is appropriate, but this can only do this if Central Government provides us with the funding we deserve in Nottinghamshire.

Craig Parkin, Chief Fire Officer, presented the report. Highlighted points and responses to members' questions included:

- a) on the financial forward planning assumption currently available, a budget deficit is anticipated over the next three years, which must be found. Earlier this year the planning assumptions provided a deficit of £2.1m FY23/24, which has since risen with the rise to £3.3m;
- b) the Service has been looking at pay budgets and non-pay budgets to achieve savings which are not only being sought from firefighters, but from every corner of the organisation, including support staff who have the same loyalty and pride in the organisation. This is not an easy position to report on and staff engagement is welcomed;
- c) since 2010, £9.6m of funding has been cut from the Service. The budget has taken into account the £1.6 million of temporary in-year savings achieved this year. The staffing underspend due to vacancies is not intended to be an-ongoing situation and has been accounted for within this in-year saving figure. However, if the call for a pay rise of more than 3% is successful, this saving will effectively be cancelled if pay rises above 3% are not funded by Central Government;
- d) HMICFRS examined 11 areas across the service and rated it as good, which is something to be proud of;
- e) since 2016, the workforce has been reduced by 11%, which is significantly higher and the National average of 1.6%, possibly due to different and varied funding models, and yet, the cost per citizen head of the service is £1 in the base budget below the national average;

- f) more than 50% of the Services' funding (£27- 28m) is from the council tax precept, an increase on which has been capped at 1.95%. There has been no increase in percentage or relaxation of the cap for this service, whilst some other services have been able to levy a £5 flat rate increase which would attract an additional £1 million in the base budget. The only other council tax increase possibility is to have a public referendum, but historically referendums to increase the council tax contribution have not been sympathetically received and are costly to implement, so in effect the only option available to the Service is to fund the shortfall with proportionality and balance;
- g) Central Government provide £7.3m settlement funding and £8.5m is contributed from Business Rates and top-up grants, such as pensions, but on a year-to-year basis;
- h) the Authority has repeatedly requested a longer-term financial settlement from Central Government, beyond the current one year at a time whereby the settlement amount is communicated in December for the start of the new financial year. This would enable longer term planning as the current arrangement does not support long-term budget and service planning;
- i) phase 1 of the Workforce Review focuses on Green Book staff, some of which may be non-operational, such as prevention and protection. These posts equate to 15% of the total budget for the Authority. £250,000 savings have been identified. Phase 2 of the Workforce Review will look at the fundamental service redesign of these functions to achieve cost savings, based on the statutory duties and the risk faced and priorities of the CRMP. There will be a knock-on impact on how much the Service can do and what can be done, including an impact to delivery of services.
- j) there are challenging times ahead. Savings must be found for the new financial year and this will mean that the service will not be able provide the same level and range of activity to communities as it has done previously;
- k) managers appreciate that staff are anxious about the future organisation of the Service and want to provide clarity as soon as possible;
- l) The Fire Cover Review (FCR) executive summary draws on lots of information, the underpinning information which informs these decisions will be made publicly available;
- m) within the FCR, most fire stations are currently considered to be appropriately sited but with expanding residential developments, reviewing this and broader fire safety risks will be ongoing and there may be changes to the Community Risk Management Plan. It is inevitable that the reduction in resources will impact on response time and performance, and as such commitments in the CRMP will be reviewed;
- n) the Service employs 431 whole-time staff across a range of roles (53% of budget is for wages);
- o) there is also a review of Middle Managers. Area Manager posts have been reviewed previously and a change to the PO cohort that realises a saving of £80k could be achieved with a £20k per year ongoing saving;
- p) since 2010, 6 fire appliances have been withdrawn around the city and county,

- q) for 2010 and every year since, the same consistent approach to risk has been taken, including engaging ORH more recently to run an optimising model to identify different configurations of fire appliances to meet the required savings whilst taking into account the detailed operational activity of the Service over a 5 year period;
- r) the model proposed to meet the anticipated budget deficit requirement has provided the result set out in the report with appliance and/or crewing changes to stations at London Road, Stockhill, West Bridgford, and Ashfield;
- s) operational data has shown that response demand overall has reduced but there is greater risk to the north of the City and hence the proposed patterns which result in a reduction of 2 appliances and 44 posts to achieve the required £2m savings;
- t) current response times aim to achieve 8 minutes on average, this will be reassessed. It may also be necessary to review the number of appliances attending incidents if there are to be fewer firefighters on appliances, more appliances may need to attend some types of incidents. Cover of appliances will also be reviewed and mutual assistance will continue with neighbouring services;
- u) currently, a large percentage of incidents (approximately 40%) are Unwanted Fire Signals (UwFS). This needs to be considered on a risk basis, however, there is potential for confirmation that attendance is necessary will be required before the incident will be considered a priority. Any change in responding to UwFS may result in an increase in the average response time;
- v) no reduction in Fire Protection is recommended at this time, as the Service implements its statutory duty to ensure compliance with the Building Safety Act.
- w) if the Authority agrees with the recommendations the outcome of consultation will be reported to the February 2023 Fire Authority meeting. It is not anticipated that citizens will support the proposals but the funding gap will remain regardless;
- x) the Authority is aware that FBU members will understandably soon be balloted regarding pay, but it should be understood that every 1% increase above the 3% budgeted for equates to a £350,000 impact on the Service, unless underwritten by Central Government;
- y) compared to other Fire and Rescue Services and reserves held, this Service is grouped within the lowest one quartilenationally. Whilst reserves will be drawn on, further drawing on the limited reserves would not be an easy option. The Fire Authority has a legal duty to set a balanced budget, or risks intervention from the Secretary of State under section 22 of the Fire Services Act;
- z) this will be the 12th year of budget reductions to the Service, with further changes and reductions presenting the risk of reduced citizen confidence in the Service and its reputation. The CRMP will need to be revised and will result in assessment of partner engagement as resources are reduced;

- aa) further conversations need to be had with blue light partners, including the PCC and neighbouring Fire Services with regard to devolution and the impact on blue light services.

The Chair thanked everyone involved in compiling the report and noted that some suggested proposals within the report will impact directly on some of those officers.

At the request of members, the meeting was adjourned at 13:22 and reconvened at 13:41.

The Chair emphasised that the recommendations posed today are to enter into a consultation, as is legally required, and that no further decision will be made on Service amendments until the outcome of the consultation is known.

Questions from members were responded to as follows:

- bb) a thorough review of the Service's sites and property has already been undertaken and will continue to be reviewed. As a result of the initial review savings were identified and pursued, including Collaboration on assets with blue light partners, such as the Joint Headquarters, but few are willing to be sited on Fire Stations. Some community groups access meeting facilities but don't have the funds available to pay a commercial market rate;
- cc) Capital receipts cannot be used to fund revenue and therefore further 'sweating the assets' will not resolve the current situation and provide a sustainable solution;
- dd) Members should be assured that the current position is not a 'cliff edge' situation for which the Authority and officers are responsible. The Finance and Resources Committee and Group Leaders are regularly kept informed of the Service's financial position. Forward planning has been difficult when government grant funding is only confirmed on a yearly basis, restrictions on council tax precepts, rapidly rising inflation and the increased cost of living, which then will also be reflected in pay awards, are all contributing factors;
- ee) Reserves spent now will only provide a temporary solution and not resolve the ongoing budget deficit and provide a sustainable solution.

Comments from Members of the Authority included:

- ff) Councillor Steve Battlemuch formally proposed an amendment to the recommendation as follows:

'That a vote on the Futures 2025 paper be deferred for up to 8 weeks to allow for:

- 1) further discussion in committee;
- 2) more information and representations from the workforce, including their recognised trade unions;

- 3) for a cross-party approach to the new fire Minister and to invite him to a special meeting of the Authority.

The financial pressures are fully understood and it is recognised that there are difficult decisions that the Authority do not want to take. However, reductions in service may lead to loss of life and whilst it is believed that the report is written in good faith and is the result of a lot of hard work, some elements need to be challenged and further details clarified, particularly as serving firefighters have serious concerns on the proposals.

- gg) This is the wrong time to enter into public consultation. There is a newly appointed government, including a new fire minister who needs to be fully informed of the position of the Service and the need for Central Government to fill the funding gap;
- hh) Other members of the Authority agreed with Councillor Battlemuch's suggestion regarding meeting with the new Fire Minister prior to progressing consultation, but suggested that the Authority agree the recommendation as set out in the report, but delay implementation until the new Fire Minister has been fully briefed and every other option followed that so Central Government have had the opportunity to respond prior to consultation. If no progress is made, then the Authority could commence public consultation, but in this present financial climate, the response to consultation is inevitable. It makes sense to pursue every opportunity prior to entering into public consultation;
- ii) The Chair commented:
 - i. that due to the necessity of identifying how to address the £2m budget deficit by the required timeline in February, it would not be possible to delay the required 12 week public consultation by 8 weeks;
 - ii. all members of the Authority are passionate about the Service and are presenting a collective, cross party response in addition to the Chief Fire Officer and Chair approaching MPs to emphasise the urgency of the situation. All MPs approached have collectively said that they are willing to pose a joint representation to Parliament, so there is no further value in delaying consultation for this purpose alone;
 - iii. there may be value in delaying implementation of consultation for up to a couple of weeks until the new Fire Minister has been approached, subject to the advice of the Chief Fire Officer;
 - iv. the Authority legally needs to go out to consultation prior to any change to provision – there is no alternative. Unless funding can be found elsewhere, changes will have to be made to ensure that a legally required balanced budget is achieved in February;
 - v. all the proposals within the report are evidence and data driven, no alternative options are available to the proposals which have been formulated without any influence of elected members. The proposals have been formulated based on the professional advice of the Chief Fire Officer and Treasurer;

- vi. the debate of the current position of the Service needs to take place in public to ensure that citizens realise the pressure that the Service is under. Quite simply, consultation will gather the views of citizens, staff, and partners;
- jj) some members of the Authority expressed regret that there had not been thorough debate and discussion prior to publication of the proposals, particularly with regard to the angst caused to staff, but also concerns of citizens, but it is recognised that any delay will extend the angst of staff;
- kk) this Authority should at least have the option to apply a flat rate £5 increase to Council Tax, as other Authorities have. There has been cross-party lobbying from Fire Authority members to Central Government, which were not successful. If allowed, it wouldn't solve the deficit but would contribute to reducing the deficit;
- ll) whilst not in favour of raising taxes, the Authority has not been given the flexible option provided to some other authorities, and it is believed that citizens would prefer a small increase in council tax rather than a reduced Fire and Rescue Service;
- mm) there is concern that there is a proposed reduction in the city provision with all the new high rise development within the city, particularly following the Grenfell Tower incident;
- nn) the cross-party approach is very welcome and likely to provide a stronger case for Central Government consideration, but it may prove difficult to avoid party politics if Central Government doesn't resolve the issue;
- oo) public consultation is required to gather the opinions of citizens, the workforce and elected members. If Central Government is not willing to fund the budget deficit, very difficult decisions will have to be made but at least the Authority will have the evidence from public consultation of citizen's views to take forward to the Fire Minister;
- pp) We are not making a decision on cuts, only to go out to public and work force consultation, which is legally required. The results of consultation may provide valuable evidence of citizen's views and opinions to then strengthen the case made to Central Government. These issues have been building with a cross party approach to try and address rising deficit. Cuts have been ongoing for many years and gaps will be beginning to show in the Service, which will be a risk to citizens. The comments of the FBU are concerning and whilst there isn't enthusiasm for the proposals, there will be tough decisions to be made if the Government doesn't put the required money forward;
- qq) 14 years of ongoing financial cuts is seeing the Service moving backwards. This is not sustainable. Citizens need to understand that the blame for this lies with Central Government which is currently focused to benefit richer citizens;
- rr) members of the Authority are here representing political parties, but more importantly we are here representing the citizens of Nottingham and have a responsibility for their safety and the ramifications for people's lives. The detail of the needs based analysis and evidence driven data is missing from the report and, with respect to the CFO, the professional opinion of firefighters needs to be included and made available for members and citizens to scrutinise prior to responding;

- ss) these proposals, which are required to provide a balanced budget, are a risk to public safety and people's lives. The additional pressures on the budget are not of the Fire Authority's making and whilst budgeting for a 3% pay increase, it's likely that with the increasing cost of living, the workforce will be wanting 10-12%, which will provide further pressure in the budget;
- tt) cuts to frontline services cannot be supported and there needs to be more public information, including input from the experienced workforce, on what the ramifications will be;
- uu) Police and Crime Commissioner, Caroline Henry, commented:
 - i. Trust - it is vital that the public have trust in the Fire Service to be and feel safe.
 - ii. Team - we haven't received enough detailed information, nor heard enough from firefighters to be able to make a fully informed decision prior to going out to consultation;
 - iii. Together - HMICFRS is pleased with collaboration so far but as PCC I need to know if there is anything further I can do to support further cost saving collaboration that would prevent cuts to front line services. This may be 'back office' collaboration or whatever we can do;
 - iv. Tomorrow - the future at 2024 is still uncertain with regard to devolution and the possibility of a combined Mayor or PCC, so whilst there are reserves available, should we really be cutting front line services?

CFO responded:

- a) that more detailed reports have been submitted to the Authority Committees and group leaders over many months, including quarterly final reports which have provided detail at various committees;
- b) staff engagement and feedback is welcomed and encouraged;
- c) capital programme reviews are ongoing and rationalisation is underway. Any income will be considered and overseen by Councillor Clarke and the Finance and Resources Committee which has representation from all parties;
- d) the consultation period guidance suggests a period of 12 weeks can be flexible but it is best to give citizens as long as possible. Consultation needs to take place and be concluded prior to Christmas to ensure proposals for a balanced budget can be considered by the Finance and Resources Committee and budget setting in February 2023;
- e) we can use more reserves, but it would not be prudent to recruit to full staffing on the basis of funding from reserves for only one year as there are no guarantees that funding will be forthcoming and potentially necessary to make redundancies, which is not acceptable;

- f) collaboration is set out in the report and further collaboration opportunities are considered as they are identified;

Councillor John Clarke moved that the vote be taken on the proposed amendment and Councillor Nick Raine seconded the motion proposed by Councillor Steve Battlemuch.

The Chair invited Authority members to vote on accepting the amendment to the recommendations. 9 members voted in favour, and 9 against. The Chair's casting vote resulted in the proposed motion failing.

Members then voted on the substantive recommendations posed in the report.

9 for, 8 against and 1 abstention.

Resolved to:

- 1) note the proposed reduction in support roles and the move to a second phase of workforce review;**
- 2) support a period of public and workforce consultation to save £2m from the operational establishment;**
- 3) note the proposed changes to reduce demand upon the response resources;**
- 4) note the review of the Service incident attendance time measure;**
- 5) agree not to pursue a referendum to increase council precept above the current cap;**
- 6) support the review of CRMP commitments to communities;**
- 7) endorse the limited use of reserves for financial year 2023/24 to support planned Service reductions;**
- 8) agree to receive further update reports to future meetings of the Fire Authority;**
- 9) support the Chief Fire Officer in investigating sustainable longer term strategic options for the Service.**

29 Annual Report of Information Governance 2021/22

Michael Sharman, Assistant Chief Fire Officer, presented the report which informs the Authority of the Information Governance activity during the year 2021/22.

It was noted that:

- a) 104 Freedom of Information (Fol) requests had been received in the period, compared to 108 in the previous year, and that 85% were dealt with within the required 20 working days. This is below the 90% target but was considered acceptable in the circumstances of pandemic, so improvement is expected for future years;

- b) no Environmental Information Requests were received;
- c) no data protection incidents were reported whereby there was a breach of security;
- d) no Regulation of Investigatory Powers Act 2000 were required to be used during this period.

Resolved to note the report.

30 Environment and Sustainability Policy Statement

Michael Sharman, Assistant Chief Fire Officer, introduced the report which presents the recently reviewed Environmental and Sustainability Policy Statement.

Resolved to endorse the Policy Statement to reaffirm the Authority's commitment to matters relating to environment and sustainability.

31 Health and Safety Policy Statement of Intent

Michael Sharman, Assistant Chief Fire Officer, introduced the report which presents the recently reviewed Health and Safety Policy Statement of Intent.

Resolved to endorse the Health and Safety Policy Statement of Intent and reaffirm the Authority's commitment to effective Health and Safety risk management for employees and others who are affected by the Service's activities.

32 Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services Inspection Report

Craig Parkin, Chief Fire Officer, and Mick Sharman, Assistant Chief Fire Officer presented the report which formally informs the Authority of the results of the 2021 Inspection by her Majesty's Inspectorate of Constabulary and Fire and Rescue Services and highlighted the following points:

- a) As a result of the 2018 inspection the Service was rated as 'requiring improvement' and 24 areas for improvement were identified. Since then, the service has worked hard to address the areas for concern and for the latest inspection has achieved a 'good' rating;
- b) From the latest inspection only 4 areas for improvement, which is the lowest received by any Service, and have been identified as:
 - The Service should assure itself that its risk-based inspection programme prioritises the highest risks and includes proportionate activity to reduce risk
 - The Service should ensure that, when responding to a 999 call, mobile data terminals are reliable to allow staff to access risk information

- The Service should make sure it effectively monitors, reviews and evaluates the benefits and outcomes of any collaboration activity
- The Service should assure itself that staff understand how to get wellbeing support.

Work is already underway to address these points.

The Chair and members of the Authority welcomed the improved grading and thanked everyone involved in working to address the areas for improvement, particularly under the current pressures and requested that staff be formally thanked and the rating widely promoted.

Resolved to

- 1) note the outcome of the HMICFRS inspection and the progress made by the Service;**
- 2) acknowledge the four areas for improvement highlighted by HMICFRS and approve governance and scrutiny through the Fire Authority Committee structures.**

33 Treasury Management Annual Report 2021/22

Becky Smeathers, Treasurer and Head of Finance, presented the report which provides details of the treasury management activity during 2022/22 as is required by the Local Government Act 2003, and highlighted the following points:

- a) page 42 of the report includes a table which shows that financial activity has been within the Prudential Indicators previously set by the Authority;
- b) estimated total Capital Expenditure to be incurred in 2021/22 was approved as £5.8m but slightly more was spent due to slippage from the previous year;
- c) investment yield benchmark was slightly below the 3 month LIBID rate but this is due to the Service's cash deposits being placed with smaller but secure institutions.

Responses to Authority members' questions included:

- d) with regard to reserves:
 - i. the Service holds approximately £10m reserves which equates to 20% of the gross annual Budget;
 - ii. CIPFA don't recommend a % and it is a decision for the Authority to gauge and balance risk. This is assessed in the reserve strategy within the Treasury Management Strategy and reserves are set as £4.5m, plus earmarked reserves, some of which relate to grants received and on-going project work which runs across the year end, such as the Emergency Services Network, the mobilising system and equipment. There is a table of earmarked reserves in the Futures 2025 report;

- iii. £936k of reserves has been set aside for budget support in future years (but will be needed and used in the next financial year) with further needed in future years;
- iv. £900k has been allocated to implement 'Futures 2025' including consultation, investigating further options and any necessary redundancy payments;
- v. £900k surplus is in the General Fund Reserve, which is currently being protected to provide limited protection beyond future years beyond the next the stability but this will be reviewed when the Authority considers the strategy and reserves in February. To reallocate any earmarked reserves would impact on the ability to deliver the mobilising systems;
- vi. it is noted that whilst there is £5.4m in general reserves, the Authority stance currently is committed to maintain just over £4.5m and the Authority is having to allocate nearly £1m to support Futures 2025.

Resolved to note the update on treasury management activity during the 2021/22 financial year as required under the Local Government Act 2003.

34 Principal Officer Establishment

Craig Parkin, Chief Fire Officer, presented the report which seeks approval to amend the Principal Officer establishment and convene the Appointments Committee to recruit and appoint an Assistant Chief Fire Officer (ACFO) for Nottinghamshire Fire and Rescue Service.

- a) a temporary structure was implemented at the time of the CFO appointment, in that the Chief's previous role of Deputy Chief Fire Officer was not filled but that an additional Assistant Chief Fire officer was temporarily appointed;
- b) having thoroughly assessed the current situation, at the moment the Chief considered it appropriate for the Chief Officer Team to continue to consist of 3 officers at the current levels, and delete the Deputy post;
- c) clarity will be sought for the process putting one of the Assistant Officers in charge if the Chief were unavailable for any reason. This will be considered by the Clerk and Monitoring Officer and proposals to amend the constitution if agreed by the Authority.
- d) if agreed today, it is anticipated that the appointment of Assistant Chief Fire Officer will be reported to the February Fire Authority meeting.

Resolved to:

- 1) agree to the deletion of the Deputy Chief Fire Officer (DCFO) post and creation of a substantive ACFO post;**
- 2) task the Chief Fire Officer (CFO) with supporting the Authority in the recruitment of an Assistant Chief Fire Officer.**



NOTTINGHAMSHIRE
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Nottinghamshire and City of Nottingham Fire and Rescue Authority

GOVERNANCE UPDATE

Report of the Clerk and Monitoring Officer to the Authority

Date: 16 December 2022

Purpose of Report:

To provide a further update to members on the Authority's governance arrangements, the operation of the revised scheme of delegation since approval at the July 2022 meeting and on the work being undertaken by the Independent Remuneration Panel in respect of Members' Allowances. It also provides an update on the business continuity arrangements that it is recommended should be put in place in the event that the Chief Fire Officer is unavailable to fulfill their duties and on a move to a digital only strategy for agendas.

Recommendations:

It is recommended that Members:

- Note the proposals with regard to further reviewing the Authority's Governance arrangements.
- Note the activity undertaken by the Chief Fire Officer under the revised scheme of delegation following consultation with the Chair of the Authority.
- Note the update on the work being undertaken by the Independent Remuneration Panel.
- Approve the business continuity arrangements recommended to be put in place at paragraph 2.4 in the event that the Chief Fire Officer were to become incapacitated or unavailable to the Authority for any length of time.
- Approve the adoption of a digital first approach to Authority reports.

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1. BACKGROUND

- 1.1 At the July 2022 Fire Authority meeting, Members commented on the need for a more frequent schedule to review governance, and as such the CFO has been working with the Clerk to the Authority and the Chair of the Authority in order to develop a regular schedule to present items to Members at future meetings. That work remains ongoing.
- 1.2 The changes to the CFO's scheme of delegation, which were agreed at the July meeting of the Fire Authority, have enabled greater flexibility to the Service, particularly shortening timescales in managing the approved establishment. Since July, and following consultation with the Chair of the Authority, decisions have been taken around Phase Two of the workforce review which are intended to drive out savings of £250k. As previously agreed, a report setting out changes to the permanent establishment will be provided to the Authority on an annual basis.
- 1.3 The Independent Remuneration Panel have now concluded that, with the previously agreed amendment that the allowance paid to Opposition Spokesperson/Minority Groups Spokesperson (Groups of 4 or more) should be amended so as to apply to Groups of 2 or more, that their initial work is now complete and that the scheme as otherwise previously approved should continue. However, the inflator applied to Members' Allowances, which references a percentage increase, requires further consideration given that the recently agreed pay award for 2022 was based on a flat rate cash increase as opposed to a percentage settlement. As a consequence, the inflator provisions included in the scheme do not fit in with the reality of what has happened in practice and require further consideration. It is anticipated that a further report on this element will be brought to the February meeting of the Authority.
- 1.4 Since the appointment of the current Chief Fire Officer (CFO) and deletion of the Deputy Chief Fire Officer post, consideration has been given to the potential business continuity implications should the CFO be unavailable for any length of time. Such circumstances would impact upon clarity of leadership for Nottinghamshire Fire and Rescue Service and support to the Fire Authority. It is therefore proposed that, should such circumstances arise, the Policy and Strategy Committee would be convened, without delay, as the recognised committee to consider urgent items with a view to putting such temporary arrangements in place as are deemed necessary.
- 1.5 Currently Members are given the option of receiving Authority agendas in either a digital or print format. As part and parcel of the Governance improvement journey it is recommended that the Authority move to digital only provision with effect from a date to be agreed.

2. REPORT

- 2.1 Work remains ongoing in relation to a number of governance areas as outlined in the background section of this report. Initial re-reviews have been undertaken of a number of core governance documents and these will form the subject of later reports to the Authority with a view to updating them. In the meantime, Members can be assured that they remain fit for purpose.
- 2.2 The changes to the scheme of delegation agreed at the July 2022 Authority meeting have enabled the Chief Fire Officer to make speedier decisions around the staffing establishment following consultation with the Chair of the Authority. Details of those changes will be brought to the Authority in an annual report.
- 2.3 The work of the Independent Remuneration is, as outlined in the background section to this report, almost complete save for the element relating to the inflator. It is anticipated that a report on this aspect will be brought to the February 2023 meeting of the Authority.
- 2.4 Following the deletion of the post of Deputy Chief Fire Officer there are business continuity issues that need to be addressed in the event that the Chief Fire Officer were to become incapacitated or unavailable to the Authority for any length of time. Measures to address this possibility involve convening a meeting of the Policy and Strategy Committee, without delay, as the recognised committee to consider urgent items. This would then enable the Authority to put such temporary arrangements in place as are deemed necessary.
- 2.5 Currently Members are given the option of receiving Authority agendas in either a digital or print format. As part and parcel of the Governance improvement journey it is recommended that the Authority move to digital only provision with effect from a date to be agreed. This will help reduce printing costs and will also assist in moving to a more paper lite environment.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising out of the proposals in this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

It is important that as the Constitutional Framework evolves that users are fully aware of its contents to ensure that good governance is maintained. This may give rise to the need for further training.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because the proposals do not lead to any new policies or changes in existing policies.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising out of the proposals in this report.

7. LEGAL IMPLICATIONS

Having a sound and up to date Constitutional Framework contributes to overall good governance and ensures that decisions are made in a timely manner and at the right level. Equally, the Authority must have an up to date, fit for purpose, remuneration scheme for elected Members.

8. RISK MANAGEMENT IMPLICATIONS

There are no risk management implications arising out of the proposals in this report other than the one relating to business continuity.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising out of the proposals in this report.

10. RECOMMENDATIONS

It is recommended that Members:

- 10.1 Note the proposals with regard to further reviewing the Authority's Governance arrangements.
- 10.2 Note the activity undertaken by the Chief Fire Officer under the revised scheme of delegation following consultation with the Chair of the Authority.
- 10.3 Note the update on the work being undertaken by the Independent Remuneration Panel.
- 10.4 Approve the business continuity arrangements recommended to be put in place at paragraph 2.4 in the event that the Chief Fire Officer were to become incapacitated or unavailable to the Authority for any length of time.
- 10.5 Approve the adoption of a digital first approach to Authority reports.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)
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None.

Malcolm R. Townroe
Clerk AND MONITORING OFFICER TO THE AUTHORITY



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Fire and Rescue Authority

MEDIUM TERM FINANCIAL STRATEGY 2023/24 TO 2026/27 AND BUDGET GUIDELINES 2023/24

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

Date: 16 December 2022

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 2023/24 and to request that the Fire Authority set general guidelines within which the Finance and Resources Committee will develop a detailed budget proposal for 2023/24.

Recommendations:

It is recommended that Members:

- Approve the Medium-Term Financial Strategy (MTFS) as set out in Appendix A.
- Approve the Capital Strategy and Flexible Use of Capital Receipts Strategy contained within the MTFS.
- Approve the Reserves Strategy contained within the MTFS.
- Approve the proposed minimum level of general fund reserves of £4.5m as set out in the Reserves Strategy.

- Approve the re-allocation of Earmarked Reserve as detailed in the Reserves strategy and set out in the table below:

Re-allocation of Earmarked Reserve

	Balance 31-Mar-22 £	Required 2023/24 £	Required 2024/25 to 2026/27 £	To be Reallocated £
ICT Telephony Software	53,000	0	0	(53,000)
Communications development	171,753			(171,753)
Rescue Gloves	50,000	(37,000)	0	(13,000)
Transformation and Collaboration	553,495	(103,276)	(223,155)	(123,789)
Budget Pressure Support	936,287	(1,000,000)	(126,076)	189,789
Tri Service Control / Mobilising System	178,083	(200,000)	149,836	171,753
Total				0

- 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.

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1. BACKGROUND

- 1.1 The Fire Authority has a number of strategies in place to support the proper financial management and governance of the Authority.
- 1.2 The Medium-Term Financial Strategy (MTFS) 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 demonstrates how the Authority's resources are used to support the Authority's Community Risk Management Plan (CRMP) and other key strategies and plans.
- 1.3 The updated MTFS builds on the strategy approved by the Fire Authority in December 2021 and covers the four-year period from 2023/24 through to 2026/27.
- 1.4 This MTFS has been written against a backdrop of financial and economic uncertainty. November's Autumn Statement provided headline figures for public expenditure but draft settlement figures for individual authorities will not be known until late December. Inflation reached 11.1% in November and is forecast to drop to 7.4% in 2023/24, which adds additional pressure on the budget. Firefighter pay award negotiations are still ongoing for 2022/23 and there will be pressure for them to reflect inflation for 2023/24. For this reason, the Strategy considers several funding scenarios.
- 1.5 In addition to funding, 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 2023/24 and beyond, before final budget proposals are considered by the Fire Authority in February 2023.
- 1.6 The Reserves Strategy, Capital Strategy and 10-year Capital Plan form part of the MTFS.

2. REPORT

ISSUES IMPACTING ON THE BUDGET

- 2.1 The MTFS is attached in full to this covering report. It considers the current financial position of the Authority and looks at the estimated budgetary position over the next four years against a backdrop of both the national and local financial position, including the levels of reserves that the Authority holds.

- 2.2 In February 2022, the Authority set a balanced budget for 2022/23, although this was only achieved after making £1.6m temporary savings. The report predicted shortfalls in 2023/24 and 2024/25 of £2m and £3.2m respectively. Budget monitoring for 2022/23 is predicting that the service will be close to breaking even should a 5% firefighter pay award be approved.
- 2.3 In October 2022, members were presented with an update on revised estimates of future year budgets which took account of likely pay awards, revised inflation and income estimates.
- 2.4 Whilst there remain areas of uncertainty, budgets have been updated to reflect revised assumptions and other known changes, which include:
- 2022/23 and 2023/24 pay awards
 - Inflation – particularly fuel, gas and electricity
 - CRMP development
 - Business Rates revised projections
 - Changes in Council Tax precept levels
 - Reductions in MRP due to planned delays in capital programme

Futures 25 Efficiency Strategy

- 2.5 The service made £1.6m of temporary savings in order to set a balanced budget for 2022/23. This included carrying vacant posts, and temporary reductions in repairs and maintenance. These savings were not sustainable in the long term and were built back into 2023/24 budgets. After one off grant was also removed it was anticipated that there would be a shortfall of £2m in 2023/24, rising to over £3m in 2024/25. On the back of these projected shortfalls, work commenced on developing an efficiency strategy.
- 2.6 Since the 2022/23 budget was approved there have been significant additional financial pressures on the Service (see Section 2 of the MTFS). Revised inflation and pay award assumptions during the autumn increased amount of required savings from the efficiency strategy.
- 2.7 The Futures 25 efficiency strategy was initially presented to Policy and Strategy Committee in May 2022 with a further report being considered by Fire Authority in September 22. In its initial phase the Workforce Review has identified £250k of savings through the disestablishment of support staff posts across several departments through the consolidation of primary management grade posts.
- 2.8 The Workforce Review has identified that a wider change and improvement programme is required. This will include structural redesign and business process improvement to maximise the efficiency and effectiveness of the Service. This is a significant piece of work and is expected to be completed during 2023/24.
- 2.9 The third strand of Futures 25 is being delivered via a Fire Cover Review which has looked at the structure and budget associated with the operational

wholetime establishment. This strand is being delivered in partnership with ORH, a sector leading expert with extensive experience in advising emergency services. This work has resulted in a proposal to save £2m from operational budgets by reducing the number of appliances in the Service from 30 to 28 and reducing the ridership by 44 posts. This proposal is currently in a period of public consultation until 23 December 22. A final decision will be made at Fire Authority on 24 February 2023.

COUNCIL TAX

- 2.10 It was announced in the Autumn Statement that the government is giving local authorities in England additional flexibility in setting council tax by increasing the referendum limit for increases in council tax to 3% (from 2%) per year from April 23. This may not be the final position with negotiations around additional flexibilities still ongoing. These will be included in the provisional local government finance settlement which will be released for consultation in late December.
- 2.11 A 2.95% additional increase in Council Tax will create additional funding in the region of £826k.
- 2.12 Council Tax for the Fire Authority is currently £84.57 at Band D. A 2.95% increase would raise it by £2.49 to £87.06 per year which equates to £1.63 per week. A £5 increase would raise it to £89.57 - £1.72 per week.

Table 1 – Council Tax Options Analysis

	Amount £	Increase £	Additional Income £'000
Current Band D Council Tax	£84.57		
1.95% increase	£86.22	1.65	547
2.95% increase	£87.06	2.49	826
£5 increase	£89.57	5.00	1,659

RESERVES STRATEGY

- 2.13 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 held 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. The Authority's Reserves Strategy is attached at Appendix 4 of the MTFS.
- 2.14 Total estimated Reserve levels as at 31 March 2022 are £9.3m, consisting of £5.2m General Reserve and £4.1m Earmarked Reserves.

2.15 The Authority reviews the levels of reserves it requires as part of the Reserves Strategy. A General Fund reserve minimum level of £4.5m has been proposed for 2023/24, which remains the same as 2022/23, although several adjustments have been made to reflect changes in risk. The three highest areas of identified risk are detailed below (see section 2.12 of the Reserves Strategy for more information):

- Pay award above rate included in the budget
- Inability to set a balanced budget due to economic climate
- Pension related issues (due to McCloud, the 2020 revaluation and Matthews/O'Brien case)

2.16 A review of the Earmarked Reserves has been undertaken in the Reserves Strategy. This has identified £362k of available reserves either are no longer required or have not yet been allocated to projects. It is proposed that these are reallocated to the following existing earmarked reserves:

- Budget Pressure Support - £190k;
- Tri Service Control / Mobilising System £172k.

2.17 Any unplanned expenditure or overspends will need to be met from the General Reserve or existing Earmarked Reserves.

OUTLOOK FOR 2023/24, 2024/25 AND BEYOND

2.18 Whilst detailed expenditure budgets are still being developed, where additional costs are already known, these have been included in the budget requirement.

2.19 Given the uncertainty discussed in this strategy, three scenarios have been considered – a worst case, a likely case and a best scenario. These can be found in section 6 of the MTFS. A summary of this can be found in the table below.

Table 2 – Worst / Most Likely / Best Case Scenarios

Scenario	Deficit / (Surplus) Position 2023/24 £'000	Comments / Assumptions
Worst Case	3.043	<ul style="list-style-type: none"> • 6% firefighter pay award for 2022/23 • 5% 2023/24 pay award • 5% increase in Revenue Support Grant • Services Grant remains, but reduced to reflect reduction in employer National Insurance (NI) contributions • 1.95% increase in Council Tax approved
Most Likely Case	2.145	<ul style="list-style-type: none"> • 5% firefighter pay award for 2022/23 • 4% 2023/24 pay award • 5% increase in Revenue Support Grant • Services Grant remains, but reduced to reflect reduction in employer NI contributions • 2.95% increase in Council Tax approved
Best Case	(38)	<ul style="list-style-type: none"> • 5% firefighter pay award for 2022/23 • 3% 2023/24 pay award • 5% increase in Revenue Support Grant • Services Grant remains, but reduced to reflect reduction in employer NI contributions • £5increase in Council Tax approved

2.20 The scenarios show the position considering different levels of council tax precept between 1.95% and £5. The most likely scenario indicates a deficit of £2.145m.

SUMMARY

- 2.21 This MTFs has been written against a backdrop of financial and economic uncertainty. Whilst indications are that the fire sector will receive some funding increases, this will not be known with any certainty until the Funding Settlement figures are known in December and collection fund details for Business Rates and Council Tax are known at the end of January 23.
- 2.22 The most likely scenario assumes a 2.95% increase in Council Tax and after considering the economic situation and expected costs, shows a 2023/24 deficit position of £2.1m. Future year deficits remain slightly above this level.
- 2.23 It is therefore likely that the service will need to identify savings in the region of £2m moving forward. These savings will be achieved through the delivery of the Futures 25 Efficiency Strategy. It may be necessary to use an element of reserves during 2023/24 to allow the service time to implement the savings identified as part of the strategy. The service currently holds £936k in a Budget Pressures Support Earmarked Reserve for this purpose, and the

Reserves Strategy has identified further resources to re-allocate to this reserve taking it to £1.126m. This should place the Authority in a good position, enabling it to balance the budget without the use of reserves in 2024/25.

- 2.24 In the worst case scenario estimates show that a 2023/24 deficit of £3m could be likely, even assuming a 1.95% Council Tax increase. If there were to be no increase in Council Tax levels the 2023/24 deficit would rise to £3.5m. If this were to be the case then significant savings would be required and the more difficult options identified in the Futures 25 Efficiency Strategy would need to be considered.
- 2.25 It is probable that the maximum limit for the amount Council Tax can be increased before invoking a referendum will be 3%. The Fire sector have requested the flexibility to increase council tax by £5 to enable investment to help it deal with pressures outlined in section 3 and investment in future services. However, this is considered unlikely to be approved as part of the final settlement from central government.
- 2.26 The Reserves Strategy sets out plans for re-allocating £361k of Earmarked Reserves, some of which will be transferred into the Budget Pressures Support Earmarked Reserve. This will be used to help the service transition into a balanced budget position by 2024/25.
- 2.27 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. 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.
- 2.28 At its meeting on 24 February 2022 the Fire Authority will consider the budget report with the objective of setting Council Tax levels for 2023/24.

PROPOSED GUIDELINES

- 2.29 The meeting of the Finance and Resources Committee in January 2023 will be presented with the latest budgetary position. Although funding levels, Council Tax base and business rate estimations will not have been finalised by then, the provisional settlement will have been released and the Authority should have more detailed expenditure estimates. Therefore, the Committee will have some information about the overall three-year budgetary plan to provide guidance to the Fire Authority meeting in February.
- 2.30 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.

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

- a. Reduce Council Tax
- b. Maintain Council Tax at the 2022/23 level
- c. Increase Council Tax by an amount lower than the referendum limit
- d. Increase Council Tax by an amount higher than the referendum limit.

2.32 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 significantly increased costs to the Authority. In the current financial environment, the options in Paragraphs 2.31 b) and c) are considered to be the most appropriate parameters within which the Finance and Resources Committee should work.

2.33 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

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because there are no equality implications.

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 IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

It is recommended that Members:

- 10.1 Approve the MTFS as set out in Appendix A.
- 10.2 Approve the Capital Strategy and Flexible Use of Capital Receipts Strategy contained within the MTFS.
- 10.3 Approve the Reserves Strategy contained within the MTFS.
- 10.4 Approve the proposed minimum level of general fund reserves of £4.5m as set out in the Reserves Strategy.
- 10.5 Approve the re-allocation of Earmarked Reserve as detailed in the Reserves strategy and set out in the table below:

Re-allocation of Earmarked Reserve

	Balance 31-Mar-22 £	Required 2023/24 £	Required 2024/25 to 2026/27 £	To be Reallocated £
ICT Telephony Software	53,000	0	0	(53,000)
Communications development	171,753			(171,753)
Rescue Gloves	50,000	(37,000)	0	(13,000)
Transformation and Collaboration	553,495	(103,276)	(223,155)	(123,789)
Budget Pressure Support	936,287	(1,000,000)	(126,076)	189,789
Tri Service Control / Mobilising System	178,083	(200,000)	149,836	171,753
Total				0

10.6 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.

Becky Smeathers
TREASURER TO THE FIRE AUTHORITY

Craig Parkin
CHIEF FIRE OFFICER



NOTTINGHAMSHIRE
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Medium Term Financial Strategy

2023/24 to 2026/27



MEDIUM TERM FINANCIAL STRATEGY

2023/24 to 2026/27

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Appendix 2	Ten Year Capital Plan 2023/24 – 2030/31
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Appendix 4	Reserves Strategy
Other References	<ul style="list-style-type: none"> • CRMP • Treasury Management Strategy • Futures 25 Efficiency Strategy • Estates Strategy • Fleet Strategy • ICT Strategy • Community Safety Strategy • Workforce Plan

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 which are needed to ensure the long-term financial sustainability of the Authority. It supports affordable, sustainable service delivery throughout the planned use of revenue budgets, capital budgets and reserves.
- 1.2 A medium-term financial strategy (MTFS) sets out how finances are to be managed in such a way as to manage levels of Council Tax and reserves. 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 CRMP (Community Risk Management Plan – CRMP) can both be achieved and sustained over time.
- 1.3 The Strategy should reflect the priorities outlined in the CRMP and link together with all other strategies of the organisation such as the Capital Strategy, Treasury Management Strategy and Reserves Strategy.
- 1.4 The objectives of the Authority's financial strategy are as follows:
 - a) To provide a stable financial foundation to assist in decision making.
 - b) To be fully cognisant of other supporting plans and strategies such as the CRMP, Workforce Plan, equalities objectives and ICT strategies to provide a cohesive framework.
 - c) To enable the Authority to be proactive rather than reactive in terms of financing.
 - d) To support the continuance of the Authority's core service strategies.
 - e) To support sustainable service delivery using revenue budgets and reserves.
 - f) To seek to minimise the impacts on the Council Tax payer of fluctuations in demand for resources.
 - g) To hold a working balance of cash and reserves sufficient to respond to unexpected events and/or opportunities.
 - h) To be flexible and responsive to changes in needs and legislation.
 - i) To take account of the wider economic climate and local influences.
 - j) To ensure that the capital base of the Authority can be maintained within affordable and sustainable limits.
 - k) To provide forward looking indications of Council Tax levels.

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

- a) Resources will be prioritised to meet the core aims of the Service as set out in the CRMP and other strategies which flow from the CRMP.
- b) Priorities will be reviewed in the light of available resources and financial performance.
- c) Priorities will be influenced by the Corporate Risk Register.
- d) Capital will be financed using the most advantageous method prevailing at the time finance is required within the requirements of the Prudential Code. A full options appraisal will be carried out before financing decisions are taken.
- e) 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.
- f) Council Tax rates will be transparent and sustainable. This means that budgets will not be lowered and supported by reserves unless this is part of a long-term sustainable strategy and approved by Members.
- g) Charging for services will remain sensitive to the needs of communities and their expectations of the Service.
- h) Sponsorship funding will not be sought to underpin front line or core service delivery unless a long-term plan for sustainability has been developed.
- i) The Authority will continue to direct resources to the areas of greatest need within communities and seek to address the wider safety agenda. This will be influenced by the latest Fire Cover Review.
- j) The Authority will actively seek to collaborate with partner organisations in both setting and delivering priorities, as set out in the Collaboration Strategy.
- k) The Authority will apply any year end surpluses / deficits to general fund reserves once any allocations to earmarked reserves have been made.
- l) Longer term financial planning will take account of the possible use of reserves to minimise the effect of reductions in funding as a means of transition, but not of permanent support.

FINANCIAL MANAGEMENT

1.6 The process for the preparation of revenue budget is strongly linked to the priorities outlined in the CRMP.

1.7 Budget managers are fully involved in developing revenue and capital budgets to ensure that annual budgets accurately reflect demand levels and cost pressures. Inflation is built in where necessary and not applied at a flat rate across the board.

- 1.8 Salary budgets reflect staffing levels outlined in the workforce plan and pay inflation is estimated at the time of setting the budget.
- 1.9 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 understanding the underlying detail within the budgets. The Finance and Resources Committee makes budget and precept level recommendations to the Fire Authority.
- 1.10 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. At the time of writing this MTFS, the 2022/23 Statement of Accounts has not yet been audited.
- 1.11 The service received a rating of Good in its 2022 inspection by HMICFRS (His Majesty's Inspectorate of Constabulary and Fire & Rescue Services) in all three areas of Effectiveness, Efficiency and People.
- 1.12 The prevailing economic climate has caused increased financial pressures to be placed upon all public sector bodies and the Fire Service is no exception. The overall funding position remains uncertain over the next three years.
- 1.13 The challenge to the organisation is not how to survive in this period of uncertainty 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.
- 1.14 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) and 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. The service follows the Financial Management Code published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.15 The post of Head of Finance and Treasurer is responsible for developing and maintaining the Medium-Term Financial Strategy and this post reports directly to the Chief Fire Officer.

SECTION 2: ECONOMIC CONTEXT OF THE STRATEGY

- 2.1 The current economic climate remains very uncertain with many external influences. The war in Ukraine has impacted fuel and food supplies across the world. The emergence of new variants of Covid has impacted on supply chains, particularly in China. Collectively, these have caused inflationary pressures across the world.
- 2.2 In October 22, CPI (Consumer Price Index) inflation increased to 11.1%. It was expected to peak at close to 11% in Q4 2022, but this projection may now

be updated by the Bank of England given that the October figure was higher than expected. As part of its review of the Autumn Statement, the Office for Budget Responsibility (OBR) forecast that inflation will drop to 7.4% in 2023/24. It is likely that this will continue to influence both 2022/23 and 2023/24 pay awards. Gas and electricity prices have more than doubled in the last year although the service will receive some protection from the Government's price cap.

- 2.3 Bank rate has increased from 0.75% in April 2022 to 3.00% in October, its highest level since November 2008. There are further increases to come, and markets are currently expecting rates to peak between 4.5% and 4.75% next year.
- 2.4 The quarterly estimate of Gross Domestic Product (GDP) fell by 0.2% in Quarter 3 (July to September) 2022. With the drag on economic activity from high inflation having grown in recent months, GDP is at risk of contracting further through the autumn and winter. There are already signs that economic activity is losing momentum as production fell due to rising energy prices, and the Bank of England has warned that the UK could be in recession from Q4 2022 until the first half of 2024.

SECTION 3: ISSUES IMPACTING ON THE BUDGET

Community Risk Management Plan – CRMP

- 3.1 The 2022-2025 CRMP was approved by Fire Authority on 25 February 2022. The delivery of the CRMP is linked closely to the MTFS to ensure that resources are matched to key workstreams. The annual delivery plan, which sits behind the CRMP identifies priority areas where investment is needed. An additional £150k has been included in the 2023/24 proposed budget to support areas such as additional investment in operational training (£72k), and investment in ICT (£41k).

Futures 25 Efficiency Strategy

- 3.2 The service made £1.6m of temporary savings in order to set a balanced budget for 2022/23. This included carrying vacant posts, and temporary reductions in repairs and maintenance. These savings were not sustainable in the long term and were built back into 2023/24 budgets. After one off grant was also removed it was anticipated that there would be a shortfall of £2m in 2023/24, rising to over £3m in 2024/25. On the back of these projected shortfalls, work commenced on developing an efficiency strategy.
- 3.3 Since the 2022/23 budget was approved there have been significant additional financial pressures on the Service (see Section 2). Revised inflation and pay award assumptions during the autumn increased amount of required savings from the efficiency strategy.
- 3.4 The Futures 25 efficiency strategy was initially presented to Policy and Strategy Committee in May 2022 with a further report being considered by Fire Authority in September 22. In its initial phase the Workforce Review has identified £250k of savings through the disestablishment of support staff posts

across several departments through the consolidation of primary management grade posts.

- 3.5 The Workforce Review has identified that a wider change and improvement programme is required. This will include structural redesign and business process improvement to maximise the efficiency and effectiveness of the Service. This is a significant piece of work and is expected to be completed during 2023/24.
- 3.6 The third strand of Futures 25 is being delivered via a Fire Cover Review which has looked at the structure and budget associated with the operational wholtime establishment. This strand is being delivered in partnership with ORH, a sector leading expert with extensive experience in advising emergency services. This work has resulted in a proposal to save £2m from operational budgets by reducing the number of appliances in the Service from 30 to 28 and reducing the ridership by 44 posts. This proposal is currently in a period of public consultation until 23 December 22. A final decision will be made at Fire Authority on 24 February 2023.

CORPORATE RISK REGISTER

- 3.7 The corporate risk register is reported to the Finance and Resources Committee on a 6 monthly basis and is also the subject of a separate report on this agenda. The five highest risks facing the Authority at present are:
- Employee Engagement – due to pay dispute, equality and diversity engagement and pension disputes
 - Mobilising – procurement of new mobilising system
 - Inability to set a balanced budget in current economic climate
 - Firefighters Pension Scheme – impact of and uncertainty around ongoing national legal cases
 - Workforce Sustainability.
- 3.8 The financial implications of these risks have been addressed in both the capital and revenue proposed budgets and in the Reserves Strategy.

HMICFRS INSPECTION

- 3.9 The Service received its second inspection from His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) in October 2021. The inspection assessed how effectively and efficiently the Service delivers its services and how well it looks after the people who work for the service.
- 3.10 The outcome of the inspection was made public in July 22. In all the 3 areas of Effectiveness, Efficiency and People the Service has moved from "Requires Improvement" in its 2018/19 inspection to "Good". It judged that the Service made best use of its resources and demonstrated future affordability.
- 3.11 The report identified 4 areas for improvement which are currently being addressed by including them in the CRMP annual delivery plan and are being monitored through the Fire Authority Committee Structure.

PENSIONS

- 3.12 The remedying legislation for the McCloud case is expected to be passed in October 2023. This will address the transition arrangements into the 2015 firefighters' pension scheme were found to be discriminatory. As an interim measure, the service has implemented a Memorandum of Understanding (MoU) between the Local Government Association (LGA) and the Fire Brigades Union (FBU), although the original endorsement of this by the government has since been withdrawn. There is a risk that additional costs could be incurred as a result of implementing the MoU but this was felt to be justified given the risk and associated costs, of further court cases against the Authority. The service has a £200k earmarked reserve to mitigate against these costs. Further information on this can be found in the Firefighter Pension Scheme Immediate Detriment Review report considered by Policy and Strategy Committee on 1 April 2022.
- 3.13 The remedying legislation is expected to increase the overall costs of the firefighters' pension scheme. These are expected to be largely funded by Central Government but additional costs falling to the Fire Authority cannot be ruled out. This is included in the General Fund reserves risk register (Appendix 4).
- 3.14 Another pensions case, Matthews and O'Brien, has identified discriminatory conditions against part time workers. Once rectifying legislation has been passed through Parliament, this is expected to lead to further backdating of the Modified pension scheme from 2006 to when on-call firefighters first joined the fire service. When the Modified scheme was created, backdated costs were met by the Government, but as of yet there is no certainty that this will happen if the scheme is backdated further.
- 3.15 Both of these remedies are having a large impact on the workload of staff dealing with the cases and additional resources were allocated in 2022/23 in order that this work can be undertaken.
- 3.16 There will also be a significant impact on the pension administration team who will be implementing the changes required. This will require a very significant amount of additional work and costly amendments to the software used to support the pension administration function. These costs will be re-charged to the service. The service received a £125k grant to help fund these costs which is currently being held in Earmarked Reserves.
- 3.17 The 2016 Government Actuaries Department (GAD) revaluation of the firefighter's pension fund resulted in a headline rate increase of 12.4% of employer pension costs, which equated to £2.5m for the service. The Home Office agreed to fund £2.3m of this pressure in 2019/20 but has been kept at the same cash value, leaving increases in costs due to pay inflation to be met by the service. The £2.3m grant is expected to continue into 2023/24, and discussions are ongoing for this now to be added to the baseline funding for the authority rather than being paid as a Section 31 grant. The results of the 2020 valuation are expected over the coming months and could potentially result in a similar increase in employer pension costs which would need to be built into future years budgets.

PAY AWARD

- 3.18 The FBU is currently balloting on whether to accept a 5% pay award for 2022/23. This exceeds the 3.0% included in the budget and any award above this level will create a cost pressure which will also need to be built into future years' salary costs (a 1% increase relates to approximately £350k ongoing costs).
- 3.19 Support staff received a flat rate increase of £1,925 for 2022/23 which averages around a 4% increase. The ongoing costs of the additional award compared to what was originally included in the budget is £126k.
- 3.20 Overall funding levels are expected to increase by around 5.5% in 2023/24. With inflation currently at 11.1% and expected to reduce at a slow pace over the coming year to around 7% it is anticipated that the 2023/24 pay award will be in excess of the increase in income that the service is expecting. With pay accounting for 80% of the service's costs, this will increase anticipated deficit levels.

INVESTMENT IN TECHNOLOGICAL CAPABILITY

- 3.21 The service has had to significantly change the way that it works as a consequence of the Covid-19 pandemic. Many support staff worked from home during the pandemic and are now working in an agile way. Systems have had to be reviewed and new ways of working developed to meet the needs of the changing environment. Investment on fire station equipment has also been made to enable better ways of working.
- 3.22 Much of this work has required significant technological changes and the acquisition of new software packages. Cyber security needs to be constantly reviewed with more staff now accessing systems remotely.
- 3.23 All of these areas are placing increased pressure on the Information & Communication Technology (ICT) Department. There have already been additional commitments into future years to secure appropriate equipment and software for revised ways of working which have to be built into base budgets going forward. It is anticipated that further investment in the team will be required in forthcoming years.

GRENFELL TOWER INQUIRY RESPONSE

- 3.24 The Grenfell Tower Inquiry and subsequent Hackitt review identified that much work was required within the sector to address the issues within the built environment. This will result in increased workload for the Service and the requirement to develop competency and capacity. The service has received numerous grants to help it deliver on the recommendations coming out of the review over the past 2 years. Fire Protection Uplift grant of £146k was received in 2022/23 and further funding is expected in 2023/24, although not confirmed at this stage.
- 3.25 New Burdens funding relating to the creation of a new regional Building Safety Regulator has been confirmed by the Home Office although plans are still in initial stages at present.

EMERGENCY SERVICES MOBILE COMMUNICATION PROGRAMME (ESMCP)

- 3.26 Set up by the Home Office, ESMCP is expected to replace the current communication service provided by Airwave. The new service will be called the Emergency Services Network (ESN). ESN aims that the functionality, coverage, security and availability needs of the UK's emergency services are fully met.
- 3.27 There have been significant delays to the programme and funding has similarly been subject to delay. The national project has very recently been put on hold. More information is awaited and Members will be kept informed regarding any updates.

FEES AND CHARGES

- 3.28 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 raised from these charges is low.

EXTERNAL FUNDING

- 3.29 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.
- 3.30 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.

TREASURY MANAGEMENT STRATEGY

- 3.31 The Treasury Strategy for the Authority was set out in full in a report to the Fire Authority on 25 February 2022. 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.

CAPITAL STRATEGY

- 3.32 The Capital Strategy for each year is approved by Fire Authority alongside the MTFS. The updated Capital Strategy for 2023/24 is attached at Appendix 1 for approval. It sets out how the Authority intends to optimise the use of available capital resources to help achieve its objectives in such a way that it ensures that the programme is affordable, prudent and sustainable. It also includes the flexible use of capital receipts strategy.
- 3.33 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 future years to assist in the revenue budget planning process.
- 3.34 These individual plans have been brought together to form a 10-year capital programme to assist financial planning and monitoring of debt costs. This is attached at Appendix 2. The first 4 years of this programme will be considered alongside revenue budgets by Fire Authority on 24 February 2023. The programme includes the replacement mobilising system, delivery of a programme of replacement fire appliances and investment into new fire stations. There has been a purposeful 2-year delay in the estates programme to manage Minimum Revenue Provision (MRP) which are the service's debt costs. This will be reviewed once the Futures 25 efficiency strategy is complete and the impact on services is known.
- 3.35 The 10-year capital plan is considered to ensure long term affordability. The capital programme consists 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 which has an impact on debt repayment costs in 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.

THE PRUDENTIAL CODE

- 3.36 The Authority's Prudential Code was approved by Fire Authority on 25 February 2022. It sets out the prudential indicators approved for 2022/23. 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. The Authority has set a limit for the ratio of debt costs to revenue budget of 8%. This "credit ceiling" for affordable borrowing is covered within the principles of the Prudential Code to ensure that the credit ceiling is not reached before the requirement to undertake major capital schemes is exhausted.
- 3.37 The 10-year capital plan in Appendix 2 shows that in 2026/27 the debt to budget ratio exceeds 8% and remains above this limit until 2032/33. This means that if current budget projections including capital costs and interest

rates prevail the programme will need amending in the longer term to ensure affordability. Investment in new fire stations has already been delayed by 2 years to help reduce capital costs in the short term. The programme will be reviewed once changes in service requirements are identified as part of the Futures 25 programme. Ongoing high levels of inflation will also have the impact of reducing the debt ratio as the budget against it is measured will also increase.

- 3.38 The Authority predominantly funds its capital investments through borrowing. A general policy of using fixed interest rate vehicles is included in the Treasury Management Strategy in order to minimise this risk to interest rate increases. However, in the longer term there is still an exposure from the loan charges on new capital being greater than anticipated. This may require some revision to future years' capital plans.
- 3.39 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.
- 3.40 The authority will also take opportunities to make voluntary Minimum Revenue Provision (MRP) contributions as they arise.
- 3.41 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.

COLLABORATIVE WORKING

- 3.42 The Policing and Crime Act 2017 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.
- 3.43 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.
- 3.44 The Authority remains committed to supporting joint and collaborative working with fire and other emergency service sector colleagues across the region, including on the emerging new Tri Control project.

SECTION 4: UNPREDICTABILITY OF FUTURE YEARS PUBLIC FUNDING

Government Grant

- 4.1 The amount of Government Grant that the service has received has reduced significantly in recent years. The House of Commons Library contains a data

dashboard ([Local authority data: finances \(parliament.uk\)](https://local-authority-data.finances.parliament.uk)) which provides analyses of funding settlement changes for each authority since 2015/16.

- 4.2 The NFRS analysis (see Appendix 3) shows that Settlement Funding has dropped in real terms by 30.5% between 2015/16 and 2022/23. If the amount of council tax that could be raised and other grants are included, the total spending power of the Authority still dropped in real terms by 6.7%, after taking account of inflation. This is against the backdrop of additional costs incurred by the authority such as increased employer pension contributions (section 4.4) and responding to the Grenfell enquiry.
- 4.3 The funding for 2023/24 to 2025/26 remains uncertain. The November 22 Autumn Statement indicated that Local Government funding would be increasing, there were no specific references to Fire and Rescue.
- 4.4 The firefighter pension scheme employer superannuation rates increased significantly in 2019/20 following the scheme valuation exercise. This had the impact of increasing superannuation costs for the service in excess of £2.5m. In response, the Treasury issued an additional Section 31 grant of £2.3m to part cover the costs. This has continued to be paid each year but not increased for inflation and it has been assumed that this will continue for the duration of the MTFS. It has been assumed that it will continue to be paid as a Section 31 grant at flat cash level, although it is possible that this will be built into the service's base line funding at some point. Depending on the pay award, this grant is reducing in real spending terms by approximately £50k per year.

Business Rates

- 4.5 From 1 April 2023, the rateable values of all non-domestic properties in England will be updated to reflect the property market as at 1 April 2021. This has the effect of re-setting the baseline for Non Domestic Rates (NDR). Under the current system, precepting authorities retain any growth above their Baseline. NFRS has benefited from this retained growth since the last revaluation. It was initially thought that the revaluation would result in a loss of this growth, but there has been a significant amount of new industrial buildings along the county's transport networks which should result in an increase in rateable income. It remains to be seen whether the services top up grant will be reduced downwards to match the increase which will leave the service in a neutral position.
- 4.6 As part of the Autumn Statement on 17 November, the Chancellor announced:
- A transitional relief scheme to limit bill increases caused by changes in rateable values
 - A 2023/24 Retail, Hospitality and Leisure 75% rate relief scheme
 - A freezing of business rates multipliers, meaning that there will be no inflationary increases in charges to businesses
 - A new Supporting Small Business relief scheme.
- 4.7 The Authority will be compensated for lost income from the measures outlined in section 4.6 by way of additional Section 31 Grant.

- 4.8 Business Rates income accounts for almost a quarter of the Authority's funding although much of this is funded from the top up grant received from the government. A 10% movement in Business Rate income from local businesses would see an increase or decrease in income in the region of £370k.

Council Tax

- 4.9 It was announced in the Autumn Statement that the government is giving local authorities in England additional flexibility in setting council tax by increasing the referendum limit for increases in council tax to 3% (from 2%) per year from April 23. This may not be the final position with negotiations around additional flexibilities still ongoing. These will be included in the provisional local government finance settlement which will be released for consultation in late December.
- 4.10 A 2.95% additional increase in Council Tax will create additional funding in the region of £826k.
- 4.11 Council Tax for the Fire Authority is currently £84.57 at Band D. A 2.95% increase would raise it by £2.49 to £87.06 per year which equates to £1.63 per week. A £5 increase would raise it to £89.57 - £1.72 per week.

Table 1 – Council Tax Options Analysis

	Amount £	Increase £	Additional Income £'000
Current Band D Council Tax	£84.57		
1.95% increase	£86.22	1.65	547
2.95% increase	£87.06	2.49	826
£5 increase	£89.57	5.00	1,659

SECTION 5: RESERVES

- 5.1 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 held 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. The Authority's Reserves Strategy is attached at Appendix 4 for approval by Fire Authority alongside the MTFS.
- 5.2 Total estimated Reserve levels as at 31 March 2023 are £9.3m, consisting of £5.2m General Reserve and £4.1m Earmarked Reserves.
- 5.3 The Authority reviews the levels of reserves it requires as part of the Reserves Strategy. A General Fund reserve minimum level of £4.5m has been proposed for 2023/24, which remains the same as 2022/23, although several adjustments have been made to reflect changes in risk. The three highest

areas of identified risk are detailed below (see section 2.12 of the Reserves Strategy for more information):

- Pay award above rate included in the budget
- Inability to set a balanced budget due to economic climate
- Pension related issues (due to McCloud, the 2020 revaluation and Matthews/O'Brien case)

5.4 A review of the Earmarked Reserves has been undertaken in the Reserves Strategy. This has identified £361k of available reserves either are no longer required or have not yet been allocated to projects. It is proposed that these are reallocated to the following existing earmarked reserves:

- Budget Pressure Support - £190k;
- Tri Service Control / Mobilising System £172k.

5.5 Any unplanned expenditure or overspends may need to be met from the General Reserve or existing Earmarked Reserves.

SECTION 6: OUTLOOK FOR 2023/24, 2024/25 AND BEYOND

6.1 In February 2022, the Authority set a balanced budget for 2022/23, although this was only achieved after making £1.6m temporary savings. The report predicted shortfalls in 2023/24 and 2024/25 of £2m and £3.2m respectively.

6.2 In October 2022, members were presented with an update on revised estimates of future year budgets which took account of likely pay awards, revised inflation and income estimates.

6.3 Whilst there remain areas of uncertainty, budgets have been updated to reflect revised assumptions and other known changes, which include:

- 2022/23 and 2023/24 pay awards (sections 3.18 - 3.20)
- Inflation – particularly fuel, gas and electricity
- CRMP development (£150k – section 3.1)
- Business Rates revised projections (sections 4.5 – 4.8)
- Changes in Council Tax precept levels (section 4.11)
- Reductions in MRP due to planned delays in capital programme (section 3.34)

6.4 The budget requirement for future years cannot be accurately estimated at this point as the full budget is still to be determined. It has been amended for known major pressures as detailed above, but figures are likely to change. More detailed figures will be provided for Finance and Resources Committee in January 2023 and Fire Authority in February 2023.

6.5 Given the uncertainty discussed in this strategy, three scenarios have been considered – a worst case, a likely case and a best scenario.

SCENARIO 1 – WORST CASE SCENARIO

6.6 The worst-case scenario assumes that:

- The 2022/23 firefighter pay award is settled at 6%
- The 2023/24 pay award is settled at 5% for all staff
- Government funding (Revenue Support Grant (RSG) and Business Rates top up grant) increases 5% for 2023/24 and 2% thereafter
- Pension Grant remains flat in cash terms at £2.34m
- Services Grant remains, although reduced to reflect reduction in National Insurance (NI) Costs (£650k)
- Business Rate collection remains flat in 2023/24 due to revaluation exercise. Increases of 1% are assumed for 2024/25 and future years
- Council Tax collection increases by 1.35% in 2023/24 and future years
- Council Tax is increased at 1.95% for each year.

6.7 This scenario would result in a £3.0m deficit in 2023/24 and has an ongoing deficit in excess of £4m as detailed in the table 2 below:

Table 2 – Worst Case Scenario

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Budget Requirement	46,006	50,391	52,855	54,312	55,698
Revenue Support Grant (RSG)	(5,619)	(5,900)	(6,018)	(6,138)	(6,261)
Business Rate (BR) Income	(2,925)	(3,217)	(3,282)	(3,314)	(3,347)
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	(2,340)
BR Top up Grant	(7,277)	(7,277)	(7,641)	(7,794)	(7,950)
Council Tax (1.95%)	(27,692)	(28,614)	(29,565)	(30,547)	(31,564)
Budget Deficit	153	3,043	4,009	4,179	4,236

6.8 If a nil council tax increase is approved in 2023/24, the deficit position would become £3.592m. Significant ongoing savings will need to be identified in order to balance the budget if this scenario plays out.

SCENARIO 2 – MOST LIKELY SCENARIO

6.9 The most likely scenario assumes that:

- The 2022/23 firefighter pay award is settled at 5%

- The 2023/24 pay award is settled at 4% for all staff
- Government funding (Revenue Support Grant (RSG) and Business Rates top up grant) increases 5% for 2023/24 and 2% thereafter
- Pension Grant remains flat in cash terms at £2.34m
- Services Grant remains, although reduced to reflect reduction in National Insurance (NI) Costs (£650k)
- Business Rate collection remains flat in 2023/24 due to revaluation exercise. Increases of 1% are assumed for 2024/25 and future years
- Council Tax collection increases by 1.35% in 2023/24 and future years
- Council Tax is increased at 2.95% for each year.

6.10 This scenario would result in a £2.1m deficit in 2023/24 which increases to £1.4m by 2024/25. This scenario is likely to need both the use of reserves and savings to be made.

Table 3 – Most Likely Case Scenario

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Budget Requirement	46,006	49,771	52,155	53,598	54,970
Revenue Support Grant (RSG)	(5,619)	(5,900)	(6,018)	(6,138)	(6,261)
Business Rate (BR) Income	(2,925)	(3,217)	(3,282)	(3,314)	(3,347)
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	(2,340)
BR Top up Grant	(7,277)	(7,277)	(7,641)	(7,794)	(7,950)
Council Tax (1.95%)	(27,692)	(28,892)	(30,147)	(31,454)	(32,818)
Budget Deficit	153	2,145	2,727	2,558	2,254

6.11 If a nil council tax increase is approved in 2023/24, the deficit position in the scenario in Table 4 becomes £2.972m. A 1.95% or £5 increase would result in deficit figures of £2.424m or £1.312m respectively.

6.12 It is therefore likely that the service will need to identify savings in the region of £2m moving forward. These savings will be achieved through the delivery of the Futures 25 Efficiency Strategy. It may be necessary to use an element of reserves during 2023/24 to allow the service time to implement the savings identified as part of the strategy. The service currently holds £936k in a Budget Pressures Support Earmarked Reserve for this purpose, and the Reserves Strategy has identified further resources to re-allocate to this reserve taking it to £1.126m. This should place the Authority in a good

position, enabling it to balance the budget without the use of reserves in 2024/25.

SCENARIO 3 – BEST CASE SCENARIO

6.13 This scenario assumes that:

- The 2022/23 firefighter pay award is settled at 5%
- The 2023/24 pay award is settled at 3% for all staff
- Government funding (Revenue Support Grant (RSG) and Business Rates top up grant) increases 5% for 2023/24 and 2% thereafter
- Pension Grant remains flat in cash terms at £2.34m
- Services Grant is not reduced to reflect NI reductions (£650k)
- Business Rate collection remains flat in 2023/24 due to revaluation exercise. Increases of 1% are assumed for 2024/25 and future years
- Council Tax collection increases by 1.35% in 2023/24 and future years
- Council Tax is increased by £5 in 2023/24 and 2.95% thereafter.

Table 4 – Best Case Scenario

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Budget Requirement	46,006	48,421	51,654	53,088	54,450
Revenue Support Grant (RSG)	(5,619)	(5,900)	(6,018)	(6,138)	(6,261)
Business Rate (BR) Income	(2,925)	(3,217)	(3,282)	(3,314)	(3,347)
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	(2,340)
BR Top up Grant	(7,277)	(7,277)	(7,641)	(7,794)	(7,950)
Council Tax (1.95%)	(27,692)	(29,725)	(31,015)	(32,360)	(33,765)
Budget Deficit / (Surplus)	153	(38)	(1,358)	(1,142)	(787)

6.14 This scenario reflects that if inflation reduces more quickly than anticipated allowing a 3% pay award to be agreed for 2024/25 along with a £5 increase in Council Tax then it would be possible to set a balanced budget for 2023/24. Members should note that this would be the best case scenario if all variables were to be favourable – this may yet prove unlikely.

SECTION 8: SUMMARY

- 7.1 This MTFS has been written against a backdrop of financial and economic uncertainty. Whilst indications are that the fire sector will receive some funding increases, this will not be known with any certainty until the Funding Settlement figures are known in December and collection fund details for Business Rates and Council Tax are known at the end of January 23.
- 7.2 The most likely scenario (section 6.10), assumes a 2.95% increase in Council Tax and after considering the economic situation and expected costs, shows a 2023/24 deficit position of £2.1m. Future year deficits remain slightly above this level.
- 7.3 It is therefore likely that the service will need to identify savings in the region of £2m moving forward. These savings will be achieved through the delivery of the Futures 25 Efficiency Strategy. It may be necessary to use an element of reserves during 2023/24 to allow the service time to implement the savings identified as part of the strategy. The service currently holds £936k in a Budget Pressures Support Earmarked Reserve for this purpose, and the Reserves Strategy has identified further resources to re-allocate to this reserve taking it to £1.126m. This should place the Authority in a good position, enabling it to balance the budget without the use of reserves in 2024/25.
- 7.4 In the worst case scenario (section 6.7) estimates show that a 2023/24 deficit of £3m could be likely, even assuming a 1.95% Council Tax increase. If there were to be no increase in Council Tax levels the 2023/24 deficit would rise to £3.5m. If this were to be the case then significant savings would be required and the more difficult options identified in the Futures 25 Efficiency Strategy would need to be considered.
- 7.5 It is probable that the maximum limit for the amount Council Tax can be increased before invoking a referendum will be 3%. The Fire sector have requested the flexibility to increase council tax by £5 to enable investment to help it deal with pressures outlined in section 3 and investment in future services. However, this is considered unlikely to be approved as part of the final settlement from central government.
- 7.6 The Reserves Strategy sets out plans for re-allocating £361k of Earmarked Reserves, some of which will be transferred into the Budget Pressures Support Earmarked Reserve. This will be used to help the service transition into a balanced budget position by 2024/25.
- 7.7 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. 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.
- 7.8 At its meeting on 24 February 2023 the Fire Authority will consider the budget report with the objective of setting Council Tax levels for 2023/24.

CAPITAL STRATEGY 2023/24

Date Reviewed by Fire Authority: December 2022

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1 INTRODUCTION AND BACKGROUND

- 1.1 This Capital Strategy is a key corporate document that outlines how the Authority intends to optimise the use of available capital resources to help achieve its objectives. Capital expenditure is a major cost to the Authority and as a result it is necessary to ensure that key programmes of work requiring capital expenditure have been properly identified, evaluated and prioritised.
- 1.2 This document sets out the framework for planning and financing capital in order to ensure the broad requirements set out above can be consistently met by the Authority. The Strategy sits alongside the Medium-Term Financial Strategy (MTFS) and the proposed 10-year capital programme is included in the MTFS. The strategy is supported by the Authority's estates strategy, asset management plans and the Capital Programme which, in combination, lay out how the Authority will use its assets and its capital investments in pursuit of the key goals set out in the CRMP.
- 1.3 There are several influences which feed into the capital investment process, the main ones being:
- CRMP
 - Treasury Management Strategy
 - Medium Term Financial Strategy
 - Property Strategy
 - Corporate Asset Management Plans (buildings, vehicles and equipment)
 - Procurement Strategy
 - ICT Strategy
 - Transport Strategy
 - Community Safety Strategy
 - Work Force Plan
 - Learning & Development Strategy
 - Risk Register

2 GOVERNANCE

- 2.1 The Local Government Act 2003 sets out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code.
- 2.2 The objectives of the Prudential Code are to ensure that the capital investment plans of authorities are affordable, prudent and sustainable. This is achieved through the use of a number of prudential indicators covering affordability, prudence, capital expenditure, debt levels and treasury management. These indicators are included in the Prudential Code for Capital Finance which is approved by the Fire Authority each year and monitored throughout the year by the Finance and Resources Committee. A 10-year Capital Programme is

included in the MTFs which includes a projection of future year debt costs to ensure that they are affordable in the long term.

FIRE AUTHORITY

- 2.3 The Capital Programme is an aggregation of the approved schemes which will help ensure that the Authority can deliver on its strategic objectives. The Capital Programme approved by Fire Authority as part of the annual budget process covers a 4-year period in line with revenue budget forecasting. Estimating expenditure beyond 4 years is more difficult, although still important in determining the affordability of capital expenditure in future years. For this reason, a proposed 10-year Capital Programme is included as a separate document in the Medium-Term Financial Strategy (Appendix 2) for planning and cost projection purposes.
- 2.4 The full revenue implications of the Capital Programme are presented to members prior to each financial year within the Revenue Budget. Fire Authority is also responsible for approving the Treasury Management Strategy and Prudential Code prior to the start of each year to ensure that the Capital Programme is affordable, prudent and sustainable.

FINANCE AND RESOURCES COMMITTEE

- 2.5 The Finance and Resources Committee are responsible for receiving quarterly monitoring reports on the Capital Programme and Prudential Code.

CORPORATE GOVERNANCE

- 2.6 Corporate Governance is ensured throughout the process through the Authority's:
- Internal Audit
 - Service plans and procedures
 - Performance management
 - Financial Regulations and procedures
 - Standing Orders.

STRATEGIC LEADERSHIP TEAM (SLT)

- 2.7 SLT have oversight of and make appropriate decisions relating to the revenue and capital budgets set by the Fire and Rescue Authority in order to operate within the delegated financial authority agreed by the Authority to deliver a balanced budget position.
- 2.8 SLT also have responsibility for managing project performance and receive regular monitoring updates, project closure reports and to ensure that any lessons learned are shared across the organisation.

TREASURER

- 2.9 Under section 25 of the Local Government Act 2003, the Treasurer is specifically required to report to the Authority regarding the estimates for the purposes of calculations in order that Fire Authority can make informed

decisions about future years' budgets. The Treasurer also has responsibility to ensure compliance with regulatory frameworks and to report on unlawful expenditure or on an unbalanced budget.

FINANCE EMPLOYEES

- 2.10 The Authority ensures that the Finance team contains staff who are appropriately trained in Capital Accounting and Treasury Management. In addition, the service employs external treasury management advisors who provide specialist advice and resources.

3 THE CAPITAL PROGRAMME

- 3.1 The capital expenditure recommendations are determined from an assessment of the Authority's Asset Management plans for buildings, equipment and vehicles. As the impact of capital expenditure, and associated borrowing, is spread over years, it is important to consider the effects of any proposals in both the forthcoming and future financial years.
- 3.2 The Authority's approach to developing capital investment is to evaluate projects against criteria such as:
- Fire Authority objectives
 - Funding availability
 - Statutory obligations
 - Reserve savings and implications
 - Any surplus assets for which a receipt will subsequently be available
 - Any special considerations
 - Affordability
 - Sustainability (by considering whole life costs)
 - Evaluation of condition, suitability, and sufficiency information from the Asset Management system
 - Collaborative Opportunities.
- 3.3 Where there is a possibility to take a collaborative approach to purchasing or using assets it will be pursued providing that the partnership or sharing arrangements are financially viable and in the best interests of Nottinghamshire Fire & Rescue Service.
- 3.4 Where collaborative projects are undertaken consideration will be given to the most appropriate delivery vehicle, whether it be leasing arrangements, joint ownership or the setting up partnership arrangements such as a Limited Liability Partnership (LLP).
- 3.5 The purpose of the capital investment programme is to support the CRMP which at present does not include investment in commercial activities due to the Authority not wishing to undertake undue risk.
- 3.6 Establishing the level and type of investment available, which is currently projected for up to ten years in advance enables the revenue implications of the capital programme to be considered in detail including repair and maintenance costs, energy efficiencies and economies for scale. The debt

charges (Minimum Revenue Provision and interest charges) are built into the revenue budget and monitored to ensure that they remain affordable.

- 3.7 The Finance and Resources Committee recommend a draft Capital Programme to Fire Authority who approve the final programme at its budget setting meeting in February of each year. Additional approval is sought from Finance and Resources Committee before major building projects are commenced.
- 3.8 Projects utilise the principles of Prince 2 methodology, where appropriate, and are subject to a review following completion where clients, occupiers and consultants establish how far the project has achieved objectives and outcomes against targets (as detailed in the original investment appraisal) and evaluate areas of good practice/areas for improvement of suitability for purpose, quality, design, sufficiency and flexibility.

4 CAPITAL FINANCING

- 4.1 The Capital Programme is currently constrained by the availability of finance, which continues at present to be provided by traditional methods including:
- Borrowing under the Prudential Code
 - Revenue Funding
 - Capital Receipts
 - Capital Grant
 - Leasing.
- 4.2 Funding is expected to be limited in the medium term and the Comprehensive Spending Review expected in December 2022 will set the funding limits in 2023/24 to 2025/26. The capital programme will be revised accordingly and considered as part of the budget setting process, with final approval being sought from Fire Authority in February 2023.
- 4.3 Surplus Assets are disposed of and all receipts are treated as a corporate resource and used to underpin and support the Capital Strategy in line with the Flexible Use of Capital Receipts Strategy which will be approved alongside the Capital Strategy (see Appendix A).
- 4.4 The main limiting factor on the Authority's ability to undertake capital expenditure is whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs, after allowing for any support provided by central government.
- 4.5 Capital financing charges are expected to represent 5.6% of the Authority's revenue budget by the end of 2022/23 which is considered within prudent limits. On 24 October 2008, the Finance and Resources Committee set a maximum limit for this ratio of 8% in order to meet the prudential code requirements of affordability and sustainability (as part of the Sustainable Capital Plans Report). This ratio forms one of the Prudential Indicators approved by Fire Authority as part of the Prudential Code for Capital Finance report considered in February of each year. It is not proposed to change the 8% cap on this ratio. The 10-year proposed capital programme is indicative at this stage and will need to be reviewed as the needs of the Authority change

and to reflect changes in interest rates. There is currently a risk that it will be breached beyond 2026/27. This may change once revenue budget figures are finalised, capital costs confirmed and interest rates become more predictable. The programme will be altered in future years to ensure the 8% limit is not exceeded.

5 SUMMARY

- 5.1 This Capital Strategy is a key corporate document that outlines how the Authority intends to optimise the use of available capital resources to help achieve its objectives. Capital expenditure is a major cost to the Authority and as a result it is necessary to ensure that key programmes of work requiring capital expenditure have been properly identified, evaluated, prioritised and authorised.
- 5.2 Due to the long-term impact of the Capital Programme and the high levels of expenditure involved, strong and effective governance arrangements have been put in place to manage any associated risks.
- 5.3 The Authority continues to plan for its Capital Expenditure in such a way that ensures that it is affordable, prudent and sustainable.

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

Introduction

Statutory Guidance relating to the flexible use of capital receipts (updated August 2022) permits 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 by the end of 2024/25.

This new power and its guidance are 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.

Qualifying Expenditure

Examples of projects that may generate qualifying expenditure include setting up alternative delivery models to deliver services more efficiently. However, the qualifying expenditure for these projects is limited to set up and implementation costs. The ongoing revenue costs of new processes or arrangements cannot be classified as qualifying expenditure. Furthermore, with respect to redundancy payments, qualifying expenditure is limited to statutory payments - the guidance explicitly excludes non statutory payments and pension strain costs, which would still need to be met from the Authority's revenue funding.

Accountability and Transparency

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

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

Capital Receipts Strategy for 2023/24

For the financial year 2023/24 it is not proposed to fund any reform projects through the capital receipts flexibility. This is largely due to the limited nature of qualifying costs that can be funded this way. There are currently sufficient funds held in reserves to cover costs of transformational projects and it is felt that capital receipts would be better used to finance capital expenditure. This will enable the Authority to minimise the use of borrowing which needs to be kept within the affordable limits as set out in the Prudential Code for Capital Finance.

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.

PROPOSED TEN YEAR CAPITAL PLAN 2023/24 TO 2032/33

APPENDIX 2

10 YEAR CAPITAL PROGRAMME	Budget 2023-24 £'000	Budget 2024-25 £'000	Budget 2025-26 £'000	Budget 2026-27 £'000	Budget 2027-28 £'000	Budget 2028-29 £'000	Budget 2029-30 £'000	Budget 2030-31 £'000	Budget 2031-32 £'000	Budget 2032-33 £'000
TRANSPORT										
Pumping Appliances	2,114	1,694	1,687	1,687			1,350	1,350	1,350	1,677
Special Appliances	600	1,665	400	150				300		
Light Vehicle Replacement	186	48	120	376	528	175	726	48	364	140
Rural Unit	100									
	3,000	3,407	2,207	2,213	528	175	2,076	1,698	1,714	1,817
EQUIPMENT										
Lightweight Fire Coat						250				
Rescue Gloves						30				
Structural PPE					1,200					
Fire Helmets						200				
Fire Gloves							175			
Replacement Duty Rig	100	100	50						300	
Water Rescue kit							250			
Operational Surcoats								40		
Fire Hood - Contaminants		150								175
	100	250	50		1,200	480	425	40	300	175
BA Sets				250				250		
Gas Tight Suits	50									
Radios		300								
Foam Branches										
RTC Equipment			900							
Gas Monitoring				35						
	50	300	900	285				250		
ESTATES										
Access and Inclusion	500	250								
Training Development Centre	500									
New wholetime station						30	1,000	3,875	125	

10 YEAR CAPITAL PROGRAMME	Budget 2023-24 £'000	Budget 2024-25 £'000	Budget 2025-26 £'000	Budget 2026-27 £'000	Budget 2027-28 £'000	Budget 2028-29 £'000	Budget 2029-30 £'000	Budget 2030-31 £'000	Budget 2031-32 £'000	Budget 2032-33 £'000
New on call Station								10	500	2,000
WDS Fire Station										50
Electric Vehicle charging points	25	100								
Estate energy reduction decarbonisation	50	250								
	1,075	600				30	1,000	3,885	625	2,050
I.T. & COMMUNICATIONS										
ICT Replacement Equipment	220	230	180	200	200	200	200	200	200	200
Mobile Computing	-	90			90			90		
HQ Core Switch Upgrade				50						
System Upgrades	30	51	30		30		30	30		
	250	371	210	250	320	200	230	320	200	200
MDT Replacement Project	15									
Tri-Service Control & mobilisation		2,000		300			300			
	15	2,000		300			300			
	4,490	6,928	3,367	3,048	2,048	885	4,031	6,193	2,839	4,242
To be Financed By:	Budget 2023-24 £'000	Budget 2024-25 £'000	Budget 2025-26 £'000	Budget 2026-27 £'000	Budget 2027-28 £'000	Budget 2028-29 £'000	Budget 2029-30 £'000	Budget 2030-31 £'000	Budget 2031-32 £'000	Budget 2032-33 £'000
Capital Receipts	3,310	10	10	10	10	10	270	10	10	10
Borrowing	1,180	6,918	3,357	3,038	2,038	875	3,761	6,183	2,829	4,232
Revenue / Earmarked Reserves										
Total	4,490	6,928	3,367	3,048	2,048	885	4,031	6,193	2,839	4,242
Debt Cost Ratio	5.46%	6.51%	7.81%	8.32%	8.88%	8.76%	8.56%	8.76%	9.16%	8.97%

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Nottinghamshire Fire

Authority type

Fire authority

Latest funding settlement

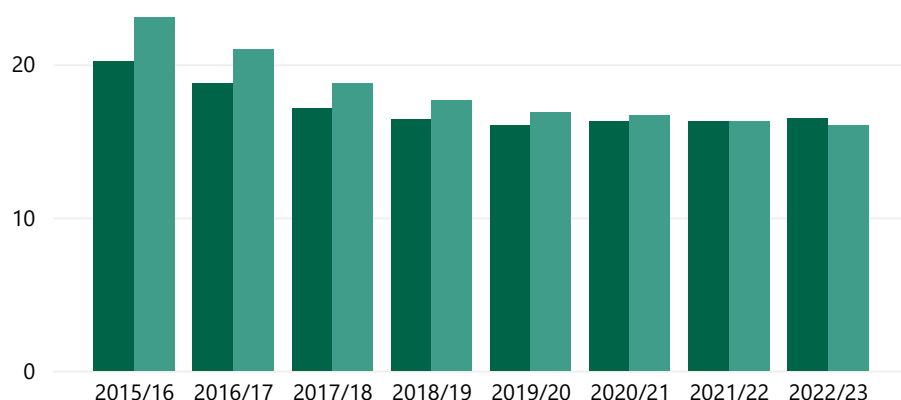
Net spending

Local Government Finance Settlement 2022/23

Nottinghamshire Fire received a settlement funding allocation of £16.5 million in the 2022/23 Local Government Finance Settlement. Its estimated core spending power was £338.2 million.

Settlement funding, £ millions

● Cash terms ● Adjusted for inflation (2021/22 prices)



Settlement funding, £ millions

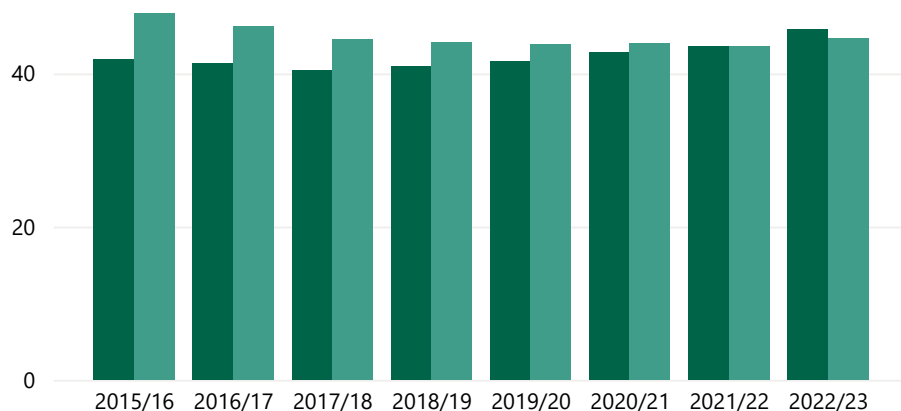
Year Cash terms Real terms

2015/16	20.19	23.06
2016/17	18.79	21.00
2017/18	17.11	18.79
2018/19	16.39	17.67
2019/20	16.01	16.85
2020/21	16.27	16.69
2021/22	16.30	16.30
2022/23	16.47	16.03

Settlement funding does not include council tax raised by local authorities. It can therefore be more useful to look at **core spending power**, an estimate of the amount of money that councils have to take decisions - this includes an estimate of the amount of council tax they could raise, as well as some other grants that are not part of settlement funding. It doesn't include grants that are passed straight through to recipients such as the Dedicated Schools Grant.

Core spending power, £ millions

● Cash terms ● Adjusted for inflation (2021/22 prices)



Core spending power, £ millions

Year Cash terms Real terms

2015/16	41.85	47.81
2016/17	41.29	46.13
2017/18	40.43	44.40
2018/19	40.87	44.04
2019/20	41.65	43.84
2020/21	42.78	43.90
2021/22	43.51	43.51
2022/23	45.80	44.59

-30.5%

Settlement funding, real terms, 15/16 to 22/23

-6.7%

Spending power, real terms, 15/16 to 22/23



NOTTINGHAMSHIRE
Fire & Rescue Service

RESERVES STRATEGY

2023/24 to 2026/27

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Appendix B	Earmarked Reserves
Appendix C	Details on Individual Reserves

1 INTRODUCTION AND BACKGROUND

- 1.1 Sections 32 and 43 of the Local Government Finance Act 1992 require that, when setting the budget for the forthcoming year, precepting authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.
- 1.2 Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances' which was issued in July 2014.
- 1.3 In May 2018 the Government published the New Fire and Rescue Services Framework which introduces a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website. The Reserves Strategy can form part of the Medium-Term Financial Strategy (MTFS) or be a stand-alone document.

STRATEGIC CONTEXT

- 1.4 There are a number of reasons why a Local Government Authority might hold reserves. these include to:
 - Mitigate potential future risks such as increased demand and costs
 - Help absorb the costs of future liabilities
 - Temporarily bridge a funding gap should resources be reduced suddenly
 - Enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax
 - Spread the cost of large-scale projects which span a number of years.
- 1.5 Reserves only provide one-off funding so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan.
- 1.6 **Long-Term Sustainability** - Reserves are an essential tool to ensure long term budget stability particularly at a time when the Authority is facing significant year on year reductions in grant funding over the medium term.
- 1.7 Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.
- 1.8 There are two different types of reserves and in addition to these, provisions can be held for more certain commitments:

Earmarked Reserves – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose.

Should it transpire that not all the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

General Reserve – usage from this reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget such as a sudden increase in inflation or a pay award higher than anticipated when the budget was set.

Provisions - A provision is held to provide funding for a liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain.

2 RISK ASSESSMENT TO DETERMINE THE ADEQUACY OF THE GENERAL RESERVE

- 2.1 Whilst it is primarily the responsibility of the local authority and its Chief Financial Officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.
- 2.2 CIPFA does not prescribe a formula for calculating a minimum level of reserves. Local authorities, on the advice of their Chief Financial Officers, should make their own judgements on such matters considering all the relevant local circumstances, which may vary between authorities. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.
- 2.3 A common benchmark used for the General Reserve is 5% of annual budget. The Authority has consistently set a minimum level of General Reserve higher than 5% (currently 9%). However, as discussed in sections 2.1 and 2.2, it is the responsibility of the Authority to set an appropriate level of reserves reflecting the individual circumstances of the Authority. The method used is a risk-based approach, in line with CIPFA guidance. The levels of reserves set are felt to reflect the circumstances and risk appetite of the Authority.
- 2.4 The Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of external influences, such as national and local economics and Government policy has on its income and expenditure, there is always a risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for. This is particularly true in the current uncertain economic

climate and uncertainty around future funding streams, inflation and pay awards.

- 2.5 At the start of 2022/23, the General Reserve was £5.191m, which represented 11% of the 2022/23 net revenue budget of £46m. Current budget monitoring would indicate that the General Fund Reserve will remain close to this level at the end of the financial year.
- 2.6 A risk assessment of the adequacy of the Authority's General Reserve is carried out annually to determine the extent to which the Authority is exposed to uninsured and unbudgeted losses. The risk assessment is shown in Appendix A. Where risks have been identified, control measures are in place to minimise either the likelihood or the impact of the risk and these are also shown in Appendix A.
- 2.7 The approach has examined each of the risk exposures and considered both the possible financial impact on the Service and the likelihood of occurrence. A risk factor has been allocated to each risk reflecting the likely frequency of occurrence of the risk based on historic experience and professional judgment. It should be noted that the underlying assumption is that not all of these risk events will occur simultaneously and, to reflect this, the potential value of each financial impact is multiplied by its risk factor.
- 2.8 The approach also considers the extent to which financial risks can be transferred by way of insurances or through additional government grant (through the Bellwin scheme). This creates a balance between mitigated and self-financed risk. Where insurances are in place, the risk value reflects the level of excess within the insurance policy.
- 2.9 Residual risk is the extent to which the Authority remains exposed to risks which are neither insured nor provided for within revenue budgets or balances. The level of acceptable residual risk equates to the "risk appetite" of the Service and the estimated minimum level of balances reflects this risk appetite.
- 2.10 The risk review included an assessment of the financial implications of risks included in the corporate risk register. There were several changes to reflect current levels of uncertainty and risks associated with the changing economic environment. The frequency of risk occurrence has also been reviewed in the light of another year of experience.
- 2.11 The risk assessment which determines what the minimum level of reserves is carried out using the professional judgement of the officers involved in the process. Several managers with particular areas of expertise have been consulted as part of the exercise to determine any new risks and to identify appropriate levels of risk value and risk frequency. This detailed review of risks inevitably results in fluctuations in the resulting minimum level.
- 2.12 The three highest value risks identified in the risk register are detailed below:

- 1) **Pay Awards.** Recent increases inflation will have an impact on pay negotiations for 2023/24. Annual inflation using the CPI measure in October 22 was 11.1%. Forecasts suggests that CPI will remain at relatively high levels in 2023/24 (7.4%) before dropping back to 2% in 2024/25, although inflation is currently proving to be very difficult to predict. A potential cost of £1m has been identified to cover an award of 2% above the amount included in the 2023/24 budget (4%) and also an element should there be a higher settlement agreed in 2022/23 pay negotiations. A risk factor of 0.75 has been used to give a value of £0.75m to be included in the reserve.

Inability to set a balanced budget. This is a significant risk identified in the Corporate Risk Register. Setting a balanced budget is dependent on the delivery of the Futures 25 Efficiency Strategy, some of which is currently out to consultation. If proposed measures are not approved, there may be the need to make temporary cuts during 2023/24 and the use of additional reserves may be required. £0.5m has been included in the reserve to cover this risk.

- 2) **Pension Issues.** With ongoing uncertainty around implementation of the McCloud Immediate Detriment remedy in the Firefighters' Pension Scheme there remains a risk that the service will be required to pick up additional related costs, which the Home Office are currently indicating that they are not prepared to fund.

There is a further legal case (McCloud / O'Brien) which will backdate the date from which on-call firefighters can join the pension scheme (from 2006 to the date of employment). The costs that the service will incur relating to this remain unclear.

The pension scheme is also undergoing a revaluation exercise, the results of which may mean that employer superannuation rates are increased. This will come into effect in 2024/25.

£0.5m has been included in the reserve to cover any potential costs.

- 2.13 There are a number of other risks where minor amendments have been made to reflect changes in either risk value or in expected likelihood or impact in the light of another year's experience.

- 2.14 The updated risk assessment shows that an appropriate level of general reserves should remain at £4.5m. This reflects the uncertain financial climate which is influenced by the:

- impact of uncertainty around future years' funding, both national and local;
- issues around identifying potential savings from 2023/24 onwards;
- impact of the inflation and other cost pressures on expenditure.

- 2.15 Previous year's minimum levels of General Reserves have remained between £3.8m and £4.4m as detailed below:

Table 1 – Minimum General Fund Reserve Levels over last 5 years

Year	Minimum General Fund Reserve level £'m
2023/24	4.5
2022/23	4.5
2021/22	4.5
2020/21	3.9
2019/20	3.9

- 2.16 The Finance and Resources Committee regularly receives risk management reports, which show that corporate risks are regularly reviewed by Officers and that controls are in place to manage those risks. The review of reserves reflects changes to the corporate risk register.
- 2.17 The projected level of general fund reserves at 31 March 2022 is of the order of £5.2m (section 2.5). The General Fund reserve exceeds the minimum level required by £0.7m. There will be an opportunity to review General Fund reserves at year end once more information is known about the funding settlement, delivery of the Futures 25 efficiency strategy and the 2022/23 pay award negotiations.

3 ANNUAL REVIEW OF EARMARKED RESERVES

- 3.1 At 1 April 2022, the Authority had £4.9m of earmarked reserves which have been established for specific purposes; where there have been timing differences at budget setting or year-end or to address emerging risks or cost pressures.
- 3.2 Any unspent government grant at the end of the financial year is transferred into earmarked reserves to enable it to be ringfenced for its original purpose. It is expected that £1.2m of earmarked reserves at 31 March 23 will relate to unspent grant. The majority of this (£1.0m) relates to the national Emergency Services Network (ESN) scheme that has now been put on hold by the Home Office.
- 3.3 Appendix B contains details of all Earmarked Reserves. A summary position is shown in Table 2 below.

Table 2 – Summary of Earmarked Reserves

Purpose	Balance 1 Apr 22 £'000	Expected Balance 31 March 23 £'000	Required 2023/24 to 2026/27 £'000	Estimated Unused 31 Mar 26 £'000
Prevention & Protection	261	171	171	0
Emergency Services Network	1,012	998	0	998
Other ICT	290	59	20	39
Operational	444	460	460	0
Transformation & Collaboration	554	223	223	0
Pensions	325	325	325	0
Budget Pressure Support	936	1,126	1,126	0
Futures 25 Efficiency Strategy	900	700	700	0
Other	128	36	36	0
Total	4,851	4,097	3,061	1,037

- 3.4 The relevance of, and value in, each reserve is reviewed annually with a view to identifying any surplus reserves and realigning available funding to the service's priorities.
- 3.5 Given the potential deficit identified in the 2023/24 Medium Term Financial Strategy (MTFS), all existing earmarked reserves have been scrutinised with the purpose of identifying surplus resources that can be used to support know pressures for 2023/24 and beyond. This review has identified £361k for re-distribution.
- 3.6 Appendix B contains details of all Earmarked Reserves along with proposed amounts for reallocation. Table 2 provides a summary of those reserves identified for reallocation.

Table 2 – Summary of Earmarked Reserves Identified for Re-allocation

	Balance 1 Apr-22 £	Required 2022/23 £	Required 2023/24 to 2026/27 £	To be Reallocated £
ICT Telephony Software	53,000	0	0	(53,000)
Communications Development	171,753	0	0	(171,753)
Rescue Gloves	50,000	37,000	0	(13,000)
Transformation and Collaboration	553,495	103,276	223,155	(123,789)
Total	827,248	140,276	223,155	361,452

- 3.7 The review of Earmarked Reserves has identified £361k for reallocation. It is proposed that this be transferred to the following earmarked reserves:

Table 3 – Proposed re-allocation of Earmarked Reserves

Reserve	Amount £
Budget pressure support	189,789
Tri Service Control / Mobilising system	171,753
Total	361,452

4 SUMMARY

- 4.1 It is appropriate to advise Members that the level of reserves held by the Authority will be sufficient during 2023/24 to cover the risk-based liabilities which may arise, and the Treasurer will report on this as part of her duties under Section 25 of the Local Government Act 2003 when the 2023/24 budgets are set in February 2023.
- 4.2 There remains significant pressure on budgets going forward. It is anticipated that the service will need to identify savings in order to balance the budget in future years. This will be achieved through the Futures 25 Efficiency Strategy which will present proposals for decisions by Fire Authority in February 2023. It is expected that there will be a shortfall of funding in 2023/24 while the Efficiency Strategy is implemented and that reserves will be required to meet this shortfall.
- 4.3 The total value of the Authority's reserves on 1 April 2023 is expected to be in the region of £9.3m.
- 4.4 The expected level of General Fund Reserves as at 1 April 2023 is expected to be in the region of £5.2m, which exceeds the £4.5m minimum level identified for 2023/24 by £0.7m.
- 4.5 Earmarked Reserves are expected to be in the region of £4.1m at 1 April 2023. These are expected to be fully spent by the end of 2026/27 with the exception of ESN project related reserves due to the national project being put on hold. It is likely that additional reserves will be created during this period due to ongoing receipts of grant.
- 4.6 £361k of earmarked reserves have been identified for reallocated to:
- Budget Pressure Support - £190k;
 - Tri Service Control / Mobilising System £172k.

2023/24 General Fund Risk Analysis

Appendix A

Risk No	Risk Description	Risk Effect	Control Measures	2023/24 Risk Value £	2023/24 Risk Factor Reflecting Frequency	2023/24 Reserve Required £
1	Pay awards agreed at higher rate than budget	Additional costs. Reserve covers 2% over rate included in budget.		1,000,000	0.75	750,000
2	Inability to set a balanced budget	Budget set by Fire Authority is not in balance and reserves required to fund expenditure.	Futures 25 programme of savings. Adequate reserves held for short term funding if required	1,000,000	0.5	500,000
3	Risk of significant overspend against budgets due to price increases, undeliverable savings, supply chain issues, fixed price external contracts failing to deliver and potential requirement for market supplement to recruit staff.	Overspend against revenue budget in year which will have effect of reducing general reserves by the amount of the overspend	Regular budget monitoring which allows early identification of problems and corrective action to be undertaken.	1,000,000	0.5	500,000
4	Pension issues - McCloud / Matthews / cost cap judicial review / scheme valuation	Additional costs may fall to Fire Authority. Difficulty in recruiting sufficiently skilled resources.	Working closely with LGA / Pension Scheme Administrators and other Authorities to ensure consistent approach.	1,000,000	0.5	500,000
5	Unanticipated loss of income eg from withdrawal of one-off grants / impact of one year settlement	Timings of budget process may not allow sufficient time to plan for such changes	Network of Chief Financial Officers keep abreast of developments. Futures 25 efficiency programme identifying a range of potential savings.	1000000	0.5	500,000

Risk No	Risk Description	Risk Effect	Control Measures	2023/24 Risk Value £	2023/24 Risk Factor Reflecting Frequency	2023/24 Reserve Required £
6	Redundancies due to current and on-going financial constraints, if savings cannot be found from elsewhere	One-off cost of redundancy payment and potential pension strain is too high a cost to budget for within the revenue budget	Business case and payback period. £900k included in Earmarked Reserves for Efficiency Related programme but this may not be sufficient.	500,000	0.5	250,000
7	Legal challenges and discretionary compensation awards	Reputational damage; Legal costs, employment tribunal costs unbudgeted	Professional HR advice, policies, procedures, management training, legal advice	1,200,000	0.3	360,000
8	Local/national industrial dispute	Potential loss of service; risk of non-compliance with statutory duties and ensuing legal case / fines; selective industrial action may not result in sufficient underspend to cover additional costs. Potential ministerial intervention and ensuing reputational damage.	Resilience arrangements in place which has reduced the risk of needing additional cover. High inflation increases risk of pay dispute.	300,000	0.75	225,000
9	Business failure of bank or investment counterparty	Loss of working capital or investment funds up to £2m	Treasury management strategy, risk analysis of investment options and counterparties	2,000,000	0.1	200,000
10	Collaboration unforeseen costs	With several collaboration projects being undertaken there is a potential pressure to increase costs to reflect inflationary pressures / increased capital costs / change in needs	Effective planning and identification of costs at the outset of the project	400,000	0.4	160,000
11	Discovery of major property structural problem that restricts / prevents use of all or part of building(s)	Loss of use; cost of repair; impairment to operational effectiveness	Continuity plans, repair and refurbishment programme	600,000	0.2	120,000

Risk No	Risk Description	Risk Effect	Control Measures	2023/24 Risk Value £	2023/24 Risk Factor Reflecting Frequency	2023/24 Reserve Required £
12	Major ongoing incident such as pandemic which affects Business Continuity Management (BCM)	Ongoing significant additional costs to ensure critical capability maintained.	BCM plans. Pandemic plan. Potential additional government grant. Reduced activity elsewhere across the service may result in savings which can be redirected.	500,000	0.2	100,000
13	Major vehicle / equipment defect (affecting part of fleet)	Loss of use; cost of rectifying defect if beyond warranty	Mutual assistance, robust and routine fleet inspections. New contract.	250,000	0.4	100,000
14	Unforeseen general change in legislation / Major Incident Reviews	Increased costs of working due to doing more or doing things differently & costs of training	Awareness	300,000	0.2	60,000
15	Hot or dry summers	Increased retained call-outs	None	200,000	0.3	60,000
16	Breach of data security	Loss of confidential data; Information Commission fines	Security measures monitored and reviewed	150,000	0.25	37,500
17	HSE Interventions	Cost of remedial measures; cost of fine; fees for HSE intervention, indirect costs of covering internal resources used to investigate the issue etc.	Operating procedures; training; written safety policy; risk assessments	300,000	0.1	30,000
18	Insurance Excess not included in budget	Insurance receipt may not cover costs. Excess for fraud, indemnity cover and personal damage total £35k.	Training and procedures	100,000	0.3	30,000
19	Natural disasters/ multiple large incidents requiring Belwin support	Reduction in capability to respond	Multi-agency plans; New Dimensions equipment; BCM plans; Response degradation policy; Mutual Aid	90,000	0.3	27,000
	TOTALS			9,890,000		4,509,500

Earmarked Reserve Position 2022/23 to 2026/27

Appendix B

	Balance 01-Apr-22 £	Required 2022/23 £	Reallocated 22/23 £	Estimated Balance 31-Mar-23 £	Required 2023/24 £	Required 2024/25 £	Required 2025/26 £	Balance 31-Mar-26 £
Prevention Protection and Partnership								
Safe as Houses	18,301	-12,000		6,301	-6,301			0
Community Safety - Innovation Fund	45,319	-3,190		42,129	-22,129	-20,000		0
Building Risk Review Grant	30,556	-30,557		-0				0
Grenfell Infrastructure Fund	16,582	-16,582		0				0
Fire Protection Funding / Uplift grant	27,790	-27,790		0				0
Fire Cadets Project - Duke of Edinburg	18,918	0		18,918	-9,000	-9,918		0
Accreditation, Recognition & Prior Learning	19,099	0		19,099	-19,099			0
Children's Home Safety Equipment Scheme	84,725	0		84,725	-84,725			0
Sub Total	261,291	-90,118	0	171,172	-141,254	-29,918	0	0
Resilience								
New Threats / MTFA	36,108			35,536	-35,536			0
Sub Total	36,108	0	0	35,536	-35,536	0	0	0
ICT								
Systel Security PSN Work (NFRS)	266,370	0		266,370				266,370
ESN (Regional)	114,103	-13,486		100,617				100,617
ESN RAP Work (NFRS)	348,817	0		348,817				348,817
ESN Control Room ICT	20,100	0		20,100				20,100
Systel Airwave ESN Transition (NFRS)	173,184	0		173,184				173,184
ESN - Notts Local Transition Fund (NFRS)	12,368	0		12,368				12,368
Delivery of ESN – Additional funding (NFRS)	77,000	0		77,000				77,000
ESN Sub Total	1,011,941	-13,486		998,455				998,455
		0		0				
ICT Telephony Software	53,000	0	-53,000	0				0

	Balance 01-Apr-22 £	Required 2022/23 £	Reallocated 22/23 £	Estimated Balance 31-Mar-23 £	Required 2023/24 £	Required 2024/25 £	Required 2025/26 £	Balance 31-Mar-26 £
WIFI Enhancement - Local Resilience Forum	6,667	-6,667		0				0
Communications Development	171,753	0	-171,753	0				0
Business System Development	58,818	0		58,818	-20,000			38,818
ICT Subtotal	1,302,180	-20,153	-224,753	1,057,273	-20,000	0	0	1,037,273
Operational								
Operational Equipment	30,000	-30,000		-0				0
Tri Service Control / Mobilising System	178,083	0	171,753	349,836	-200,000	-149,836		0
Tri Service Control - Mobile Data Terminals	100,000	0		100,000		-100,000		0
Fire Cover Review	10,000	0		10,000	-10,000			0
Rescue Glove	50,000	-37,000	-13,000	0				0
Command Training Suite	76,298	-76,298		0				0
Sub Total	444,381	-143,299	158,753	459,836	-210,000	-249,836	0	0
Estates								
Headquarters Move	50,000	-50,000		0				0
Sub Total	50,000	-50,000	0	0	0	0	0	0
Pensions								
Fire Pension Admin Grant	124,765	0		124,765	-60,000	-64,765		0
McCloud Pension Remedy	200,000	0		200,000		-200,000		0
Sub Total	324,765	0	0	324,765	-60,000	-264,765	0	0
Other								
Covid-19 2019/20 unused grant	29,792	-29,792		-0				0
Redmond Review Grant	12,325	-12,325		0				0
Budget Pressures Support	936,287	0	189,789	1,126,076	-1,000,000	-126,076		0
Efficiency Programme	900,000	-200,000		700,000	-700,000			0
ICT Subtotal	1,878,404	-242,117	189,789	1,826,075	-1,700,000	-126,076	0	0

	Balance 01-Apr-22 £	Required 2022/23 £	Reallocated 22/23 £	Estimated Balance 31-Mar-23 £	Required 2023/24 £	Required 2024/25 £	Required 2025/26 £	Balance 31-Mar-26 £
Innovation								
Transformation and Collaboration	553,495	-206,551	-123,789	223,155	-77,000	-38,320	-107,835	-0
Sub Total	553,495	-206,551	-123,789	223,155	-77,000	-38,320	-107,835	-0
								0
Total	4,850,622	-752,238	0	4,097,812	-2,243,790	-708,915	-107,835	1,037,274

DETAILS ON INDIVIDUAL RESERVES

Details on the individual reserves in Appendix B can be found below.

Safe as Houses

This reserve provides funding for equipment to help deliver safe and well checks.

Community Safety Innovation Fund

This grant enables the Authority to work very closely with partner agencies to identify and address risk with the aim of reducing fires in vulnerable groups. An example of this work is where an Environmental Health officer has been seconded to the Authority to work alongside our Fire Prevention Officers to ensure that the assistance provided is the most effective available.

Building Risk Review Grant / Fire Protection Funding / Grenfell Infrastructure Fund / Accreditation, Recognition and Prior Learning

These grants have been provided to help the service address the recommendations coming out of the Grenfell Tower Inquiry and subsequent Hackitt review.

Fire Cadets Project

This reserve supports the work the service does with cadets. A joint cadet scheme with the police is in its early stages and the funding will be used to support the programme.

Home Safety Equipment Scheme

When undertaking safe and well visits, staff frequently replace equipment that represents a fire hazard within the home. This grant helps cover costs that cannot be met from within current budgets.

Emergency Services Network (ESN) Reserves These reserves relate to ESN grant that has been awarded but not spent due to the delays in the national project. There are also some smaller reserves created to fund expenditure funded directly by the Authority. The ESN project has now been put on hold by the government and further spending is not expected until the project recommences.

ICT Telephony Software

This was set aside for telephony software development which has now been completed - the remaining budget can be released for reallocation.

Communications Development

This reserve was originally set aside for ESN work prior to receiving the ESN grant. It has not been used due to the slow progress of the ESN project and is now unlikely to be used. It is proposed to add this to the Tri Service Control project.

Business Systems Development

This reserve has been set aside for iTrent and Agresso software development. This will be needed to update both systems to improve electronic workflows, thus reducing on the manual input required.

Operational Equipment / Rescue Gloves

These reserves were created during Covid due to procurement delays. These are due to be spent in the current year.

Tri Service Control / Regional Mobilising System

This is funding set aside to make continuing improvements to the control software installed as part of a joint project with Derbyshire and Leicestershire Fire Authorities. With the contract now coming up for renewal, these improvements are unlikely to take place and the funding will be used towards the project costs of identifying the needs of the new system.

Mobile Data Terminals

This reserve was created to help address the MDT issues raised in the first inspection report. The funding is expected to be needed to fund capital expenditure in 2023/24.

Fire Cover Review

This reserve has been set aside to cover costs related to delivering the Futures 25 Efficiency Strategy in 2023/24.

Command Training Suite

This project is now complete.

Transformation and Collaboration Reserve

This was a reserve created to support transformation via the Community Risk Management Plan. There have been underspends on the projects which can now be reallocated.

Head Quarter Move

This reserve was set aside to cover unforeseen costs relating to the HQ move. There may be some of this reserve available for re-allocation at year end.

Covid-19 2019/20 unused grant

There is a small element of covid grant left which related to ongoing employee costs used to catch up on the backlog of work following the various lockdowns. This is expected to be utilised by the end of the year.

Redmond Review Grant

This was new burdens grant received to help mitigate the increasing costs of external audit. This will be used this financial year.

Budget Pressures Support

This reserve was created to protect the service from significant budget deficits during 2023/24 due to funding not being expected to match pay and inflation increases in costs. Underspends from other earmarked reserves will be used to top this up to £1m.

Efficiency Programme

This reserve has been created to fund work required to deliver the Futures 25 Efficiency programme.



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

TREASURY MANAGEMENT MID-YEAR REVIEW 2022/23

Report of the Treasurer to the Fire Authority

Date: 16 December 2022

Purpose of Report:

To provide Members with an update on treasury management activity during first half of the 2022/23 financial year,

Recommendations:

That Members note the contents of this report.

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1. BACKGROUND

1.1 The Fire Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return. The second main function of the treasury management service is the funding of the Fire Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

1.2 Accordingly, treasury management is defined as:

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

1.3 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management (the Code) was adopted by the Fire Authority on 9 April 2010. The Code was revised in December 2017 and again in December 2021, however the 2021 revisions are not due to be formally adopted until the 2023/24 financial year. The primary requirements of the Code are as follows:

- The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities;
- 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;
- 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;
- Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. This Authority delegates the role of scrutinising the treasury management strategy and policies to the Finance and Resources Committee.

- 1.4 This mid-year report has been prepared in accordance with the Code, and covers the following:
- An economic update for the first half of the 2022/23 financial year;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
 - A review of the Authority's investment portfolio for 2022/23;
 - A review of the Authority's borrowing strategy for 2022/23;
 - A review of any debt rescheduling undertaken in 2022/23;
 - A review of compliance with Treasury and Prudential Limits for 2022/23.
- 1.5 The Authority has appointed Link Asset Services as its external treasury management adviser.
- 1.6 The Code also requires that the Authority has a Capital Strategy – this forms part of the Medium-Term Financial Strategy which is a separate item on this meeting's agenda.

2. REPORT

ECONOMIC UPDATE

- 2.1 The quarterly estimate of Gross Domestic Product (GDP) fell by 0.2% in Quarter 3 (July to September) 2022. With the drag on economic activity from high inflation having grown in recent months, GDP is at risk of contracting further through the autumn and winter. There are already signs that economic activity is losing momentum as production fell due to rising energy prices, and the Bank of England has warned that the UK could be in recession from Q4 2022 until the first half of 2024.
- 2.2 Bank rate has increased from 0.75% in April 2022 to 3.00% in October, its highest level since November 2008. There are further increases to come, and markets are currently expecting rates to peak between 4.5% and 4.75% next year.
- 2.3 Interest rate forecasts provided by Link Asset Services can be found at Appendix A.
- 2.4 Inflation continues to be high, largely due to post-pandemic supply-chain shortages and increased demand, and the war in Ukraine. CPI inflation stands at 11.1% in October 2022 (10.1% in September), up from 9.0% in April. It was expected to peak at close to 11% in Q4 2022, but this projection may now be updated by the Bank of England given that the October figure was higher than expected. Domestic price pressures show little sign of abating in the near-term and are largely driven by a tight labour market, strong wage growth and increasing energy costs. If the Russian invasion of

Ukraine remains unresolved this will continue to put pressure on global energy process and the prices of staple foods such as wheat.

- 2.5 On 17 November, the Chancellor of the Exchequer Jeremy Hunt announced the Autumn Statement 2022. The Statement was Mr Hunt's first major fiscal event as Chancellor, and unlike the September so-called "mini-Budget", set out by his predecessor, was accompanied by the Office of Budget Responsibility's Economic and Fiscal Outlook.
- 2.6 The Autumn Statement followed a series of fiscal announcements in the last few months under the stewardship of the previous Prime Minister, Liz Truss. Many of the measures originally announced have since been either cancelled or scaled back. These changes had a calming effect on markets.
- 2.7 The Statement estimated a spending gap of approximately £55bn which would be met from a mixture of tax rises (£20bn) and spending cuts (£35bn).

REVIEW OF THE TREASURY MANAGEMENT STRATEGY

- 2.8 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 Office (Government);
 - Term deposits with Banks and Building Societies;
 - Call deposits with Banks and Building Societies;
 - Term Deposits with uncapped English and Welsh local authority bodies;
 - Triple-A rated Money Market Funds;
 - UK Treasury Bills;
 - Certificates of Deposit.
- 2.9 The Treasury Management Strategy includes a limit of £4m to be invested with any single counterparty, although this limit is only used in exceptional circumstances and a maximum of £2m is normally adhered to. 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:
- Purple band – 24 months;
 - Blue 1 year (only applies to nationalised or semi nationalised UK Banks);
 - Orange 1 year;
 - Red 6 months;
 - Green 100 days.

- 2.10 The Authority will avoid locking into longer term deals unless attractive rates are available which make longer term deals worthwhile.
- 2.11 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.
- 2.12 The current account has been overdrawn once during the first half of the year.

REVIEW OF THE INVESTMENT PORTFOLIO

- 2.13 The Authority's priority is to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with its risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs.
- 2.14 Following the Government's fiscal event on 23 September the main ratings agencies (Moody's, Fitch and S&P) have placed the UK sovereign rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook. The Authority's Annual Investment Strategy allows for the continued use of UK counterparties in the event that the UK's sovereign credit rating is downgraded, subject to other creditworthiness criteria. The Authority's investments are therefore unaffected at this stage, although the UK's Negative Outlook has had an impact on the underlying Outlooks of some "systemically important" UK banks.
- 2.15 Investments at 30 September 2022 totalled £16.0m and are all held with UK banks or building societies. Investment rates are monitored within the benchmarking group supported by Link Asset Services. The group consists of 13 members, including NFRS. The latest report (June 2022) showed NFRS's weighted average rate of return to be 0.27% compared with a group average of 0.97%. As at 30 September NFRS's weighted average rate of return was 1.62% and the weighted average life (WAL) of its investments was 69 days.
- 2.16 The Authority has adopted a liquidity benchmark, which is a WAL of approximately 3 months and recommended maximum WAL limit of 0.40 years. The current WAL of 69 days is around 2.3 months, meaning that the portfolio has a higher level of liquidity.
- 2.17 The Authority's yield benchmark is for investment returns to be above the 3-month SONIA compounded rate. The current 3-month SONIA compounded rate is currently 1.82% The Authority's weighted average rate of return is below this largely because the WAL of its portfolio is less than 3 months.
- 2.18 The approved limits within the Authority's Annual Investment Strategy have not been breached during the period from 1 April 2022 to 30 September 2022.

- 2.19 The Authority's budget for investment interest for 2022/23 is £20k. The forecast outturn for the 2022/23 financial year is £104k. Returns have increased significantly due to the increases in bank rate.

REVIEW OF THE BORROWING STRATEGY

- 2.20 The strategy for 2022/23 is to use a combination of capital receipts, borrowing and internal funds to finance capital expenditure.
- 2.21 In the Treasury Management Strategy, it was predicted that the Authority would need to borrow up to £9m during the 4-year period from 1 April 2022 to finance the capital programme and replace £3m of maturing loans. The Authority has repaid £3k of principal relating to annuity loans and has not repaid any maturity loans in the period to 30 September.
- 2.22 PWLB rates have been on a rising trend throughout 2022/23 and rose sharply following the fiscal event on 23 September. During October they have fallen back to rates seen before the mini budget. Link's 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% before increasing to 4.80% in September. Rates are expected to fall back to 3.10% by the end of September 2025. These rates are higher than those used in the calculations for the medium-term budget covering the period 2022/23 to 2024/25 and will add to budgetary pressures going forward.
- 2.23 The Authority's capital financing requirement (CFR) as at 31 March 2022 was £30.59m, and the estimate for 2022/23 is £34.53m. The CFR denotes the Authority's underlying need to borrow for capital purposes. Current borrowing stands at £32.90m. 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. Based on current cashflow forecasts the Authority is unlikely to undertake any new borrowing during 2022/23 except to refinance a LOBO loan if required (see paragraph 2.25).
- 2.24 No rescheduling of debt has taken place to date, as the interest rate climate has not resulted in an advantageous environment for rescheduling. However, now that the whole yield curve has shifted higher there may be better opportunities in the future. Only prudent and affordable debt rescheduling will be considered.
- 2.25 The Authority holds a £4m 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. The next opportunity for a revision of the interest rate is 7 March 2023, and the recent rise in the cost of borrowing has increased the likelihood that the rate may be revised. Should this occur then officers would consider the implications of accepting the revised rate and assess whether to

repay the loan. Given the current interest rate forecasts if the loan is repaid it is likely to be initially refinanced by short-term borrowing until longer-term rates return to more affordable levels. This can be accommodated within current loan maturity limits.

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

REVIEW OF COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

- 2.27 The following indicators were approved by Members for the 2022/23 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 2022/23	Actual as at 30/10/22
Estimate of Ratio of Financing Costs to Net Revenue Stream	5.6%	Not available until year end
Estimate of Total Capital Expenditure to be Incurred	£3,909,000	£3,718,000
Estimate of Capital Financing Requirement	£34,526,000	Not available until year end
Operational Boundary	£36,907,000	Not exceeded
Authorised Limit	£40,598,000	Not exceeded
Upper limit for fixed rate interest exposures	100%	100%
Upper limit for variable rate interest exposures	30%	0%
Loan Maturity:	<u>Limits:</u>	
Under 12 months	Upper 20% Lower 0%	0.1%
12 months to 5 years	Upper 30% Lower 0%	10.4%
5 years to 10 years	Upper 75% Lower 0%	12.1%
10 years to 20 years	Upper 100% Lower 0%	6.9%
Over 20 years	Upper 100% Lower 30%	70.5%
Upper Limit for Principal Sums Invested for Periods Longer than 364 Days	£2,000,000	Not applicable

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 gives a review of activities rather than introducing a new policy.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

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

8. RISK MANAGEMENT IMPLICATIONS

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

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

That Members note the update on treasury management activity during the 2022/23 financial year as required under the Local Government Act 2003.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)
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None.

Becky Smeathers
TREASURER TO THE FIRE AUTHORITY

APPENDIX A

Interest Rate Forecasts 2022-2025

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction

Source: Link Asset Services 08/11/22

	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Jun 2025	Sep 2025	Dec 2025
Bank Rate	3.50%	4.25%	4.50%	4.50%	4.50%	4.00%	3.75%	3.50%	3.25%	3.00%	2.75%	2.50%	2.50%
5Y PWLB Rate	4.30%	4.30%	4.20%	4.10%	4.00%	3.90%	3.80%	3.60%	3.50%	3.40%	3.30%	3.20%	3.10%
10Y PWLB Rate	4.50%	4.50%	4.40%	4.30%	4.20%	4.00%	3.90%	3.70%	3.60%	3.50%	3.40%	3.30%	3.20%
25Y PWLB Rate	4.70%	4.70%	4.60%	4.50%	4.40%	4.30%	4.10%	4.00%	3.90%	3.70%	3.60%	3.50%	3.50%
50Y PWLB Rate	4.30%	4.40%	4.30%	4.20%	4.10%	4.00%	3.80%	3.70%	3.60%	3.40%	3.30%	3.20%	3.20%



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

CORPORATE RISK MANAGEMENT

Report of the Chief Fire Officer

Date: 16 December 2022

Purpose of Report:

To provide Members with an overview of the corporate risk management process including the current version of the Corporate Risk Register.

Recommendations:

It is recommended that Members note:

- The most recent version of the Corporate Risk Register and the work ongoing to mitigate the risk to the Authority.
- The high level of risk and uncertainty associated with the current operating environment, and the subsequent impact on risk to both the Authority and the Service.

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1. BACKGROUND

- 1.1 A report detailing corporate risk management and escalating areas of risk was presented to the 14 October 2022 Policy and Strategy Committee. Due to the report detailing an escalating level of corporate risk to the Authority, the Committee Chair asked that this report be presented to full Fire Authority. This ensures the current levels risk to the Fire Authority and mitigations are fully understood and communicated with Members.
- 1.2 The Authority continues to follow a robust risk management process, enabling the consideration of key external and internal risks as part of the management decision-making process.
- 1.3 By establishing a systematic approach to identifying, assessing and managing risk, Nottinghamshire Fire and Rescue Service (NFRS) intends to continually improve the Authority's governance, increase accountability and enhance overall performance.
- 1.4 This report provides Members with an oversight of the corporate risk management process and the key risks to which the Authority is exposed.
- 1.5 The Authority's Corporate Risk Register (CRR) details those risks that are significant enough to warrant management by a Principal Officer. Specific risk control measures are put in place to reduce the likelihood and/or impact of a risk occurrence where this is felt to be practicable and/or appropriate.

2. REPORT

- 2.1 The Authority's current CRR dated September 2022 is attached at Appendix A. Page 4 of the CRR provides a visual indicator of those risks which have been escalated and de-escalated since the CRR was last reported in April 2022.
- 2.2 The risks contained within this register are those the Service has identified as being the most significant in terms of impacting on Service priorities. Members will note the activities in place and planned to mitigate those risks.
- 2.3 Members will see a number of risks have been escalated at the time of reporting. This is indicative of the impact that global and national issues are having and the current high level of complexity and uncertainty within the operating environment.
- 2.4 The risk associated with the Service's ability to set a balanced budget has been increased from high to very high. This is due to high levels of economic uncertainty impacting on the financial operating environment. More specifically ongoing issues relating to the level and funding of pay awards for staff, the impact of inflation on the Service's costs and the impact that one year funding settlements have on the Service's ability to implement effective

budget management is increasing the risk that the Authority will not be in a position to set a balanced budget for the FY 2023/24.

- 2.5 Members will be aware that the Futures 2025 Efficiencies Strategy was presented at the September meeting of the Fire Authority. This strategy outlines the Service's approach to mitigate the risks associated with the financial position, with a current estimated budget shortfall of £3.2 by April 2023.
- 2.6 The level of risk associated with the budget issues reflects the position that, despite stringent budget monitoring and reporting arrangements, the mitigation measures proposed as part of the Futures 2025 will not effectively mitigate the risk should the decision be taken by the Fire Authority to not implement them.
- 2.7 The risk associated with the firefighters pension scheme, Risk 2, was updated at the previous Finance and Resources Committee meeting in April 2022 relating to application of the remedy following the McCloud case. The risk associated with this issue remains very high whilst Government legislation and a national resolution is awaited.
- 2.8 Risk 4, Employee Engagement, has been escalated from high to very high as a consequence of the ongoing risk of industrial action due to the national dispute over pay. The Fire Brigades Union (FBU) has confirmed they will be balloting members for industrial action. In turn the Service has responded by standing up established business continuity management arrangements. These are subject to separate reporting via Policy and Strategy Committee. The high-risk level reflects the significant impact that industrial action would have on the Service's ability to deliver critical functions.
- 2.9 The risk associated with workforce sustainability, Risk 5, has been escalated from high to very high. This is as a consequence of recruitment and retention challenges to key green book roles including occupational health functions and key ICT roles which cannot be mitigated through the use of short-term contracts and agency staff. In addition, the grey book (operational) establishment is currently operating with a shortfall in numbers whilst the outcome of the Futures 2025 efficiency strategy is awaited.
- 2.10 The previous report discussed the hardening of the insurance market, specifically relating to the provision of cyber insurances due to increasing risk for insurance underwriters. Additional work has been undertaken with the Service's cyber insurance provider, and a decision has been taken to terminate the cyber insurance policy cover due to high costs and policy limitations. The Service has instead chosen to reinvest the money that would have been spent on policy cover into additional cyber and information security risk mitigation measures.
- 2.11 Since the report to the Finances and Resources Committee, two additional risks have increased which impact on the Service's corporate management of risk.

- 2.12 Members will be aware that the Fire Brigades Union and its membership have rejected the 5% pay award offer, made by the National Employers. The FBU has now set out a timetable for potential industrial action, increasing the likelihood of strike action.
- 2.13 As a result of the ongoing assessment of risk undertaken and links with the Tri-Service Risk Register, Strategic Goal 3, has been increased to very high, as a result of ongoing work with the Tri-Service mobilisation provider.
- 2.14 Both risks identified in Paragraphs 2.12 and 2.13 are reflected in the Corporate Risk Register, Appendix A.

3. FINANCIAL IMPLICATIONS

- 3.1 The minimum level of general fund reserves is reviewed each year and set according to the perceived financial risk. For 2021/22 the minimum level was increased from £3.9m to £4.5m to reflect the current increased financial risks. General fund reserves were £5.2m on 1 April 2022.
- 3.2 The Authority has a statutory duty to set a balanced budget each year. Currently there is a predicted budget shortfall of £3.2 million for the FY 2023/24 and there is a risk that the Authority will not be in a position to set a balanced budget depending on the outcome of decisions taken as a consequence of the Futures 2025 efficiency strategy.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are a number of escalating risks which present human resources and industrial relations issues to the Authority, including those associated with industrial action and workforce sustainability.

5. EQUALITIES IMPLICATIONS

- 5.1 An equality impact assessment has not been undertaken because this report consolidates existing work streams that may themselves be subject to an equalities impact assessment.
- 5.2 There are a range of risks identified on the Corporate Risk Register which are mitigated by workstreams relating to equality and inclusion, including employee engagement, workforce sustainability and preventable deaths.
- 5.3 Equality and inclusion workstreams identified on the Corporate Risk Register include the following:
- Engagement with the Inclusion Performance Group and the Service Employee Networks;

- Recruitment practices and occupational health and wellbeing interventions which proactively drive the equality and inclusion agenda at NFRS;
- Proactive targeting of prevention activities at those communities and individuals most at risk of harm from fire and other risk factors.

These are discussed in more detail in the Service's People Strategy and Workforce Plan.

- 5.4 The Community Risk Management Plan (CRMP) has been consulted, and published on 1 April 2022. Strategic Goal 4 – “We will continue to support and develop our workforce and promote an inclusive Service” – further supports the Service commitment to equality, diversity and inclusion.

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 failure of the Authority to effectively manage the risks to which it is exposed poses a risk, particularly where there is a systemic failure. Risk management is a key element of the corporate governance framework and it is imperative that risk identification and management is both up-to-date and embedded in the decision-making, governance and scrutiny processes of the Authority.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

It is recommended that Members note:

- 10.1 The most recent version of the Corporate Risk Register and the work ongoing to mitigate the risk to the Authority.
- 10.2 The high level of risk and uncertainty associated with the current operating environment, and the subsequent impact on risk to both the Authority and the Service.

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

None.

Craig Parkin
CHIEF FIRE OFFICER

Corporate Risk Register



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‘The Corporate Risk Register provides information on the very high and high risks in the Service. The document also assesses the likelihood and impact of each risk’.



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Revision Record		

Introduction

Nottinghamshire Fire and Rescue (NFRS) Corporate Risk Register (CRR) is used to identify, analyse and prioritise those risks that may affect the ability of the Service to achieve its' Strategic Objectives, as detailed within the Community Risk Management Plan (CRMP).

The following Matrix is used to assess the level of risk posed to the service. Risks which pose a high or very high risk are recorded, managed and monitored via the corporate risk register with oversight at a Strategic Level.

Likelihood	5	Medium	High	V High	V High	V High
	4	Medium	High	V High	V High	V High
	3	Medium	Medium	High	High	High
	2	Low	Low	Medium	Medium	Medium
	1	Low	Low	Low	Low	Low
		1	2	3	4	5
		Impact				

Likelihood		
Rating	Score	Likelihood issue will occur
Almost Certain	5	Almost certain within the coming year.
Likely	4	Very likely to occur in coming year
Possible	3	More likely than not in coming year
Unlikely	2	Potential, but not often
Rare	1	Little evidence of occurrence
Impact		
Rating	Score	Impact of issue occurring
Severe	5	Permanently or long disruption
Major	4	Medium-term disruption
Moderate	3	Short term disruption
Minor	2	Day to day management
Negligible	1	Little or no impact on Service



Residual Risk Changes

Likelihood		5					
		4			5	1 2 4 5 3	
		3					7 8. 9
		2				12	6 11 13
		1					
			1	2	3	4	5
		Impact					



Ref 1	Inability to set a balanced budget and to contain spending within existing budgets	
CRMP: Strategic Goal 6: We will manage and invest in our Service to ensure it is fit for the future.		
Risk Owner: Head of Finance (on behalf of the CFO)		
Risk Description	Owner Assurance Commentary	Key Projects
Risk of overspending in 2022/2023 due to impact of uncertain national economic position – high inflation / impact on pay awards / increasing interest rates / supply chain issues / ongoing war in Ukraine.	Ongoing uncertainty around inflation and pay awards. Futures 2025 report considered by Fire Authority September 2022. Risk to future years budgets if savings not identified and approved by Fire Authority in February 23.	Futures 2025 Efficiency Strategy. Reserves Strategy. Medium-Term Financial Strategy (MTFS). Comprehensive Spending Review Implementation of McCloud remedy (see Risk 2)
Medium term risk of not being able to set a balanced budget due to uncertain economic climate (see above) and risk of not delivering the efficiency strategy.	MTFS to consider all aspects of funding and expenditure – to be reported to Fire Authority in December 2022.	
Reduction in income due to changes in local economy (devolution / impact of any future Covid restrictions and reliance on Section 31 Grants – Pension grant and one-off services grant).	Internal audit of financial management including budgetary control. Careful use of reserves to provide resource to support and deliver Futures 25 Efficiency Strategy to enable a balanced budget to be set in future years.	
One-year funding settlement for 2021/2022 has created uncertainty about funding in future years.	Participation in devolution discussions to protect financial position of the Authority. Rigorous budget monitoring procedures in place. Budget monitoring reported regularly to SLT and Finance and Resources Committee.	

Corporate Risk Register



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Inherent Risk Score						Residual Risk Score					
Likelihood	4	Impact	4	Total	16(VH)	Likelihood	4	Impact	4	Total	16 (VH)



Ref 2	Firefighter's Pension Scheme – impact of McCloud remedy and other ongoing legal cases.										
CRMP: Strategic Goal 6: We will manage and invest in our Service to ensure it is fit for the future.											
Risk Owner: Head of Finance (on behalf of the CFO)											
Risk Description				Owner Assurance Commentary				Key Projects			
<p>Lack of national clarity and guidance making implementation very difficult. Immediate Detriment cases will need to be addressed before national guidance is available and new legislation approved. Increased complexity and additional associated workload for NFRS staff and pension administration will have impact on ability to provide a timely and accurate pension administration service.</p> <p>Increased risk of legal claims against NFRS.</p> <p>The costs of implementing the remedy are likely to be significant and some of these are expected to fall to individual Fire Authorities.</p>				<p>This is a national issue with the Fire Service being led by the Local Government Association (LGA). The complexities of the remedy increase the likelihood of a national skills shortage in this area.</p> <p>Regular report to Policy and Strategy Committee.</p> <p>The Service's Pension Scheme Administrators – West Yorkshire Pension Fund (WYPF) provide services to about half Fire Services and have significant specialist knowledge which NFRS has access to.</p> <p>Use of shared pension expertise with Leicestershire and Derbyshire Fire Services.</p> <p>Budget provision for additional internal pension resources.</p>				<p>Implementation of McCloud remedy.</p> <p>Monitoring of situation by Scheme Manager and Local Pension Board.</p> <p>Regular updates to Policy and Strategy Committee.</p> <p>Involvement of Head of Finance and scheme administrators at national level.</p>			
Inherent Risk Score						Residual Risk Score					
Likelihood	4	Impact	4	Total	16(VH)	Likelihood	4	Impact	4	Total	16(VH)



Ref 3	Mobilising	
CRMP: Strategic Goal 3: We will respond immediately and effectively to emergency incidents.		
Risk Owner: Assistant Chief Fire Officer		
Risk Description	Owner Assurance Commentary	Key Projects
Service is unable to receive and act on emergency calls in contradiction of statutory duty	Fire Control has business continuity plans in place for failure of mobilising system and other disruptive events. These plans are practiced on a regular basis due to numerous live events.	Tested BCPs exist where alternative mobilising arrangements are in place, reliance on communication equipment is critical and therefore such equipment must be maintained operationally robust and resilient.
Joint Fire Control project was implemented in July 2019 with ongoing management, governance and contract monitoring arrangements.	Testing of the ‘fall back’ business continuity arrangements are completed at periodic intervals to assure business continuity arrangement between JFC and Leicestershire FRS. The robustness and resilience of communications equipment between control rooms, stations and appliances must be maintained.	Familiarity and BCP confidence has developed within control rooms, continual support and communication to be provided to control staff. Testing and exercising schedule in place and reviewed annually.
Continuity with the planned re-tender of The operating system.	Joint Control SLA in place. Joint Control currently exceeding agreed performance indicators. Residual Risk has reduced to Medium (from High). However with Key Project to review/re-tender, ongoing sight on the CRR is appropriate. Risk elevated due to alignment to Tri-Services risk register and increasing likelihood for industrial action.	The review of resilience crewing arrangements is ongoing. This links to Joint Fire Control Risk Register. Re-tender of the operating system has been initiated, with a Tri-Service Area Manager facilitating.



Inherent Risk Score						Residual Risk Score					
Likelihood	3	Impact	5	Total	15(H)	Likelihood	5	Impact	4	Total	20 (VH)



Ref 4	Employee engagement	
CRMP: Strategic Goal 4: We will continue to support and develop our workforce and promote an inclusive Service, further supports the Service commitment to EDI.		
Risk Owner: Assistant Chief Fire Officer		
Risk Description	Owner Assurance Commentary	Key Projects
Negative employee relations.	SLT champion positive engagement with staff and representative bodies. Engagement through Panels with the JCNP arrangements. Organisational Development and Communications strategy focus upon staff engagement. Continual dialogue with the representative bodies to deescalate any local issues. Pension issues are being managed through the Pensions Scheme Manager to mitigate any risks, deal with issues as they arise and referral of policy decisions to the Fire Authority and reports to the Pension Board. The Service engages with the LGA (Fire Pensions Team) and national legal advisors for guidance on application and interpretation of the Regulatory process. Employees or retired members will be kept informed and contacted in relation to their situation. A new Pensions Advisor role has been funded to ensure that communication with pension scheme members is maintained.	Open communications including effective use of technology to publish key decision minutes. Ensure engagement with employee networks.
Risk that the Service will be unable to effectively deliver high quality services or improvements due to a lack of employee engagement and/or low morale.		Changes to employee networks implemented September 2021.
National negotiations relating to pay and broadening the role of Firefighters present a risk of industrial relations tension and action which is beyond the control of NFRS.		Ensure adequate resourcing to comply with national requirements
The outcomes from the Firefighter national pension tribunals (McCloud and Matthew cases) may result in individual or collective changes which could result in IDRP, pension ombudsman or High Court or Tribunal Claims.		2 yearly employee survey to identify areas for improvement and address via action plan.
Potential for national dispute arising from national pay and conditions negotiations during 2022/23.		Management of pensions changes arising from changes to regulations. Business Continuity Management Group stood up and meeting regularly to plan for potential industrial action impacting on critical functions.

Corporate Risk Register



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				Potential ballot for industrial action for grey book staff. Awaiting ballot results relating to pay offer for green book staff.							
Inherent Risk Score						Residual Risk Score					
Likelihood	3	Impact	5	Total	15(H)	Likelihood	5	Impact	4	Total	20(VH)



Ref 5	Workforce sustainability	
CRMP: Strategic Goal 4: We will continue to support and develop our workforce and promote and inclusive Service, further supports the Service commitment to EDI.		
Risk Owner: Assistant Chief Fire Officer		
Risk Description	Owner Assurance Commentary	Key Projects
Inability to maintain sufficient or adequate workforce to meet service requirements, competency of staff, loss of corporate memory and business continuity issues	Annual workforce plan, provides an overview of workforce projections and identifies key priority areas. This supports planning for anticipated vacancies and recruitment to key roles.	SLT monitor key performance metrics including workforce numbers, skills and competencies and workforce requirements. Temporary deficiency in numbers of grey book posts whilst outcome of Fire Cover Review consultation is awaited.
Potential Risk have been identified as to the resilience of WDS rostering arrangements due to supplier/ client relationship.	L&D ensures delivery of effective acquisition and revalidation of operational training against national standards. 3-year training plan has been developed integrating revalidation of all operational core competencies.	BCM exercise programme coordinated by Risk and Assurance Team.
Loss of key corporate and ICT skills has the potential to reduce capacity for delivery in some areas over the short term due to skill gaps.	Leadership and management framework e.g. ILM (Inc. Coaching and mentoring). Amalgamation of L&D.	L&D assurance function in place with Service Delivery.
The impact of Firefighter pension Regulation changes could result in a higher level of operational retirements than normal.	Managers complete business impact analysis to inform issues in BCM plans.	Wholetime recruitment campaign underway for appointment commencing 2023.
The Service has seen a higher than expected turnover level for support roles during 2021 – 2022 (20%) and the recruitment market has become increasingly competitive. This may lead to longer vacancy times.	Monthly ridership meetings to consider deployment of resources by Area Manager (Response) to maintain appliance availability. Management of ill	Occupational Health interventions. Wellbeing Strategy to promote healthy lifestyles and reduce risk of long-term ill health. Focus on mental health and wellbeing of employees.
		An outline business case was presented to SLT in early 2020 which identified both the need and benefits of a new rostering system. The project is one of the year three strategic priorities for 21-22.



					<p>health and absence levels to ensure optimum attendance levels.</p> <p>Current WDS rostering arrangements that support management of the CA are delivered by RosterMagic. Rostering enables the Service to determine the efficient and effective use of resources, ensure that sufficient Firefighters are on duty to provide the required levels of service.</p> <p>The Service is currently undertaken work to establish the Service as an employer of choice for prospective candidates in order to increase applicant response.</p>	<p>Oversight at PO level is via the ACFO. Temporary and fixed term contracts are being used to reduce impact and support has been made available from neighbouring FRS's whilst key posts are filled.</p> <p>Risk escalated 5/07/22 due to loss of key green book posts impacting on delivery of statutory functions in the occupational health team.</p> <p>Review of recruitment and retention undertaken by Head of People and OD.</p>					
Inherent Risk Score						Residual Risk Score					
Likelihood	4	Impact	4	Total	16(VH)	Likelihood	4	Impact	4	Total	16(VH)



Ref 6	Preventable deaths	
CRMP: Strategic Goal 1: We will help people stay safe from fires and other emergencies.		
CRMP: Strategic Goal 2: We will improve fire safety in the buildings people live and work in.		
Risk Owner: Assistant Chief Fire Officer		
Risk Description	Owner Assurance Commentary	Key Projects
The risk that a person will die in an incident, where the Service failed to put in place an intervention which would have reduced the risk, or where an intervention was ineffective	Strategic plan purpose for Creating Safer Communities now in place. Prevention and Protection strategy and local/district business plans within Service Delivery.	iMatch Software installation complete and in use. Data led Safe and Well now in use to target resources to risk.
	District profiles that inform Service activity.	Adult Social Care and Exeter database. Partnership mapping review in progress.
	Partnership working with other agencies to identify and target interventions at high risk individuals and premises/sites. NFCC national campaign support locally.	Upgrade of CFRMIS system 6.3 with better functionality for users.
	Fire investigations to identify learning. Serious fire incident review panel in place to review incidents and Service actions.	Roll out of CFRMIS Vulnerable Persons Module.
	Information sharing across Service departments to learn from events. Development within the continuous improvement project for target setting and learning.	Communications steering group to raise profile incl. e.g. vehicle wrapping for key messages/ accessibility of services/ inclusion and marketing
	Engaged in Nottinghamshire Road Safety Partnership meetings to coordinate road safety initiatives.	Further referrer training for partners and other agencies to ensure effective referral of vulnerable people -
		Development of online referral pathways for prevention and protection concerns from partners & public.
	Review of Safe & Well questions to ensure effective delivery	
	Review of RBIP to ensure proper assessment of risk in the County.	



						<p>Prevention & Protection activities are evaluated and quality assured. These processes are reported and monitored through the quarterly evaluation and assurance board.</p> <p>Engagement of Occupational Therapist to ensure effective engagement with most vulnerable and referrals to partners</p> <p>Increase in productivity relating to SWVs and Audits – detailed within Strategy.</p> <p>Attendance and information sharing at MASH and City Social Care teams.</p> <p>CHARLIE profile evaluated by Nottingham Trent University and confirmed ‘fit for purpose’.</p> <p>New RBIP implemented and reviewed by HMICFRS and NFCC PPRU.</p>						<p>Evaluation of CHARLIE profile to ensure continued relevance.</p>											
Inherent Risk Score												Residual Risk Score											
Likelihood		4		Impact		5		Total		20VH		Likelihood		2		Impact		5		Total		10M	



Ref 7	Health, Safety, and Welfare	
CRMP: Strategic Goal 3: We will respond immediately and effectively to emergency incidents.		
Risk Owner: Assistant Chief Fire Officer		
Risk Description	Owner Assurance Commentary	Key Projects
The risk arising from the hazards associated with the Service’s activities which may cause injury, ill-health or death to employees and/or non-employees and could result in both criminal and civil sanctions, reputational damage and negative effects on service delivery and employee morale.	The existence of the safety management system and availability of ‘competent persons’ to advise the Service of its duties.	Co-ordinated risk management approach being adopted to address NOG and training involving peer FRSs to address interoperability and achieve efficiencies available from joint work.
	Risk information gathering process provides a structured methodology for assessing the risk from hazards associated with specific operational sites.	Ongoing review of the SMS to refresh and communicate across the organisation.
	Risk and Assurance Team facilitates learning from operational incidents operational de-briefs feeding into Operational Learning Board.	Communications plan to promote SMS. A Communications Plan is currently being devised in line with National campaigns, and internal stakeholders. The communications plan will provide details of projects for H&S team and internal communications will be used to cascade information, as well as positive articles to keep Safety as part of the Service News. E.g. News on MyNet, informative, OAB etc.
	Service learning from major events affecting FRSs via NOL/JOL to Service Health, Safety and Welfare Committee	Implementation of NOG.
	Health and Safety and role specific training ensures competence of employees	Station based audit programme in place led by Response.
	Organisational Learning Policy in place including the EP1 process.	Performance framework that encompasses organisational learning and ongoing performance in place to monitor the effectiveness of service provision.
	Operational Learning Board in place and meeting on a Bi-monthly basis.	

Corporate Risk Register



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Risk of inaccurate or incomplete risk information being available to crews on the incident ground via the MDT				Risk information includes Site Specific Risk Information, Operational Guidance, Crash Data and Chem Data. A Service wide task and finish group has been convened to manage this risk and put remedial actions in place. These are short, medium and long terms actions.				Intensified ICT support to improve turnaround times when MDT failures reported. Supplier has recruited new engineer. Ongoing works to with ICT on MDT platform. Systems in place to allow for more frequent remote checking of functionality and updating of MDT risk data Project includes use of secondary device. Longer term programme of work initiated in relation to the future provision of a mobilising system for the Service.			
Inherent Risk Score						Residual Risk Score					
Likelihood	4	Impact	5	Total	20(VH)	Likelihood	3	Impact	5	Total	15(H)



Ref 8	Emergency Services Network										
CRMP: Strategic Goal 5: We will continue our improvement journey to deliver an outstanding Service.											
Risk Owner: Assistant Chief Fire Officer											
Risk Description				Owner Assurance Commentary				Key Projects			
The risk that lack of robust operational communications will affect the delivery of public services during the transition to ESN				Nationally agreed programme funded by government.				Greater collaboration to assure transition and long-term capability management, seeking multi service support and reduce duplication in activity. ESN action plan to deliver a more robust and secure infrastructure.			
				Airwave remains in place until successful transition has been achieved.							
				Work is being progressed regionally on required interim measures in conjunction with the Home Office.							
				Internal project Manager established.							
				Permanent establishment has been agreed for the dedicated PM post in Service.							
				Clear, established communication channels between the Home Officer and Service PM are in place.							
Regular assessment and reporting to the CFA on future implications.											
Inherent Risk Score						Residual Risk Score					
Likelihood	4	Impact	5	Total	20(VH)	Likelihood	3	Impact	5	Total	15(H)



Ref 9	Availability of resources										
CRMP: Strategic Goal 3: We will respond immediately and effectively to emergency incidents.											
CRMP: Strategic Goal 6: We will manage and invest in our Service to ensure it is fit for the future.											
Risk Owner: Assistant Chief Fire Officer											
Risk Description				Owner Assurance Commentary				Key Projects			
The risk that the Service will lose widespread access to key resources – premises, equipment, ICT systems/employees, Airwave TE02 Radio Licence impacting its ability to deliver services				Business continuity plans are in place. Service has attained the National Cyber Security Centre (NCSC) Cyber Essentials PLUS standard on its corporate infrastructure. Competent managers. Property Strategy. Transport Strategy. NFRS have a vehicle degradation policy that can be initiated to meet the possible shortfall if appliances that are not available for operational deployment. Service policy framework for employees. The Service has specific ICT disaster management plans in place, BCM actions and procedures for out-of-hours response. The Service is moving to clouds-based servers which increase resilience.				BCM plans to be reviewed, with testing and exercising on a programmed, auditable basis. Tri-Service partners continue to work with Systel to maintain availability of Control Room solution. Upgrade of Control Room solution as part of the ESN project to ensure LFRS and DFRS are ability to retain Airwave CoCo. BCMG and SLT members continue to monitor potential supply chain issues caused by Exit from the EU and the conflict in Ukraine.			
Inherent Risk Score						Residual Risk Score					
Likelihood	4	Impact	5	Total	20VH	Likelihood	3	Impact	5	Total	15(H)



Ref 11	Legal knowledge										
CRMP: Strategic Goal 6: We will manage and invest in our Service to ensure it is fit for the future.											
Risk Owner: Assistant Chief Fire Officer											
Risk Description				Owner Assurance Commentary				Key Projects			
The risk that the Service will make decisions without full understanding of legal implications.				Risk and Assurance coordinates the identification of vulnerabilities through the risk management process with departmental leads with support from Contractor.							
				Embed the local code of governance into daily decision making and practice.							
				Formally identify subject matter experts in the organisation and ensure they are enabled to maintain CPD							
				Key roles maintain subject matter expertise/CPD to mitigate risk.							
				Use of external professionals to support the Service on compliance in areas not covered by in-house expertise (East-Midlands LawShare)							
Inherent Risk Score						Residual Risk Score					
Likelihood	4	Impact	5	Total	20(VH)	Likelihood	2	Impact	5	Total	10(M)



Ref 12		Programme governance									
CRMP: Strategic Goal 5: We will continue our improvement journey to deliver an outstanding Service.											
Risk Owner: Assistant Chief Fire Officer											
Risk Description				Owner Assurance Commentary				Key Projects			
<p>The risk that the Service fails to effectively prioritise and resource programmes and projects, resulting in acute capacity issues and potential financial strain</p>				<p>Business case process requires authorisation of Strategic Leadership Team as appropriate, who have knowledge of competing demands and priorities.</p>				<p>The new CRMP provides clarity and direction which has been used to build the Year One Annual Delivery plan. A new structure of governance internally for the Service will provide a clear reporting structure, oversight and assurance for the delivery of change projects and business as usual through a series of KPMs and milestone reporting.</p> <p>The Service will continue to improve its business planning process under the new CRMP.</p> <p>Corporate risk register is linked to internal audit programme to ensure assurance activities focussed on those areas that present highest risk to the Service.</p>			
				<p>Approved programmes and projects managed through project and programme management framework through SLT/ CRMP Assurance Board governance model.</p>							
				<p>Business planning process in place to ensure clear link between CRMP commitments and the Annual Delivery Plan priorities.</p>							
				<p>The Service Project Manager reports on project and programme status to the CRMP Assurance Board monthly.</p>							
				<p>A robust change process is used to manage change to the ADP or CRMP commitments in order to manager resources and achieve required outcomes.</p>							
Inherent Risk Score						Residual Risk Score					
Likelihood	5	Impact	4	Total	20(VH)	Likelihood	2	Impact	4	Total	8(M)

Corporate Risk Register



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Ref 13		Environmental impact									
CRMP: Strategic Goal 6: We will manage and invest in our Service to ensure it is fit for the future.											
Risk Owner: Assistant Chief Fire Officer											
Risk Description				Owner Assurance Commentary				Key Projects			
<p>The risk that the Service will fail to comply with its environmental duties resulting in the potential for enforcement action.</p> <p>Failure to consider environmental factors when making other business decisions may result in missed opportunities for reducing waste, emissions and purchasing environmentally superior assets that may deliver financial savings</p> <p>Evolving Government Policy concerning withdrawal of fossil fuel powered vehicles.</p>				<p>Property Strategy – Energy saving, and generation considered as part of new build/refurbishment projects.</p> <p>Access to competent environmental advice.</p> <p>Environmental Strategy in place and reviewed.</p> <p>Procurement process considers ‘whole life’ implications of equipment and other products bought into service.</p> <p>When procuring services, tender requirements include assessment of environmental management of the service.</p> <p>Collaborative working with the Environment Agency and partners at operational incidents.</p>				<p>Development of environmental performance improvement targets integrated as part of new CRMP.</p> <p>Develop environmental reporting to all levels of the Service, SLT and the CFA to allow transparency and scrutiny.</p> <p>Review and update of Environmental impacts.</p> <p>New build construction projects include JHQ and, Worksop Fire stations include environmental sustainability as part of design.</p> <p>Foam discharge consent completed, and advice for new Stations can be provided at early design stage.</p> <p>Procurement of specialist vehicles, pumping appliances and light fleet include consideration of environmental impact as part of vehicle design/selection.</p>			
Inherent Risk Score						Residual Risk Score					
Likelihood	3	Impact	5	Total	15(H)	Likelihood	2	Impact	5	Total	10(M)

Document Control

Title	Corporate Risk Register
Person responsible	Risk and Assurance Manager
Date last updated	23/11/2022
Status	Released
Location	

Revision Record

Summary of changes	Date of change
Risk 3- Risk elevated to very high. This is due to the alignment of risk with the Fire Control Tri-Services Risk Register and the increasing likelihood of industrial action.	23/11/2022
Risk 1 – Risk escalated due to ongoing uncertainty around pay award, inflation and national funding impacting on ability of service to set a balanced budget. Risk 4 – Remove specific reference to JHQ. Updated and risk level escalated due to increased likelihood of industrial action due to national issues. Risk 5 – Escalated due to deficiencies within both green and grey book roles. Risk 7 – Key projects updated to include recruitment and retention project.	28/09/2022
Risk 4 – Risk level escalated due to increased likelihood of industrial action due to national issues. Risk 5 – Risk level escalated due to loss of key green book posts impacting on statutory functions. Risk 10 – Use of vehicles on authority business – removed following April 2022 F&R Committee Risk 12 – Key projects updated to include link between CRR and internal audit programme Risk 14 – Covid 19 – Removed following April 2022 F&R Committee	05/07/2022
Updated layout. Risk 1 & 2 - Finance: Inherent risk amendment – Risk Description/ commentary updated.	01/04/2022

Corporate Risk Register



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Risk 3 – Residual risk reduced due to effectiveness of mitigation in place. Risk 4 – Residual risk increased to reflect impact of pension remedy Risk 6 - Update to reflect new CFRMIS modules and the external assurance on assessments. Risk 10 – Removed due to reduction in inherent risk score. Risk 14 – Removed due to reduction in inherent risk score.	
Risk 4 – Updated to reflect new employee network structure & Industrial Action planning and exercise. Risk 5 – Updated to reflect loss of key support roles. Risk 6 – Updated to reflect recovery from Covid-19 Risk 7 – Updated to reflect implementation of NOG & outcomes of MDT programme of works Risk 9 – Updated to reflect potential supply chain disruption due to external factors. Risk 11 – Updated following recruitment of Business Continuity/Emergency Planning Officer Risk 13 – Updated to reflect foam discharge work complete.	24/09/2021
Risk 7 – Updated to reflect position with access to risk information via MDT's (Leila Henry)	24/05/2021
Risk 1 – general update to take account of changing financial environment	03/03/2021
Risk 2 – Update to Pensions risk due to McCloud remedy developments	03/01/2021
Routine Review of Corporate Risk Register	01/03/2021
Risk 14 – New risk created related to Covid-19 response and recovery to encompass implications and actions	04/06/2020
Risk 6 – updated for impact of Covid-19	21/05/2020
Risk 1 – Updated for impact of Covid 19	07/05/2020
Risk 10 – Insertion of installation of hands free Airwave radio kits into key projects	21/04/2020
Risk 2 New Risk. Firefighter's Pension Scheme – impact of McCloud remedy. Renumbering Was Risk 2 now Risk 3, was Risk 3 now Risk 4, was Risk 4 now Risk 5, was Risk 5 now Risk 6, was Risk 6 now Risk 7, was Risk 7 now Risk 8.	13/03/2020
Risk 8 reviewed by Head of Digital Transformation.	31/01/2020
Renumbering Was Risk 9 now Risk 7, was Risk 10 now Risk 8, was Risk 11 now Risk 9, was Risk 12 now Risk 10, was Risk 13 now Risk 11, was Risk 14 now Risk 12.	28/01/2020
Risk 8 Closed. Review of the risk rating to an acceptable level – Medium. No longer presents a high risk to the Service	28/01/2020
Risk 7 Closed. 92% of actions closed on the Working at Height Action Plan. Risk Reduced to acceptable level.	28/01/2020
Risk 3 Insert Risk Outcomes of Firefighter pension tribunal and implications for NFRS e.g. Pensions Administrator provisions. Key Project – Upcoming positive action new project for 2020/21. L&D Assurance function in place with Service Delivery.	28/01/2020



Risk 1 Control Business planning process identifies impact of savings on Services Key project insertion Transformation and efficiency strategy under development.	28/01/2020
Risk 2 Removed Joint Fire Control project. Now complete as of July 2019. The project is now live business as usual. New Control Tri-Service operational board attended by AM response to represent NFRS interests.	28/01/2020
Risk 9 & 10 moved to DCFO to reflect organisational responsibilities. All risks renumbered in a sequential order.	26/09/2019
Risk 5 – iMatch Software implementation complete as of 05/06/18- update Narrative updated on each by Risk Owners Head of Finance 23/07/2019, Deputy Chief Fire Officer 12/08/2019 Assistant Chief Officer 30/07/2019	20/08/2019
Risk 4 – Key project ownership amended from AM Delivery to AM Response	17/06/2019
Risk 4 – insert RedKite PDS audit. Remove risk relating to implementation of new crewing structures. Insert risk relating to management of dual contract hours Risk 2 – insert risk associated with Joint Fire Control project	18/02/2019
Risk 1 – general update to take account of changing financial environment	03/03



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

SERIOUS VIOLENCE DUTY

Report of the Chief Fire Officer

Date: 16 December 2022

Purpose of Report:

To provide Members with an overview of the Serious Violence Duty and the Fire Authority's responsibilities as defined by the 'Duty'.

Recommendations:

That Members note the Fire Authority's responsibilities under the Serious Violence Duty, and the progress being made by the Service in its preparation to meet the duty.

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1. BACKGROUND

- 1.1 In 2019, the Government consulted on a new legal duty to support a multi-agency approach to preventing, and tackling, serious violence. There was a consensus for a new legislative approach to a duty.
- 1.2 The Serious Violence Duty (the 'Duty') was legislated as part of the Police, Crime, Sentencing and Courts Act 2022.
- 1.3 The Duty covers the requirements set out in Chapter 1 of Part 2 of the Police, Crime, Sentencing and Courts Act 2022; where it requires specified authorities, the police, local authorities, fire and rescue authorities and youth offending teams, to work together to formulate an evidence-based analysis of serious violence in a local area and then formulate and implement a strategy detailing how they will respond to those issues.
- 1.4 The legislation will grant fire and rescue services and other authorities the power to share data and information with each other for the purpose of preventing and reducing serious violence. Emphasis on early intervention with young people is central to complying with the duty.
- 1.5 The Government's Serious Violence Strategy sets out specific types of crime of particular concern, including homicide, violence against the person (which may include both knife crime and gun crime) and areas of criminality where serious violence or its threat is inherent, such as in county lines drug dealing.
- 1.6 These crimes are at the core of any definition of serious violence for the purpose of its reduction and prevention. However, there is flexibility for specified authorities in local areas to take account of their evidence-based strategic needs assessment and include in their strategy actions which focus on other related types of serious violence, this could include (but is not limited to) domestic violence, youth nuisance, alcohol related violence, sexual abuse, modern slavery or gender-based violence.
- 1.7 The Government aims to finalise the statutory guidance and lay secondary legislation in the late Autumn and to commence the Duty provisions in early 2023.

2. REPORT

- 2.1 A fire and rescue authority is a specified authority, under the Duty, therefore it must ensure it takes actions to meet the requirements of the Duty. This report is to inform Members of progress being made in preparation for the Duty, and how Nottinghamshire Fire and Rescue Service (NFRS) aims to for fill its responsibilities.
- 2.2 Whilst Police and Crime Commissioners are not a name specified authority in the Duty, the Nottinghamshire Police and Crime Commissioner and office have taken on a co-ordinating function with regards to the Duty's

implementation. However, the Authority, as the Duty holder, will remain responsible for compliance with the requirements of the Duty. NFRS has representation on both the Serious Violence Reduction Board and the Serious Violence Duty Implementation Group, which is overseeing a co-ordinated approach to the Duty's implementation.

- 2.3 Emergency services are already subject to a statutory duty to collaborate with one another, with fire and rescue services (FRS) having a key role in these partnerships, often occupying a very trusted position in their communities. Collaboration with partners can aid early identification and diversion from involvement in serious violence.
- 2.4 The Duty will ensure that serious violence is made a focus within existing multi-agency arrangements, this is the case across both the City's Crime and Drugs Partnership (CDP) and the County's Safer Nottinghamshire Board (SNB).
- 2.5 CDP and SNB partnerships will allow for collaboration between a much wider set of partners. This Duty will also introduce a requirement for local partnerships to establish their local problem profile and produce a local strategy specifically aimed at preventing and reducing serious violence.
- 2.6 The primary role for the FRS in the Duty centres on well-established work that the Service has undertaken with Children and Young People (CYP), supporting early intervention to keep young people safe and away from violence.
- 2.7 NFRS already undertakes work with CYP and is actively engaged in early intervention activities with both partners and as a sole deliverer. NFRS activities include:
 - Attending schools and vulnerable people's homes to educate on a range of subject areas;
 - Fire safety and road safety awareness programmes;
 - Visiting buildings where vulnerable people are supported, such as care homes;
 - Attending incidents as medical first responders and co-responders, and safeguarding others, by ensuring the wellbeing of those they encounter.
- 2.8 NFRS has a dedicated Education Team that works with schools, colleges and other providers to engage with CYP. The Service leads on 'fire setters' education and intervention, supporting young people, carers and parents.
- 2.9 All frontline service delivery employees are required to undertake / refresh safeguarding training on an annual basis, helping frontline employees to identify concerns and how to refer individuals via the appropriate pathways if required. Safeguarding leads within NFRS are trained to a minimum of Level 4 which enables efficient and effective threshold assessments, enabling referral pathways to either universal, additional, intensive or specialist services.

- 2.10 NFRS data and evidence from CYP work, on communities of interest such as fire setters, can play a central role in supporting the Duty whilst reducing fire risk. Whilst data sharing currently occurs, the Duty will require a greater level of data sharing between specified authorities, which has been identified and is being addressed by the Serious Violence Duty Implementation Group.
- 2.11 NFRS has a tradition of engaging with local communities to promote fire safety as well as wider models of community and individual engagement to support citizenship, community cohesion and direct support to vulnerable individuals and communities. NFRS's work with CYP is well established as a model to work with partners to use intelligence to identify CYP who are at higher risk of serious violence and engage them in interventions, activities and education which will reduce their likelihood of becoming involved with serious violence and associated anti-social behaviour.
- 2.12 As the role of the FRS has evolved and continues to evolve, its staff increasingly interact with the most vulnerable people within its communities, leading to the development of engagement activities and safety education which will develop life skills and inspire CYP to make positive choices about their futures.
- 2.13 FRSs are often able to identify the early stages of anti-social behaviour associated with deliberate fire setting. Data sharing and working across boundaries with partners can help to recognise, assess, and tackle anti-social behaviour and some of the underlying causes.
- 2.14 The Service has conducted a gap analysis regarding its ability to meet the requirements of the Duty. Whilst much of the fundamental requirements of the Duty are well established in NFRS current practices and activities, through working with partners and the implementation group, it provides an opportunity to not only review current practices, but to build on and improve current ways of partnership working.

3. FINANCIAL IMPLICATIONS

There are no additional financial implications, all activities and responsibilities can be met through existing budgets.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are ongoing human resources and learning and development implications which require the Authority to ensure that its employees are suitably informed and trained to meet the requirements of the Duty.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken, however work undertaken by the broader partnerships as part of the Duty's implementation, should identify inequalities and adverse disproportionality which informs future activities of the Service.

6. CRIME AND DISORDER IMPLICATIONS

There are a number of crime and disorder implications that are aimed to be addressed by the Duty and its implementation and detailed within the body of the report.

7. LEGAL IMPLICATIONS

The Authority is a specified authority, as detailed in the Duty, thus required to meet their responsibilities as set out in this report.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1 As a specified authority in the Duty, the Authority has a legal responsibility to ensure it complies with its responsibilities under the Duty. Failure to fulfil the Authority's legal duties could be viewed as a breach of duty.
- 8.2 The Authority is a valued partner amongst the various community safety partnerships that exist across Nottingham and Nottinghamshire, failure to fulfil Duty requirements potentially damages the Authority's standing and reputation amongst partners.

9. COLLABORATION IMPLICATIONS

There are numerous collaboration opportunities that arise from the Duty, which are currently being given oversight by the Police and Crime Commissioner's Office, and the Service involvement in the Nottingham and Nottinghamshire community safety partnerships forums.

10. RECOMMENDATIONS

That Members note the Fire Authority's responsibilities under the Serious Violence Duty, and the progress being made by the Service in its preparation to meet the duty.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)
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None.

Craig Parkin
CHIEF FIRE OFFICER

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