

NOTICE OF MEETING

<i>Meeting</i>	Hampshire Fire and Rescue Authority	<i>Clerk to the Hampshire Fire and Rescue Authority</i> John Coughlan CBE
<i>Date and Time</i>	Tuesday, 13th February, 2018 11.00 am	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	Solent Sky Museum, Albert Rd S, Southampton SO14 3FR	
<i>Enquiries to</i>	<u>members.services@hants.gov.uk</u>	

The Openness of Local Government Bodies Regulations are in force, giving a legal right to members of the public to record (film, photograph and audio-record) and report on proceedings at meetings of the Authority, and its committees and/or its sub-committees. The Authority has a protocol on filming, photographing and audio-recording, and reporting at public meetings of the Authority which is available on our website. At the start of the meeting the Chairman will make an announcement that the meeting may be recorded and reported. Anyone who remains at the meeting after the Chairman's announcement will be deemed to have consented to the broadcast of their image and anything they say.

Agenda

1 **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

2 **DECLARATIONS OF INTEREST**

To enable Members to disclose to the meeting any disclosable pecuniary interest they may have in any matter on the agenda for the meeting, where that interest is not already entered in the Authority's register of interests, and any other pecuniary or non-pecuniary interests in any such matter that Members may wish to disclose.

3 **MINUTES OF PREVIOUS MEETING** (Pages 5 - 10)

To confirm the minutes of the previous meeting

4 **DEPUTATIONS**

Pursuant to Standing Order 19, to receive any deputations to this meeting

5 **CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

6 **MEMBER DEVELOPMENTS AND COMMENTS**

To receive any updates from Members of the Authority

7 **BUDGET AND PRECEPT REQUIREMENT 2018/19** (Pages 11 - 56)

To consider a report from the Treasurer regarding the budget and precept requirements for 2018/19.

8 **HEALTH, SAFETY AND WELLBEING STATEMENT OF INTENT**
(Pages 57 - 60)

To consider a report from the Chief Fire Officer, which asks the Authority to approve the Health, Safety and Wellbeing Statement of Intent, attached to the report.

9 **AN UPDATE ON THE AUTHORITY'S RISK PROTECTION AND INSURANCE ARRANGEMENTS** (Pages 61 - 64)

To receive a report from the Chief Fire Officer, which updates the Full Authority on Risk protection and Insurance Arrangements.

10 **STRATEGIC RISK REGISTER** (Pages 65 - 70)

To consider a report from the Chief Fire Officer regarding a new scoring system proposed for the Strategic Risk Register and asks Members to approve the refreshed format.

11 **MINUTES FROM THE STANDARDS & GOVERNANCE COMMITTEE - 31 JANUARY 2018 (TO FOLLOW)**

12 **EXCLUSION OF PRESS AND PUBLIC**

That the press and public be excluded from the meeting as it is likely, in view of the nature of the business to be transacted, or the nature of the proceedings, that if members of the public were present, there would be disclosure to them of exempt information within Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, being information relating to the financial or business affairs of any particular person (including the Authority holding that information), which should not be disclosed for the reasons set out in the reports.

13 **PROPERTY MATTERS** (Pages 71 - 76)

To consider an exempt report from the Chief Fire Officer regarding various property related matters.

14 ENHANCED VOLUNTARY REDUNDANCY SCHEME (Pages 77 - 84)

To consider a report from the Chief Fire Officer regarding an enhanced voluntary redundancy scheme.

ABOUT THIS AGENDA:

This agenda is available on the Hampshire Fire and Rescue Service website (www.hantsfire.gov.uk) and can be provided, on request, in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING

The press and public are welcome to attend the public sessions of the meeting. If you have any particular requirements, for example if you require wheelchair access, please contact members.services@hants.gov.uk for assistance.

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Public Document Pack Agenda Item 3

AT A MEETING of the Hampshire Fire and Rescue Authority held at The Solent Sky Museum, Southampton on Tuesday, 5th December, 2017

Chairman:

* Councillor Christopher Carter

* Councillor Liz Fairhurst
* Councillor Roz Chadd
* Councillor Jonathan Glen
* Councillor Geoffrey Hockley
* Councillor Sharon Mintoff

* Councillor Roger Price
* Councillor David Simpson
* Councillor Luke Stubbs
* Councillor Rhydian Vaughan

*Present

Also present with the agreement of the Chairman: Lena Samuels and Michael Lane.

46. APOLOGIES FOR ABSENCE

All Members were present and no apologies were noted

The Chairman welcomed Michael Lane (Police and Crime Commissioner) who had a standing invitation to the meeting, and Lena Samuels, (Chair of Council of Governors; South Central Ambulance Service) who had been invited to observe the meeting.

47. DECLARATIONS OF INTEREST

Members were mindful of their duty to disclose at the meeting any disclosable pecuniary interest they had in any matter on the agenda for the meeting, where that interest was not already entered in the Authority's register of interests, and their ability to disclose any other personal interests in any such matter that they might have wished to disclose.

48. MINUTES OF PREVIOUS MEETING

The minutes of the previous meeting were reviewed and agreed.

It was noted that consideration would be given as to how to take the governance review improvement plan forward at a future CMT meeting (Minute 42 refers).

49. DEPUTATIONS

No requests to make a deputation had been received.

50. CHAIRMAN'S ANNOUNCEMENTS

The Chairman paid tribute to former Hampshire County Council Leader, Ken Thornber who had recently passed away.

The Chairman updated Members on the Service Conference, on Celebrating Success and the Chairman's Award and on progress of the update to the Combination Order. He noted that this was retiring Chief Fire Officer Dave Curry's final Authority meeting.

With regard to the Combination Order, the Police and Crime Commissioner confirmed that he was pleased to hear an option for him to formally join the Authority was now available and that he was as yet undecided on the direction he would take. In the meantime, he welcomed the opportunity to attend Authority meetings.

51. MEMBER DEVELOPMENTS AND COMMENTS

Councillor Carter gave an update on the CFA conference. Councillor Vaughan reported on a visit he had made to the Fire Commission. Councillor Price updated Members on the activity of the Pension Board, in particular on an issue relating to pension contribution refunds for a small number of individuals leaving the scheme.

Councillor Chadd asked all Members to let her know of any items they felt could be included in the member awareness programme.

52. 2018/19 BUDGET UPDATE

The Authority received a report of the Chief Finance Officer regarding the 2018/19 budget.

Members' attention was drawn to the budget monitoring position, including an overspend on ICT provision and it was confirmed that the outcome of an investigation into this would be presented to the Standards and Governance Committee in January 2018.

A number of key points were raised and discussed, including the increase in planned maintenance and the impact on capacity of holding vacancies. It was noted that the additional investment in the estate would prioritise areas that would save the most money in the longer term. The vacancies being held were part of planned staffing changes and did not impact on operational capacity.

The recommendations in the report were considered and it was

RESOLVED:

1. That the Authority approve the assumptions made within this report, which will be used as the basis for 2018/19 Budget setting
2. That the RCCO be reduced in order to balance the budget, after all other savings and adjustments have been taken into account.
3. That £1.2m funding from the Capital Payments Reserve for estate maintenance is approved and the provision of £350,000 included in the 2018/19 budget be removed completely.

4. That the Authority notes the over spend on the ICT Transformation Programme and agrees that this can be met from the under spend in other service areas during the year.
5. That the Authority endorses the two reviews that have been commissioned in respect of the ICT over spend and agrees that these should be reported to a special Standards and Governance Committee in January 2018.

53. FIRE AS A HEALTH ASSET

The Authority received a report of the Chief Fire Officer regarding Fire as a health asset.

A number of elements of the programme were highlighted, including the provision of emergency first aid, co-responding, the ability to assist elderly fall victims, and assisting the police and ambulance services to gain entry to property. This was welcomed by the Authority and Members were keen to become more directly involved where appropriate to do so.

The recommendations in the report were considered and it was

RESOLVED:

1. That the Fire as a Health Asset work is noted by Hampshire Fire and Rescue Authority, as making a positive difference to our partner organisations, to the people of Hampshire and ultimately delivering savings for the public purse.

54. PERFORMANCE REPORT

The Authority received a report of the Chief Fire Officer providing an update on performance of the Service.

The report was introduced and the new format and layout was highlighted to Members. A number of performance areas were highlighted, in particular relating to response times and the recording of arson. It was confirmed that response times were being keenly focussed upon and that arson was a criminal categorisation determined in court, therefore it was more appropriate to record whether a fire was deliberately started. It was also confirmed that fires started as a result of defective white goods were recorded.

The recommendations in the report were considered and it was

RESOLVED:

1. That having reviewed the performance detailed in Appendix A, the Authority notes the strategies for improvement.

55. HFRA MEMBERS' ALLOWANCES SCHEME

The Authority received a report of the Clerk regarding the Members' Allowances Scheme.

The recommendations of the Standards and Governance Committee were considered and agreed with an addition to clarify the indexation of the allowances in future years. It was

RESOLVED:

1. That noting and having regard to the outcomes of the review of Members' Allowances by the Working Group, including the input of IRP members, as set out in the report, the Authority adopts an updated Members' Allowances Scheme consisting of:
2. A Basic Allowance of £6000 per Member, per annum.
3. Special Responsibility Allowances for each role as set out below:

Role	SRA Formula	SRA monetary value (based on £6000 Basic Allowance)
Chairman of the Authority	2 x Basic	£12,000
Vice-Chairman of the Authority	0.5 x Basic	£3000
Standards and Governance Committee Chairman	0.25 x Basic	£1500
Standards and Governance Committee Vice-Chairman	0.125 x Basic	£750
Principal* Opposition Spokesperson	0.5 x Basic	£3000
Other* Opposition Spokesperson	0.125 x Basic	£750

* Principal Opposition Spokesperson being the nominated spokesperson for the largest opposition Group. Should there be multiple opposition Groups of equal size, the nominated spokespersons to share equally the combined allowances for a "Principal" and "Other" spokesperson i.e 0.3125 x Basic each. For this purpose, an opposition Group has no minimum size and may consist of a single Member.

Should a Member be appointed to more than one role for which an SRA is payable, only one (the higher) SRA may be claimed.

4. Increases in the rate of Allowances to be indexed according to the national Local Government Pay Award for a period up to the end of the financial year 2020/21. Such indexing shall exclude any factors or additional increases which are intended to increase the lower parts of the NJC pay framework in order to achieve compliance with the national living wage or otherwise.
5. Payment of allowances under the Scheme (including appropriate adjustments to take into account payments already received) to be backdated to 13 June 2017.

6. That the SRA for the Chairman and Vice-Chairman of Standards and Governance Committee be reviewed in the 2018/19 municipal year, when a more accurate assessment of the workload for the Committee is possible.

56. UPDATE ON THE GENERAL DATA PROTECTION REGULATION AND SUBJECT ACCESS AND FREEDOM OF INFORMATION REQUESTS RECEIVED

The Authority received a report of the Chief Fire Officer regarding the new General Data Protection Regulation (GDPR), which will come into effect on the 25 May 2018 replacing the Data Protection directive.

The importance of the new regulations was acknowledged by the Authority and it was confirmed that further detailed briefings would be arranged in due course.

The recommendations in the report were considered and it was

RESOLVED:

1. That the future obligations under the new General Data Protection Regulation are noted by Hampshire Fire and Rescue Authority.

57. STANDARDS AND GOVERNANCE COMMITTEE 27 NOVEMBER 2017

The Authority received and noted the Minutes of the Standards and Governance Committee held on 27 November 2017.

It was acknowledged that the recommendation to the Authority at Minute 18 had been resolved under the Members' Allowances Item.

58. PRESENTATION TO CHIEF FIRE OFFICER

Prior to moving to the proposed exclusion of the press and public, the Chairman took the opportunity to present retiring Chief Fire Officer, Dave Curry, a certificate recognising his contribution to the Service.

Mr Curry thanked the Authority and reflected on his time with Hampshire Fire and Rescue Service and the strengths of the Service.

59. EXCLUSION OF PRESS AND PUBLIC

RESOLVED:

That the press and public be excluded from the meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present, there would be disclosure to them of exempt information within Paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972, being information relating to any individual which should not be disclosed for the reasons set out in the report.

60. **PRINCIPAL OFFICER LOCAL PAY AWARD**

The Authority received an exempt report of the Director of Human Resources reporting the consideration a Principal Officer Local Pay Award by the Principal Officer Pay Group.

The recommendations in the report were considered and it was

RESOLVED:

That the Principal Officer Pay Group's recommendation is approved by Hampshire Fire and Rescue Authority.

Chairman,

Purpose: Decision

Date **13th February 2018**

Title **Budget and Precept Requirement 2018/19**

Report of Treasurer



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

EXECUTIVE SUMMARY

1. In October 2017 the Authority was presented with an update of the Medium Term Financial Plan (MTFP), which laid out the expected financial position to 2021/22. This was followed by a brief update in December, which detailed changes to the assumptions which had occurred since the initial MTFP.
2. The detail has now been refined, with the 2017/18 revised budget and the 2018/19 forward budget being presented in this report.
3. As part of the provisional settlement figures, the Government have announced that the referendum limit will be set at 3%. The MTFP had assumed a referendum limit of 2% in line with the level set in recent years. This gives more flexibility for the Authority, with additional recurring funding of around £400,000 from the 1% increase, should the maximum precept be approved without the need to go to referendum.
4. This report sets out details of the precept increase options, showing the level of precept and increase for each Council Tax band. It is recommended that due to the uncertainties surrounding local government finance after 2019/20 and the need to close the budget gap in future years that the council tax is increased by 2.98% for 2018/19.
5. The government accepted the efficiency plan put forward by Hampshire Fire and Rescue Authority (HFRA) in September and have agreed a four year settlement. The grant figure announced is therefore in line with the provisional figures stated by the government in December 2015, which were included within the latest MTFP.
6. The capital programme for 2018/19 and funding of this is set out in this report and recommended for approval.

BACKGROUND

7. In previous years the budget has been set on the basis of the revenue funding needs, with any surplus being allocated to the Capital Payments Reserve or the Transformation Reserve. The October 2017 MTFP agreed a change to that principle and included a full contribution to capital (RCCO) within the base revenue budget which was based on previous annual requirements for the vehicle replacement programme and repairs to retained fire stations.
8. Due to the phasing of the Service Delivery Redesign programme, the savings are not sufficient in 2018/19 to cover the full increase in RCCO, therefore it was agreed at the December HFRA meeting that this contribution be reduced in order to balance the budget for 2018/19, until the SDR programme is fully implemented.
9. In December, the requirement was estimated at £2.5m, however, further efficiencies have been found, together with increased council tax base and collection fund surpluses. Assuming the recommendation to set council tax at 2.98% is agreed, the reduction to RCCO will only need to be £157,600, therefore a contribution to capital of £3.747m is included in the 2018/19 budget, rather than the full £3.905m that had been included in the MTFP.

2017/18 BUDGET MONITORING – Q3

10. The forecast position for 2017/18 has not changed significantly since being reported to the Authority in December 2017.
11. The table below shows the budget monitoring for 2017/18 as at 31st December 2017.

	2017/18 Current Budget (£'000s)	2017/18 Forecast as at end Q3 (£'000s)	Variance Underspend / (Overspend) (£'000s)
Employee Costs	50,506	49,546	960
Premises	4,334	4,508	(174)
Transport	1,747	1,757	(10)
Supplies & Services	8,619	9,592	(972)
Support Services	0	3	(3)
	65,207	65,406	(199)
Income	(2,384)	(2,547)	163
Specific Grant	(1,292)	(1,292)	0
Contribution from Transformation Reserve	(3,592)	(3,592)	0
	57,939	57,975	(36)
Revenue contributions to capital	2,547	2,547	0
Contingency	824	497	327
Interest payable / receivable	183	222	(39)
Net Cost of Service	61,493	61,241	252

12. The main points to notes are:
- (a) Employee costs are forecast to be under budget by £961,000 at the end of the financial year. A large part of the under spend is due to the number of vacancies of retained firefighters and a lower than anticipated uptake in the pension scheme for both professional services colleagues and firefighters.
 - (b) Premises costs are forecast to be overspent by £174,000. This is primarily due to staff vacancies within Physical Assets creating the need for an increase in professional fees. This is a relatively low value and may reduce by year end. There has been a significant amount of reactive maintenance required this year, which will be pro-actively managed throughout the rest of the year to come within budget, but clearly any essential reactive maintenance that is required will need to be carried out, which could impact on the final outturn position.
 - (c) Supplies & Services are forecast to be overspent by £972,000. This is due to problems within the ICT transformation project. This has been partially offset by the deletion of a £160,000 provision held within the budget for outstanding payments in respect of Firelink, which have now been confirmed by the Home Office as no longer payable.
13. At the last meeting of the Authority it was reported that there had been an over spend on the ICT Transformation project but that this had been contained within the overall bottom line of the budget.
14. To ensure that the year end position is in line with the forecasts highlighted above, Heads of Service have been tasked with collectively managing the overall budget position to the year end and they will report to Directors on a monthly basis. A full report in respect of the ICT Transformation project was presented to Standards and Governance Committee at the end of January 2018.

2018/19 BUDGET AND PRECEPT

Council Tax

15. The MTFP included an estimated increase to the Council Tax Base of 0.5%, equating to £197,400. The Districts and Boroughs (with the exception of East Hampshire and Havant) have now confirmed their bases for 2018/19, which now gives an overall increase of 1.35%, giving additional funding of £342,300.
16. The most significant increase to the overall funding for the HFRA comes from the increase to the precept. Within the MTFP report, an assumed increase of 1.99% was agreed, however a higher referendum limit has now been confirmed by the Government, which would allow a precept of up to 2.98%, if approved by the Authority.
17. In overall council tax terms, the Fire Authority element is relatively small and the table below shows the impact if all authorities set their increases to the maximum permissible (Test Valley has been used as an example District Council) :

Hampshire County Council	£1,133.10	5.99%	£67.87	£1,200.97
Hampshire Police and Crime Commissioner	£165.46	7.25%	£12.00	£177.46
Test Valley Borough Council	£136.41	2.99%	£4.08	£140.49
Hampshire Fire & Rescue Authority	£63.84	2.98%	£1.90	£65.74
	£1,498.81	5.73%	£85.85	£1,584.66

18. Should the Fire Authority decide to set the council tax at 1.99% this would reduce the overall percentage increase by **0.04%** and save **63p** off the total increase of £85.85.
19. Whilst HFRA is currently in a fairly healthy financial position, there are a number of factors which still make the future financial position less certain, namely :
- No grant figures are available after 2019/20
 - There are still Phase 2 savings to be delivered as part of the Service Delivery Redesign
 - Following the Grenfell Tower tragedy, additional requirements may be placed on Fire & Rescue Services, which could effect the ability to achieve some planned savings
 - We do not know what future council tax referendum limits after 2019/20 might be
 - Future capital plans for our estate could require new prudential borrowing
 - By 2021/22 we were predicting a budget gap of £3.4m which still needs to be addressed
20. Given this uncertain position, the fact that HFRA froze council tax for 5 consecutive years and the clear policy direction set by the Government for increasing council tax, it is recommended that the council tax be increased by the maximum level allowed within the referendum limit for 2018/19.
21. The council tax bands are calculated as a proportion of the Band D figure. For 2018/19, this means that to ensure all bands remain below the 3% referendum limit, Band D can only increase by 2.98%. All figures in this report assume that this level of increase is applied.
22. The figures below show the council tax rates for the year beginning 1st April 2018 for the properties in each band, based on a 2.98% increase:

Band A:	£43.83	Band E:	£80.35
Band B:	£51.13	Band F:	£94.96
Band C:	£58.44	Band G:	£109.57
Band D:	£65.74	Band H:	£131.48

23. Combining the council tax base increase and the precept increase, the table below shows the precept funding due from each precepting authority for the year 2018/19.

Basingstoke and Deane Borough Council	£4,212,948
East Hampshire District Council	£3,251,471
Eastleigh Borough Council	£2,945,544
Fareham Borough Council	£2,800,872
Gosport Borough Council	£1,743,747
Hart District Council	£2,655,396
Havant Borough Council	£2,674,313
New Forest District Council	£4,642,625
Portsmouth City Council	£3,672,065
Rushmoor Borough Council	£2,036,059
Southampton City Council	£4,230,040
Test Valley Borough Council	£3,160,713
Winchester City Council	£3,181,152
Total	£41,206,947

24. East Hampshire District Council and Havant Borough Council have been unable to confirm their Council Tax Base and Business Rates figures, as they are currently in the process of moving to an out sourced supplier. It is therefore requested that delegated authority be granted to the Chief Finance Officer to amend the budget when figures from these Authorities have been confirmed. This will be done by adjusting the RCCO figure to offset any change to the overall Precept or Business Rates totals to ensure a balanced budget.
25. The Council Tax Collection Fund surplus has now been confirmed at £311,875, which is £86,900 higher than forecast within the MFTP.

Business Rates

26. The Authority receives a top up grant in respect of business rates from the Government, together with a proportion of retained business rates collected by District and Unitary councils in the County. In addition to this, following reliefs and business rate caps introduced by the Government, Section 31 grant is paid to the authority for lost business rate income it would otherwise have earned.
27. As per of the four year settlement offered by the Government a top up grant of £7,301,659 was expected. The actual top up grant announced is £7,296,406, which is £5,253 lower than expected.
28. Within the MTFP, the 2018/19 locally retained business rate figure was assumed to be the 2017/18 figure inflated by 1.00%. This would have given the authority a £6,826,000 share of business rates. Billing authorities have now confirmed the authority's share of business rates will be £7,046,486. This is an increase of £220,500 against forecast and is positive news for the authority as the increase in rates should continue on an ongoing basis.
29. For 2018/19 an additional payment is being included within the Section 31 grant in relation to Response to New Risks (Merauding Terrorist Firearms Attack –

MTFA). For Hampshire this has been assessed at £148,256, although this may vary for future years. This gives overall section 31 grant amounting to £683,437, compared to the £218,000 included within the MTFP.

30. The billing authorities have now confirmed that there is a surplus on their business rates collection fund and the authority's share will be £112,708 in 2018/19. This will be a one off funding reduction to the Authority in 2018/19, in the same way that the council tax collection fund operates.

Government Grant

31. 2018/19 is the third year of a four year funding settlement agreed by the Government. This has given stability and enabled improved budget planning.
32. The grant of £8,117,616 initially set by the Government has now been confirmed for 2018/19 the final settlement.

Budget Pressures

33. Within the MTFP a number of budget pressures were identified and the budget was increased to cover these.
34. Since the MTFP it has come to light that the ICT Transformation Project has incurred additional cost during implementation. The on-going costs are currently being reviewed but are not yet final. No additional funding has been allocated in the 2018/19, but this will need to be reviewed once all contracts have been signed and final figures are available.
35. The Network Fire Services Partnership has been in place for several years, with work being undertaken regionally to improve service levels and resilience across regional Fire & Rescue Services. Over the past few months, it has become apparent that the initial estimates for the on-going costs were too low, with assumptions being made on licence costs and phone lines being too low. An additional £109,000 has therefore been included within the budget to cover these costs.

Efficiency Plans

36. The majority of Phase 2 of the Efficiency Plan was included within the 2017/18 budget. The main exception to this is the Service Delivery Redesign, which is due to be implemented over the years 2017/18 to 2020/21. The first tranche of savings were removed for the 2017/18 budget, but the next phase will not be until 2019/20.
37. In the MTFP report, the only saving included in Phase 3 was for ICT Transformation. Further savings have now been confirmed and have been included within the 2018/19 budget. These are:
 - (a) £125,000 for the collaborated Call Handling work with the Isle of Wight FRS.
 - (b) £60,000 for the collaborated fleet maintenance work with Royal Berkshire FRS.
38. These additional savings are offset by Phase 2 savings which had been expected from the Training Academy have been postponed due to increased requirements for training.

Changes to the Medium Term Position

39. This table summarises the adjustments to the medium term financial position over the forthcoming financial year.

	<u>£000</u>
2018/19 Deficit as per MTFP	2,456
Adjustments:	
Removal of inflation / growth provisions no longer needed	-640
Increase in Inflation Provision	198
Remove estate maintenance – to be funded from reserves	-350
Budget pressures - NFSP	109
Efficiency plan changes	42
Other changes to base budget	-41
Increase in Council Tax Base	-342
Increase from 1.99% to 2.98% precept rise	-395
Collection Fund balances	-200
Increase in Business Rates	-215
Increase to s31 Grant	-465
Decrease in revenue contributions to capital	-157
2018/19 Proposed Budget Balance	0

40. Appendix A outlines the base budget for 2018/19 by both cost type and function.
41. In the past, internal transfers have been included in the budget to allocate the support service costs. This was a requirement for reporting purposes, but is not longer necessary. These internal transfers have now been removed, which has resulted in the Objective Summary in Appendix A showing an increase in the budget against Professional Services and reductions in Community Response, Community Resilience and Community Safety. This has not affected the actual expenditure budget available in these areas and will reflect the true cost of each area going forward.

Capital Programme

42. The proposed capital programme for 2018/19 is set out at Appendix D and the proposed financing of this and all continuing capital works can be found at Appendix E. Appendix C provides an update of the current capital programme, including spend to date.
43. The Vehicle Replacement Programme (VRP) has been updated to reflect changing needs following the Service Delivery Redesign (SDR) programme.
44. The SDR is dependent on changes to the numbers and types of some vehicles, therefore a number of vehicle purchases have been put on hold for the past few years, until the exact details of the requirements have been confirmed. This has resulted in significant underspends over the past few years which have

been carried forward and will be used to fund the initial purchase of the SDR vehicle requirements.

45. This information is now available and has therefore now been incorporated into the Vehicle Replacement Programme. The consequence of this is an increase in capital cost over the next few years, so that the necessary vehicles can be purchased. However, the overall cost over the life of the vehicles is slightly lower than under the previous plan.
46. During 2015/16 and into 2016/17, work has been undertaken to transform the Eastleigh Headquarters site into a joint strategic headquarters with Hampshire Constabulary. The final phase of this work has just been started and will complete during 2018/19.

Reserves

47. The Authority also has specific reserves to provide for future spending. These are:
 - ‘Transformation Reserve’. This is used to help generate savings, deliver value for money improvements and to ‘pump-prime’ environmental improvement initiatives. There are currently plans to spend £1.834m of this reserve during 2018/19. These have not been built into the revenue budget.
 - ‘Capital Payments Reserve’. This provides an essential resource for the capital programme and helps to reduce the need for borrowing. This will put the Authority in a more secure position as government funding for capital is now on a ‘bids’ basis and therefore the Authority may not always be successful in bidding for these funds.
 - ‘Revenue Grants Reserve’. This reserve holds grants that have been awarded to the authority for specific projects or programmes of work that may fall across more than one financial year.
48. Details of the expected balance on each of the specific reserves and the general balance over the period 2016/17 to 2019/20 are set out in Appendix B.

TREASURY MANAGEMENT AND INVESTMENT STRATEGY

49. The Treasury Management Strategy Statement and Investment Strategy are attached at Appendix F and require approval on an annual basis. This document includes the Prudential Indicators and statement on Minimum Revenue Provision.
50. The Treasury Management Strategy and Investment Strategy for 2018/19 follow a similar format and have a similar content to previous years.
51. The report recommends that the following be approved:

- (a) Treasury Management Strategy and Annual Investment Strategy for 2018/19, (and the remainder of 2017/18) including:
 - (i) Prudential Indicators for 2018/19, 2019/20 and 2020/21 – Annex C
 - (ii) Minimum Revenue Provision (MRP) Statement – Annex D
- (b) That authority is delegated to the Treasurer to manage the Fire & Rescue Authority's investments according to the risk assessment process in the Investment Strategy as appropriate.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

- 52. This report sets out how the available funding will be directed to the priority areas within HFRS and supports a continuing strong financial position.

CONSULTATION

- 53. The Authority undertook a major consultation process during 2015 that sought residents and stakeholders' views about the proposed changes arising from the Risk Review as well as other issues around budgets and council tax levels. More detailed information on the results of the consultation can be found within the Risk Review report on this agenda, but most important to this report is that the majority of respondents were happy to see a rise in council tax in order to protect services provided by the Authority.
- 54. The proposals in this report have been the subject of consultation with the Representative Bodies and the Business Community. No response has been received to date, however any comments or issues will be reported back verbally to the Authority.

RESOURCE IMPLICATIONS

- 55. This report does not specifically request additional funding over and above those items that have been included within the budget for approval. It also covers the overall financial position for 2018/19, on Revenue, Capital and Reserves.

LEGAL IMPLICATIONS

- 56. The proposals within this report are considered compatible with the provisions of the equality and human rights legislation and do not change any policies.

PEOPLE IMPACT ASSESSMENT

- 57. The proposals in this report are considered compatible with the provisions of equality and human rights legislation.

OPTIONS

- 58. There are no options for consideration within the report, although budget setting and forecasting by its very nature mean that assumptions are made around a number of variables that can change over time.

RISK ANALYSIS

59. The Authority has an established process for planning ahead to meet financial targets. This has helped considerably in managing the reductions in Government grant which have effected the available funding over the past 8 years.
60. The current savings programme has progressed according to plan, but development and implementation of a new savings programme will need to be kept under review over the coming years.
61. There continues to be a real risk of a budget deficit in future years which will require reductions across the Service and increases in council tax. The Service has begun early planning to identify how a shortfall could be overcome, however as a backstop position, the Authority has sufficient reserves to meet the gap, thereby mitigating the risk.

CONCLUSION

62. It is recommended that the Authority approve the proposals made within this report, including a 2.98% increase in the precept for 2018/19.

RECOMMENDATION

63. That the revenue budget as set out in Appendix A be approved by Hampshire Fire and Rescue Authority
64. That the Capital Programme as set out in Appendix D and the funding of this as set out in Appendix E be approved by Hampshire Fire and Rescue Authority
65. That if any minor technical changes are required to the budget, the Chief Financial Officer in consultation with the Chief Fire Officer and the Chairman of the Authority is given delegated authority to reflect the actual position in the budget, particularly in relation to the Precept and Business Rates for East Hampshire District Council and Havant Borough Council.
66. That the Treasury Management Strategy and Annual Investment Strategy for 2018/19 and set out in section 51 and Appendix F of this report be approved by Hampshire Fire and Rescue Authority:-

Treasury Management Strategy and Annual Investment Strategy for 2018/19, (and the remainder of 2017/18) including:

- (i) Prudential Indicators for 2018/19, 2019/20 and 2020/21 – Annex C
- (ii) Minimum Revenue Provision (MRP) Statement – Annex D

That authority is delegated to the Treasurer to manage the Fire & Rescue Authority's investments according to the risk assessment process in the Investment Strategy as appropriate.

67. That the budget requirement for the general expenses of the Authority for the year beginning 1st April 2018 of £64,775,000 be approved by Hampshire Fire and Rescue Authority.
68. That the council tax requirement for the Authority for the year beginning 1st April 2018 of £41,206,947 be approved by Hampshire Fire and Rescue Authority.
69. That the Authority's tax be increased by 2.98% for the year beginning 1st April 2018 and for the properties in each band, as set out in section 21 of this report, be approved by Hampshire Fire and Rescue Authority

Band A:	£43.83	Band E:	£80.35
Band B:	£51.13	Band F:	£94.96
Band C:	£58.44	Band G:	£109.57
Band D:	£65.74	Band H:	£131.48

70. That the precepts set out in section 22 of this report, totalling £41,206,947 are issued on the billing authorities in Hampshire, requiring the payment in such instalments and on such dates set by them and previously notified to the Authority, in proportion to the tax base of each billing authority's area as determined by them.
71. That in accordance with the set of principles set by the Secretary of State for Communities and Local Government for the year, it is determined that the

relevant basic amount of council tax for 2018/19 is not excessive.

APPENDICES ATTACHED

72. Appendix A – 2018/19 proposed budget in subjective and objective format
73. Appendix B – Reserves
74. Appendix C – Current capital programme
75. Appendix D – Proposed capital programme
76. Appendix E – Capital funding
77. Appendix F – Treasury Management Strategy & Investment Strategy 2018/19 – 2020/21

Contact:

78. Rob Carr, Treasurer; Rob.Carr@hants.gov.uk, Telephone: 01962 847508

Proposed Budget 2018/19 - Subjective

2017/18 Original Budget	2017/18 Revised Budget		2018/19 Forecast Budget
29,985	31,447	Whole Time Firefighters	30,273
6,447	6,502	Retained Firefighters	6,036
8,715	9,821	Staff	9,098
1,079	1,079	Net cost of pensions	1,094
697	697	Employers LGPS contribution re pension deficit	754
656	846	Other Employee Costs	813
47,579	50,392		48,069
4,135	4,327	Premises	4,298
1,467	1,740	Transport	1,697
7,770	9,728	Supplies & Services	7,919
12	12	Support Services	0
60,963	66,200		61,983
-2,066	-2,345	Income	-2,443
-1,257	-1,257	Specific Grant	-1,149
0	-4,624	Transformation Reserve Funding	150
57,640	57,974		58,541
2,592	2,547	Revenue contributions to capital	3,747
1,078	824	Contingency	1,889
61,310	61,345	Net Cost of Service	64,177
183	183	Interest payable / (receivable)	184
516	516	Provision for debt repayment	414
2,066	2,066	Contribution to / (from) reserves	0
64,075	64,110	Budget Requirement	64,775
-39,484	-39,484	Precept	-41,207
-9,634	-9,634	Revenue Support Grant	-8,118
-562	-597	Other Non-Specific grants	-683
-7,074	-7,074	Business Rates Top-Up Grant	-7,296
-6,758	-6,758	Locally Retained Business Rates	-7,046
-563	-563	CT Collection Fund Balance	-312
0	0	BR Collection Fund Balance	-113
-64,075	-64,110		-64,775
0	0	Funding Gap / (Surplus)	0

Proposed Budget 2018/19 - Objective

2017/18 Original Budget	2017/18 Revised Budget		2018/19 Forecast Budget
48,508	50,105	Community Response	37,894
73	100	Community Resilience	73
5,065	5,070	Community Safety	3,747
3,887	7,191	Professional Services	14,928
1,079	1,079	Net cost of pensions	1,094
697	697	Employers LGPS contribution re pension deficit	754
0	-4,624	Transformation Reserve Funding	150
-1,669	-1,644	Other	-100
57,640	57,974		58,541
2,592	2,547	Revenue contributions to capital	3,747
1,078	824	Contingency	1,889
61,310	61,345	Net Cost of Service	64,177
183	183	Interest payable / (receivable)	184
516	516	Provision for debt repayment	414
2,066	2,066	Contribution to / (from) reserves	0
64,075	64,110	Budget Requirement	64,775
Funded By:			
-39,484	-39,484	Precept	-41,207
-9,634	-9,634	Revenue Support Grant	-8,118
-562	-597	Other Non-Specific grants	-683
-7,074	-7,074	Business Rates Top-Up Grant	-7,296
-6,758	-6,758	Locally Retained Business Rates	-7,046
-563	-563	CT Collection Fund Balance	-312
0	0	BR Collection Fund Balance	-113
-64,075	-64,110		-64,775
0	0	Funding Gap / (Surplus)	0

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Specific reserves and general balance 2017/18 to 2020/21

	Transformation Reserve	Capital Payments	Earmarked Underspendings	Revenue Grants	Capital Grants	Capital Receipts	General Balance	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Actual balance 31.3.17	-4,018	-23,762	-236	-551	0	0	-2,500	-31,067
budgeted addition in year	-2,106	-2,547	40					-4,613
Used in year	3,685	5,611	196	355				9,847
Estimated balance 31.3.18	-2,439	-20,698	0	-196	0	0	-2,500	-25,833
budgeted addition in year		-3,747				-1,500		-5,247
Used in year	1,834	9,943		196		1,500		13,473
Estimated balance 31.3.19	-605	-14,502	0	0	0	0	-2,500	-17,607
budgeted addition in year		-3,905						-3,905
Used in year	304	5,353						5,657
Estimated balance 31.3.20	-301	-13,054	0	0	0	0	-2,500	-15,855
budgeted addition in year		-3,905						-3,905
Used in year	0	5,189						5,189
Estimated balance 31.3.21	-301	-11,770	0	0	0	0	-2,500	-14,571

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Capital Commitments

Project Details	Approved Spend	Pre 2017/18	2017/18	2018/19	2019/20	2020/21	Latest Estimate	Balance Over(-) / Under
	£000	£000	£000	£000	£000	£000	£000	£000
2012/13 starts								
Basingstoke Fire Station	6,875	5,482	1,243	150	0	0	6,875	0
Fire control system	729	631	48	74	0	0	753	-24
2014/15								
Estates Transformation -HQ Phase 1	4,736	4,596	140	0	0	0	4,736	0
Estates Transformation - Stations	778	732	46	0	0	0	778	0
Solar photovoltaic panels	1,076	1,024	30	0	0	0	1,054	22
2015/16								
Vehicles	1,309	1,109	116	0	0	0	1,225	84
Transforming on call arrangements	1,112	924	183	8	0	0	1,115	-3
Breathing apparatus telemetry	560	4	0	556	0	0	560	0
Thermal imaging cameras	350	22	164	164	0	0	350	0
Station end equipment	303	366	10	0	0	0	376	-73
2016/17								
Vehicles	696	674	3	0	0	0	677	19
Fire ground radios	503	302	201	0	0	0	503	0
2017/18								
Vehicles	1,783	0	1,783	0	0	0	1,783	0
USAR Relocation	271	19	262	0	0	0	281	-10
Estates Transformation -HQ Phase 2	4,545	113	1,571	2,775	86	0	4,545	0
Estates Transformation - contingency	57	0	0	0	57	0	57	0
Pr Philip Barracks: Training equipment & compressor	63	0	63	0	0	0	63	0
Pr Philip Barracks: Mobile Burn unit & cutting rigs	129	0	129	0	0	0	129	0
Totals	25,875	15,998	5,992	3,727	143	0	25,860	15

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Proposed capital programme 2018/19 to 2020/21

Scheme	Total	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
2018/19 starts				
Vehicles	5732	5732		
Technical Services Collaboration (from 2017/18)	393	393		
Retained station replacement programme - Accumulated annual allocations 2014/15 to 2018/19	2165	2165		
2019/20 starts				
Vehicles	4760		4760	
Retained station replacement programme	450		450	
2020/21 starts				
Vehicles	4739			4739
Retained station replacement programme	450			450
	18689	8290	5210	5189

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Financing of existing & proposed capital programme

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Payments: existing schemes	5,992	3,727	143	0	9,862
Payments: proposed programme 2018/19 to 2020/21	0	8,290	5,210	5,189	18,689
Total payments	5,992	12,017	5,353	5,189	28,551
Financed by:					
Capital payments reserve	5,611	9,943	5,353	5,189	26,096
Revenue Grant unapplied reserve	244	74	0	0	318
Capital receipts	0	1,500	0	0	1,500
Partner contributions	137	500	0	0	637
Total financing	5,992	12,017	5,353	5,189	28,551

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Treasury Management Strategy and Investment Strategy 2018/19 to 2020/21

1. Summary

- 1.1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also includes the Annual Investment Strategy that is a requirement of the Department for Communities and Local Government's (DCLG) Investment Guidance.
- 1.2. As per the requirements of the Prudential Code, Hampshire Fire and Rescue Authority adopted the CIPFA Treasury Management Code at its meeting in February 2012. This report fulfils the Fire & Rescue Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DCLG Guidance.
- 1.3. The purpose of this TMSS is, therefore, to approve:
 - Treasury Management Strategy for 2018/19
 - Annual Investment Strategy for 2018/19
 - Prudential Indicators for 2018/19, 2019/20 and 2020/21 shown in Annex C
 - Minimum Revenue Provision (MRP) Statement shown in Annex D
- 1.4. The Fire and Rescue Authority has potentially large exposures to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Fire & Rescue Authority's treasury management strategy.
- 1.5. **This Report recommends the following be approved:**
 - **Treasury Management Strategy and Annual Investment Strategy for 2018/19, (and the remainder of 2017/18) including:**
 - **Prudential Indicators for 2018/19, 2019/20 and 2020/21 – Annex C**
 - **Minimum Revenue Provision (MRP) Statement – Annex D**
 - **That authority is delegated to the Chief Finance Officer to manage the Fire & Rescue Authority's investments according to the risk assessment process in the Investment Strategy as appropriate.**

2. Introduction

- 2.1. In February 2012 the Fire & Rescue Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Fire & Rescue Authority to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in 2017, but has yet to publish a revised Code.

- 2.2. In addition, DCLG issued revised Guidance on Local Authority Investments in March 2010 that requires the Fire & Rescue Authority to approve an investment strategy before the start of each financial year.
- 2.3. This report fulfils the Fire & Rescue Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DCLG Guidance.
- 2.4. The Fire & Rescue Authority has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Fire & Rescue Authority's treasury management strategy.

3. External Context

- 3.1. The following paragraphs explain the economic and financial background against which the Treasury Management Strategy is being set.

Economic background

- 3.2. The major external influence on the Fire & Rescue Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.
- 3.3. Consumer price inflation (CPI) reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017. Since this point, CPI hit 3.1% in November 2017.

Credit outlook

- 3.4. High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.
- 3.5. Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

- 3.6. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Fire & Rescue Authority; returns from cash deposits however remain very low.

Interest rate forecast

- 3.7. The Fire & Rescue Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- 3.8. Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.
- 3.9. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.

4. Balance Sheet Summary and Forecast

- 4.1. On 31st December 2017, the Fire & Rescue Authority held £8.4m of borrowing and £27.9m of investments. This is set out in further detail at Annex B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31/03/17	31/03/18	31/03/19	31/03/20	31/03/21
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Capital Funding Requirement	12.2	11.7	11.2	10.8	10.3
Less: External borrowing					
- Public Works Loan Board	(8.4)	(8.4)	(8.4)	(8.3)	(7.1)
Internal (over) borrowing	3.8	3.3	2.8	2.5	3.2
Less: Working capital	0.2	0.2	0.2	0.2	0.2
Less: Usable reserves	(28.6)	(23.3)	(14.5)	(12.7)	(11.5)
New borrowing or (investments)	(24.6)	(19.9)	(11.5)	(10.1)	(8.1)

- 4.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Fire & Rescue Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

- 4.3. The capital funding requirement is predominantly for major building works, including Strategic Headquarters. There is an on-going requirement for vehicles and other equipment that will need to be replaced over the coming years. Reserves will mainly be used to fund the Transformation programme, particularly Service Delivery Redesign.
- 4.4. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Fire & Rescue Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Fire & Rescue Authority expects to comply with this recommendation during 2018/19.

5. Borrowing Strategy

- 5.1. The Fire & Rescue Authority currently holds £8.4 million of loans, which represents no change since the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that the Fire & Rescue Authority does not expect to need to borrow in 2018/19. The Fire & Rescue Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £16.5 million.

Objectives

- 5.2. The Fire & Rescue Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Fire & Rescue Authority's long-term plans change is a secondary objective.

Strategy

- 5.3. Given the significant cuts to public expenditure and in particular to local government funding, the Fire & Rescue Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, if the Fire & Rescue Authority does need to borrow, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 5.4. By internally borrowing, the Fire & Rescue Authority would be able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. If borrowing is required, the benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Fire & Rescue Authority with this 'cost of carry' and breakeven analysis.
- 5.5. In addition, the Fire & Rescue Authority may borrow short-term loans (normally for up to one month) to cover unplanned cash flow shortages.

Sources of borrowing

- 5.6. The approved sources of long-term and short-term borrowing are:
 - Public Works Loan Board (PWLB) and any successor body

- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Hampshire Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance

5.7. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

5.8. The Fire & Rescue Authority has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

Short-term and Variable Rate loans

5.9. These loans leave the Fire & Rescue Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt Rescheduling

5.10. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Fire & Rescue Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

6. Investment Strategy

6.1. The Fire & Rescue Authority holds invested funds representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Fire & Rescue Authority's investment balance has ranged between £21.1 and £37.1 million, however it is planned that balances will fall significantly between now and 31 March 2019 as shown in Table 1.

Objectives

6.2. Both the CIPFA Code and the DCLG Guidance require the Fire & Rescue Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

The Fire & Rescue Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Negative Interest Rates

- 6.3. If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

- 6.4. Given the increasing risk and very low returns from short-term unsecured bank investments, the Fire & Rescue Authority aims to continue to diversify into more secure and/or higher yielding asset classes during 2018/19. This is especially the case for the estimated £10m that is available for longer-term investment. Approximately 81% (increased from 77% last year) of the Fire & Rescue Authority's surplus cash is invested so that it is not subject to bail-in risk, as it is invested in local authorities, pooled property and equity funds, and secured bank bonds. Whilst the remaining cash is subject to bail-in risk, 28% of this balance is held in short-term notice accounts which produce a significant return commensurate with the bail-in risk, 21% is held in overnight money market funds which are subject to a reduced risk of bail-in, 37% is held in certificates of deposit which can be sold on the secondary market and 5% is held in overnight bank call accounts for liquidity purposes. Further detail is provided at Annex B. This diversification will represent a continuation of the new strategy adopted in 2015/16.
- 6.5. The Fire & Rescue Authority's investments in pooled property and equity funds allow the Fire & Rescue Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. The funds which are operated on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short-term. All of the Fire & Rescue Authority's pooled fund investments are in the funds' distributing share classes which pay out the income generated.
- 6.6. Although money can be redeemed from the pooled funds at short notice, the Fire & Rescue Authority's intention is to hold them for at least the medium term. Their performance and suitability in meeting the Fire & Rescue Authority's investment objectives are monitored regularly and discussed with Arlingclose.
- 6.7. As shown in Annex B, without this allocation the weighted average return of the Fire & Rescue Authority's cash investments would have been 0.57%; the allocation to high yielding investments has added 0.54% (£0.151m based on the cash balance at 31 December 2017) to the average interest rate earned by the remainder of the portfolio.

Table 2: High yield investments capital value

	Principal invested £m	Market value 31/12/2017 £m	Capital yield (per annum) %
Pooled Property Funds	2.0	2.1	4.65
Pooled Equity Funds	1.5	1.7	5.91
Total	3.5	3.8	5.10

Investment Limits

- 6.8. The maximum that will be lent to any one organisation (other than the UK Government) will be £4m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, and investments in pooled funds, as they would not count against a limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£4m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same management	£4m per manager
Registered Providers	£6m in total
Money Market Funds	50% in total

Approved Counterparties

- 6.9. The Fire & Rescue Authority may invest its surplus funds with any of the counterparty types in Table 4 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 4: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers Unsecured	Registered Providers Secured
UK Govt	n/a	n/a	£ Unlimited 30 years	n/a	n/a	n/a
AAA	£2m 5 years	£4m 20 years	£4m 30 years	£2m 20 years	£2m 20 years	£2m 20 years
AA+	£2m 5 years	£4m 10 years	£4m 25 years	£2m 10 years	£2m 10 years	£2m 10 years
AA	£2m 4 years	£4m 5 years	£4m 15 years	£2m 5 years	£2m 10 years	£2m 10 years
AA-	£2m 3 years	£4m 4 years	£4m 10 years	£2m 4 years	£2m 10 years	£2m 10 years
A+	£2m 2 years	£4m 3 years	£2m 5 years	£2m 3 years	£2m 5 years	£2m 5 years
A	£2m 13 months	£4m 2 years	£2m 5 years	£2m 2 years	£2m 5 years	£2m 5 years
A-	£2m 6 months	£4m 13 months	£2m 5 years	£2m 13 months	£2m 5 years	£2m 25 years
None	£1m 6 months	n/a	£4m 25 years	n/a	£2m 5 years	£2m 5 years
Pooled funds	£4m per fund					

This table must be read in conjunction with the notes below

Credit Rating

- 6.10. Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured

- 6.11. Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks Secured

- 6.12. Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely

event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

- 6.13. Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 30 years.

Corporates

- 6.14. Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

Registered Providers

- 6.15. Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds

- 6.16. Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
- 6.17. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Fire & Rescue Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Depending on the type of pooled fund invested in, it may have to be classed as capital expenditure. Because pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Fire & Rescue Authority's investment objectives will be monitored regularly.

Operational bank accounts

- 6.18. The Fire & Rescue Authority may incur operational exposures, for example through current accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will

therefore be kept low. The Fire & Rescue Authority's operational bank account is with National Westminster; therefore the Fund does not hold unsecured investments in this bank, and aims to keep the overnight balances held in current accounts as positive, and as close to £0 as possible. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Fire & Rescue Authority maintaining operational continuity.

Risk Assessment and Credit Ratings

- 6.19. Credit ratings are obtained and monitored by the Fire & Rescue Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 6.20. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

- 6.21. The Fire & Rescue Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 6.22. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Fire & Rescue Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Fire & Rescue Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office, or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments

6.23. The DCLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

6.24. The Fire & Rescue Authority defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified Investments

6.25. Any investment not meeting the definition of a specified investment is classed as non-specified. The Fire & Rescue Authority does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to long-term investments, (i.e. those that are due to mature 12 months or longer from the date of arrangement), pooled funds that the Fire & Rescue Authority intends to hold as long-term investments (for more than one year) and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in Table 5 below.

Table 5: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£10m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£10m
Total non-Sterling investments	£0m
Total investments in foreign countries rated below AA+	£0m
Total non-specified investments	£18m*

* Total non-specified investments is a limit in its own right, and is not meant to equal the aggregate of the limits for total long-term investments, and investments without credit ratings or rated below A-.

Liquidity Management

6.26. The Fire & Rescue Authority has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept.

Limits on long-term investments are set by reference to the Fire & Rescue Authority's medium term financial position (summarised in Table 1) and forecast short-term balances.

7. Non-Treasury Investments

- 7.1. Although not classed as treasury management activities the Fire & Rescue Authority may also make loans and investments for service purposes, for example the direct purchase of land or property. Such loans and investments will be subject to the Fire & Rescue Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy. The Fire & Rescue Authority does not have any existing non-treasury investments.

8. Treasury Management Indicators

- 8.1. The Fire & Rescue Authority measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures

- 8.2. This indicator is set to control the Fire & Rescue Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of principal borrowed or invested will be:

Table 6: Interest Rate Exposures

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate borrowing exposure	£16.5m	£16.0m	£15.6m
Upper limit on variable interest rate borrowing exposure	£16.5m	£16.0m	£15.6m
Upper limit on fixed interest rate investment exposure	£10m	£10m	£10m
Upper limit on variable interest rate investment exposure	£45m	£45m	£45m

- 8.3. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity Structure of Borrowing

- 8.4. This indicator is set to control the Fire & Rescue Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Table 7: Maturity Structure of Borrowing

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	75%	0%
20 years and above	100%	0%

Principal Sums Invested for Periods Longer than 364 days

- 8.5. The purpose of this indicator is to control the Fire & Rescue Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 8: Principle Sums Invested for Periods Longer than 364 days

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£10m	£10m	£10m

- 8.6. Although the limits on principal invested beyond year end is greater than the expected investment balances at 31 March 2020 and 31 March 2021, as shown in Table 1, these limits has been set to allow for current long-term investments to mature, as well as to allow flexibility if capital expenditure is experienced to be slower than forecast.

9. Other Items

- 9.1. There are a number of additional items that the Fire & Rescue Authority is obliged by CIPFA or DCLG to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives

- 9.2. In the absence of any explicit legal power to do so, the Fire & Rescue Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

Investment Training

- 9.3. The needs of H3's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
- 9.4. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

- 9.5. CIPFA's Code of Practice requires that the Fire & Rescue Authority ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Members of the Finance and General Purposes Committee were invited to a workshop presented by Arlingclose on 29 November 2017, which gave an update on treasury matters. A further Arlingclose workshop has been planned for November 2018.

Investment Advisers

- 9.6. The Fire & Rescue Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings the Treasurer, his staff, and Arlingclose.

Investment of Money Borrowed in Advance of Need

- 9.7. The Fire & Rescue Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Fire & Rescue Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Fire & Rescue Authority's overall management of its treasury risks. The total amount borrowed will not exceed the authorised borrowing limit of £16.5 million.

Arlingclose Economic & Interest Rate Forecast November 2017

Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

Existing Investment & Debt Portfolio Position at 31 December 2017

Investments	Asset value on 31/07/2017 £m	Asset value on 31/12/2017 £m	Average rate/yield on 31/12/2017 %	Average life on 31/12/2017 years
Short term investments				
- Banks and Building Societies				
- Unsecured	7.12	4.24	0.48	0.15
- Secured	3.42	4.00	0.77	0.52
- Money Market Funds	15.16	1.15	0.39	0.01
- Local Authorities	1.00	9.00	0.38	0.46
	26.70	18.39	0.49	0.37
Long term investments				
- Banks and Building Societies				
- Secured	6.00	6.00	0.82	1.55
	6.00	6.00	0.82	1.55
High yield investments				
- Pooled Property Funds*	2.00	2.00	4.58	n/a
- Pooled Equity Funds*	1.50	1.50	5.22	n/a
	3.50	3.50	4.85	n/a
TOTAL INVESTMENTS	36.20	27.89	1.11	0.66
Increase/ (Decrease) in Investments £m		(8.31)		

	£m	%
External Borrowing		
PWLB	(8.35)	(4.71)
Investments		
Total Investments	27.89	1.11
Net Investments	19.54	(0.43)

* Yield represents the average of each investment class' most recent dividend payments as a percentage of the asset value.

Prudential Indicators 2018/19

The Local Government Act 2003 requires the Fire & Rescue Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Fire & Rescue Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure

The Fire & Rescue Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in the capital programme.

Capital Expenditure and Financing	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m
Total Expenditure	6.0	12.0	5.4	5.2
Capital Receipts	-	1.5	-	-
Government Grants	0.2	0.1	-	-
Capital Payments Reserves	5.6	9.9	5.4	5.2
Revenue Contributions	0.1	0.5	-	-
Total Financing	6.0	12.0	5.4	5.2

Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Fire & Rescue Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31/03/18 Revised	31/03/19 Estimate	31/03/20 Estimate	31/03/21 Estimate
	£m	£m	£m	£m
Total CFR	11.7	11.2	10.8	10.3

The CFR is forecast to fall by £1.4m over the next three years as capital expenditure financed by debt is outweighed by resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the Fire & Rescue Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31/03/18 Revised £m	31/03/19 Estimate £m	31/03/20 Estimate £m	31/03/21 Estimate £m
Borrowing	8.4	8.4	8.3	7.1
Total Debt	8.4	8.4	8.3	7.1

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt

The operational boundary is based on the Fire & Rescue Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Fire & Rescue Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Fire & Rescue Authority's debt.

Operational Boundary	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Borrowing	14.3	13.9	13.4	13.0
Total Debt	14.3	13.9	13.4	13.0

Authorised Limit for External Debt

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Fire & Rescue Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2017/18 Limit £m	2018/19 Limit £m	2019/20 Limit £m	2020/21 Limit £m
Borrowing	16.9	16.5	16.0	15.6
Total Debt	16.9	16.5	16.0	15.6

Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	%	%	%	%
General Fund	1.03	1.02	0.97	0.91

Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£	£	£
General Fund - increase in annual band D Council Tax	5.01	6.23	6.23

Adoption of the CIPFA Treasury Management Code

The Fire & Rescue Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition in February 2012. It fully complies with the Code's recommendations.

Annual Minimum Revenue Provision Statement 2018/19

Where the Fire & Rescue Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Fire & Rescue Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the DCLG Guidance) most recently issued in 2012.

The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The DCLG Guidance requires the Fire & Rescue Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

MRP in 2018/19

Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) capital expenditure funded from borrowing. Methods of making prudent provision for unsupported capital expenditure include Options 3 and 4 (which may also be used for unsupported capital expenditure if the Fire & Rescue Authority chooses).

The Fire & Rescue Authority will apply Option 1/Option 2 in respect of unsupported capital expenditure funded from borrowing and Option 3/Option 4 in respect of unsupported capital expenditure funded from borrowing.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

Capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

Based on the Council's latest estimate of its Capital Financing Requirement on 31st March 2017, the budget for MRP has been set as follows:

	31.03.2018 Estimated CFR £m	2018/19 Estimated MRP £
Capital expenditure before 01.04.2008	11.542	462,000
Unsupported capital expenditure after 31.03.2008	0.134	3,000
Total General Fund	11.676	465,000
Total	11.676	465,000



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Approved

Date: 13 February 2018

Title: **HEALTH, SAFETY AND WELLBEING STATEMENT OF INTENT.**

Report of Chief Fire Officer

APPENDIX ATTACHED

Appendix A - Health, Safety and Wellbeing Statement of Intent

EXECUTIVE SUMMARY

1. The Health, Safety and Wellbeing (HSW) Statement of Intent is reviewed on an annual basis. The current Statement of Intent (dated June 2017) has been subject to a full review and now illustrates more fully our commitment to HSW and includes an improved layout to encourage engagement and commitment.

BACKGROUND

2. It is the joint intent of the Hampshire Fire and Rescue Authority (HFRA) and the Hampshire Fire and Rescue Service (HFRS) to demonstrate an ongoing and determined commitment to improving health, safety and wellbeing at work. We will continue to concentrate on providing and implementing a process of continual improvement to ensure a safe and healthy working environment.

PERFORMANCE MEASURES

3. The implementation of the intentions provided in the HSW Statement of Intent will be continuously monitored through our embedded assurance mechanisms. These are formally overseen by the Health and Safety Committee which is chaired by the Deputy Chief Fire Officer.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

4. Our HSW Statement of Intent and supporting policies are provided to ensure that all staff are aware of and committed to Health, Safety and Wellbeing and are fully engaged with our core values.

LEGAL IMPLICATIONS

5. By providing an up to date HSW Statement of Intent, which is reviewed annually, we are compliant with the Health and Safety at Work, Etc, Act 1974 and associated legislation.

RECOMMENDATION

6. To approve the Health, Safety and Wellbeing Statement of Intent.

Contact:

David Lack, Health and Safety Manager. david.lack@hantsfire.gov.uk

Health, Safety and Wellbeing - Statement of Intent

Hampshire Fire and Rescue Service (HFRS) and Hampshire Fire and Rescue Authority (HFRA) are committed to providing the highest level of Health, Safety and Wellbeing (HSW) for all employees and anyone who may be affected by our work activities, HSW is at the heart of everything we do.

We recognise that operational incidents present the highest risk encountered by our staff. Whilst there is a degree of risk foreseeability it is acknowledged that each incident will have its own specific hazards and associated risk due to unique and unforeseeable environmental factors. To manage this risk to firefighters, the Service endorses and promotes the HSW Framework for the Operational Environment and the Safe Person principles contained within.

Our HSW Statement and Intentions

We have agreed key HSW Statements that explain the way in which we intend to approach HSW.

We will demonstrate the strategic importance of HSW by the provision of visible leadership, and the empowerment of all staff across HFRS.

We recognise our moral and legal requirements and will always strive to achieve the best possible HSW standards

We will define responsibilities at each organisational level, providing direction on how to manage HSW in our workplaces.

We will report and investigate all HSW Events to identify and implement improvements and share this learning.

We understand that prevention of injury and illness is an indispensable part of our organisational culture.

We will employ competent staff and provide training and support as necessary to develop staff to enable them to work safely - and we will provide access to competent HSW Advice

We will provide and maintain safe plant and equipment, ensuring that we have competent staff to operate and maintain them.

We will set strategic HSW direction, providing systems to measure performance through review, inspection and audit.

Our staff are reminded that there is a legal requirement for them to co-operate and take care of their own HSW and that of others affected by their activities.

We will empower our staff to carry out their work in a competent and diligent manner, and to report and where possible rectify any unsafe act or condition

Hampshire Fire and Rescue Authority have overall responsibility for the HSW of all staff in the Hampshire Fire and Rescue Service and others who may be affected by our activities.

Signed:

Chair of HFRA
Chris Carter
Date:
For and on behalf of
the HFRA



Signed:

Chief Fire Officer
Neil Odin
Date:
For and on behalf of
HFRS



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Purpose: Noted

Date: 13 February 2018

Title: An update on the Authority's Risk Protection and Insurance Arrangements



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Report of Chief Officer

EXECUTIVE SUMMARY

1. This report provides an update on the arrangements for the provision of risk protection and insurance cover for the Authority, which have been in place since September 2015. The protection has been arranged on a comprehensive basis which is equivalent, and in some areas superior, to the conventional insurance. The cover provided is defined as:
 - Motor
 - Casualty (Employer's Liability, Officials' indemnity and Libel/Slander)
 - Property (business interruption, money, theft, material damage) and
 - additional covers such as computer, travel and fidelity.
2. It is pleasing to note that our 2017/18 contribution was less than the previous two years. This was partly due to our claims experience and the ability to evidence good controls over the management of risk relating to our activities.

BACKGROUND

3. Since November 2015, the Authority has procured risk protection as a member of the Fire and Rescue Indemnity Consortium Ltd (FRIC). FRIC is made up of a group of nine Fire and Rescue Authorities.
4. As a mutual, FRIC is owned by and operated for the benefit of its Members, (all UK Fire & Rescue Authorities), sharing and managing risk in a diligent and consistent manner. When an Authority joins the Mutual it does so as both an owner of the Mutual and a customer. Its affairs are run by a Board of Directors elected by the Membership, from the Membership. Geoff Howsego, the Director of Professional Services is a newly appointed Director.
5. The Mutual is a risk-pooling mechanism whereby Members pool their contributions to the mutual common fund to meet claims and pay overheads and supporting insurance premiums.
6. The Authority has a Member's Voting Representative (MVR), Nicki Whitehouse, the Head of Knowledge Management, who plays a key role in engagement with the Mutual. The MVR is a formal position under the Mutual's constitution that permits them to be heard and vote at the AGM on behalf of the Authority and to:
 - scrutinise the performance of the Mutual
 - exercise the member's vote on its behalf

7. The Consortium has a risk management group, Fire and Rescue Risk Group (FARRG). FARRG is made up of representatives of the Fire and Rescue Authorities (including non-members of the Mutual) to work collaboratively to improve the risk management and controls within its member Fire and Rescue Services (FRSs). This work is primarily in respect of insurable risks, but also relates to the wider risk management arena. Members are encouraged to support the Mutual and maximise the potential surplus each year by adopting the risk management practices recommended by FARRG into their day-to-day operations. All group members sign an agreement to share information and to respect the confidentiality of the group.
8. By operating effective risk management practices, Members aim to maximise the potential surplus each year in addition to reducing incidents of damage and injury and the associated reputational and financial impacts.

CLAIMS EXPERIENCE AND MANAGEMENT

9. Claims management is handled by Regis Mutual Management Limited. We have direct access to the claims processing software system which is used to manage the claims. All claims are recorded, including those below the Authority deductible level (policy excess). There is a single database with the claims experience for each Authority. This enables the ability to report on our own claim statistics against those of the other Authorities.
10. The number of employee/public liability claims remains consistent with previous years' figures. Employee liability claims can be quite complex and take many years to settle. This is where the importance of robust risk assessments and accident reporting and investigation are essential in managing the claim.
11. Our motor claims experience continues to improve, however there remain a number of reversing and slow speed manoeuvring collisions, some of which involve damage to HFRS property. Such incidents incur additional costs and have the potential to cause operational disruption. We also see a high number of collisions with stationary objects such as kerbs, gate posts and bollards. This issue is experienced to a similar extent by other Authorities within the Consortium and we continue to aim to reduce these.
12. Our property claims are minimal. However, last year we suffered a fire at Alresford Fire Station. The claim currently has a reserve (estimated value of a claim) of £162,000 (building and contents). The main direct fire damage was near the drying cupboard in the entrance hallway. This area was severely damaged, and repairs required to plasterwork, the main pedestrian entrance door and the adjacent kitchen area, which was heavily smoke-logged and damaged by heat and water.
13. Claims activity is closely monitored and analysed so that any emerging trends can be identified and addressed where possible. Vehicle incidents are discussed at our Road Risk Management Group and liability claims are discussed with the Health & Safety team.

RENEWAL

14. We recently completed the member renewal process which is carried out over several weeks to allow us to review, update and validate the data we provide. From this information draft contributions are calculated and submitted to FRIC Board for approval. This year's contribution (November 2017 to October 2018) is less than the previous two years. This is partly due to our ability to evidence our activities in reducing our risk. Examples of these are the rollout of 'Dashcams' into the light fleet vehicles and the use of telematics in vehicles.

CONSULTATION

15. Internal consultation is continuous with teams developing new activities. Service Management Team have endorsed the need to engage with Knowledge Management in the design stage of new activities (including those in partnerships) to ensure that adequate protection can be provided for new risks.

COLLABORATION

16. The Consortium is a collaboration between nine Fire and Rescue Authorities. When it was formed, it received Fire Transformation funding of £220k from DCLG to contribute to its initial set up.

RESOURCE IMPLICATIONS

17. The management of the Authority's risk protection cover is undertaken within the existing establishment in Knowledge Management by the Performance Review Manager and the Assurance and Compliance Officer. The Assurance and Compliance Officer deals with the day-to-day information relating to existing claims, potential claims and advice. The post is concerned with the administration of the risk protection, including contracts and policies, as well as risk management, and works closely with the Road Risk Management Group, the Fleet Department, Occupational Health, Human Resources and the Health and Safety Manager. The Assurance and Compliance Officer is part of the Road Risk Management Group and the Health and Safety Committee.
18. The cost of the contributions to the Consortium, and additional covers referred to in paragraph 1, was £549k for 2018/19, and £529k for 2017/18. This does not include engineering inspections, or costs relating to separate small covers such as motor legal expense protection.

LEGAL IMPLICATIONS

19. There are no legal implications of the contents of this report.

PEOPLE IMPACT ASSESSMENT

20. The contents in this report are considered compatible with the provisions of equality and human rights legislation.

RISK ANALYSIS

21. Risk protection and insurance exists to help mitigate financial loss after an event has occurred, and is a risk treatment. It is important that we continue to place an emphasis on preventative risk management strategies like road risk management, health and safety, the security and use of facilities to ensure that, where possible, health and safety events are minimised.
22. Risk assessments and their related risk prevention measures should always apply when considering new activities to prevent foreseeable injury or damage to third parties, the Authority or its people and property.
23. Regular contact is maintained with the Health and Safety Department to discuss safety events and potential claims. The aim is to identify and highlight issues and trends with a view to reducing risks.
24. The aim of the Road Risk Management Group (RRMG) is to identify, assess and evaluate potential road risks, and identify suitable control measures. The RRMG reports to the Health & Safety Committee on a quarterly basis. The risks identified are addressed by the implementation of control measures. Identified owners are recorded, along with strategies for action and timescales.

CONCLUSION

25. This report provides a summary of the Service's risk protection arrangements and the continued work by the Service to provide high quality risk protection in an efficient and effective way.

RECOMMENDATION

26. That the update on Risk protection and Insurance Arrangements be noted by Hampshire Fire and Rescue Authority.

Contact: Nicki Whitehouse, Head of Knowledge Management,
nicki.whitehouse@hantsfire.gov.uk, telephone number 07918 887541

Purpose Decision

13 February 2018

Strategic Risk Register

Report of Chief Officer



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

EXECUTIVE SUMMARY

1. This report presents a refreshed Strategic Risk Register for Members' comment and approval.

BACKGROUND

2. The risk management process aims to identify, prioritise, and manage risks to the Authority's ability to achieve its priorities and objectives, and manage its business. The review of the Register is a key part of our corporate planning process.
3. A strategic risk is something that may affect our ability to deliver our services to the community. Departmental (including health and safety), and project risks are managed locally, and community risk is managed through our Integrated Risk Management process.

REVIEW OF THE REGISTER

4. We have taken the opportunity to review the entries and scoring mechanism for the Strategic Risk Register. The Service's Risk, Resilience and Assurance Board is chaired by the Director of Professional Services. It has overseen a review of the existing Registers, including those assigned as 'green' or low risk, both Strategic and Departmental.
5. The review included work with Service Management team as part of a horizon scanning and a strengths, weaknesses, opportunities and threats exercise.
6. The proposed revised version of the Register, with initial scores, has been agreed by Service Management Team and is attached in appendix 1.

EXISTING STRATEGIC RISK REGISTER

7. The following entries are on the current Register.

Ref	Description	Summary of review
22	Due to a reliance on, or an association with, a third party, our ability to directly manage and control aspects of our business could diminish.	The review concluded that this is no longer an amber risk and should be scored green, but be reviewed periodically. 'Partnerships' is one of our Priorities and the improvements we are making in terms of governance (policy and guidance) are

		being managed via the Service Plan key deliverables.
23	Decrease in Organisational Performance.	The finding of our review is that this is an impact of other risks rather than a specific risk. It is proposed that this entry be discharged from the register. There is work planned by the Performance Board in conjunction with the People Committee to look at driving high performance culture.
24	Failure to identify and capitalise on opportunities for investment.	The review found that it is not a strategic level risk but will be monitored at a more local level.

REVISED RISK REGISTER

8. The following risks have been identified. We are proposing that they be included on the Strategic Risk Register.

Ref	Risk	Comments
STR01	Inability to forecast and match the appropriate skillsets to workforce requirements to provide the best service.	This entry is about having the right people in the right places at the right time into the future and is triggered by the loss of staff through retirement. This loss, with other staff moves, can lead to a loss of specialist/technical skills and organisational memory. Control measures include our plans to improve workforce planning (including data), succession planning, recruitment processes and specific areas of training.
STR02	Failure to continue delivering our services following an extensive disruption to normal methods of working.	This entry was on the original 'green' risk register. It relates to the risk of not being able to deliver services in the event of disruption or major event, not the risk of disruption itself. Due to the continuing work being done with regards to business continuity, the Risk, Assurance and Resilience Board is proposing that it stay as a current risk.

Ref	Risk	Comments
STR03	Inability to maintain adequate controls to protect people, systems and physical assets.	This entry has been identified by the Service's Security Board and informed by a review undertaken in 2017. Control measures include work being done to improve physical, ICT and personal security.
STR04	Lack of appropriate systems to equip ourselves to provide relevant information for decision making and transparency.	The entry was identified at the Service Management Team planning day. It relates to a need to improve uniformity of processes, control over systems development and the ability of systems to interface with each other.
STR05	Failure to adequately manage the Authority's services within its financial resources, in the medium term.	The entry was on the green risk register. The Risk, Resilience and Assurance Board are proposing that it is prudent that this stays as an entry on the Register for ongoing review.
STR06	Potential alternative governance models may distract our attention and/or restrict our opportunities for collaboration.	The entry relates to the number of governance models/options, some of which can be externally driven that could limit our options to collaborate with other partners.
STR07	Due to a reliance on, or an association with, a third party, our ability to directly manage and control aspects of our business could diminish.	The review concluded that this is no longer an amber risk and should be scored green, but that it should be reviewed periodically. 'Partnerships' is one of our Priorities and the improvements we are making in terms of governance (policy and guidance) are being managed via the Service Plan key deliverables. (Ref 6 above).

SCORING

9. Previously we have used a 5X5 scoring mechanism. We are proposing to use a simpler 3X3 system. The following tables describe the scores we propose to use.

Impact scores

Score	Description
1	Minimal
2	Moderate
3	Severe

Likelihood scores

Score	Description
1	Unlikely
2	Possible
3	Likely

NEXT STEPS

10. If the new entries are approved we will continue to develop our planned control measures. The risks will then be rescored and regularly reviewed by our Risk, Resilience and Assurance Board and by Directors.
11. We will review our overall Risk Management policy and integrate it into our future planning processes to ensure that it is consistent with the way we manage community, and other categories of risk.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

12. We want to be the best fire and rescue service in the country and make life safer for everyone by reducing risks in the community. Effective risk management processes that are embedded throughout the organisation are critical to ensuring thorough decision making.
13. Our planning processes, performance management framework and audit recommendations are an integral part of our ability to identify new and emerging risks and issues which could impact on existing corporate aims and objectives. The identification of risks and issues through the planning process also provides a focus for developing new corporate aims and objectives.

RESOURCE IMPLICATIONS

14. There are no financial impacts from the contents of this paper. Any financial impacts of future control measures would need to be assessed against the related risks and opportunities. Any plans with financial implications will be subject to appropriate review and governance.

LEGAL IMPLICATIONS

15. There are no legal implications from the contents of this report.

PEOPLE IMPACT ASSESSMENT

16. The proposals in this report are compatible with the provisions of equality and human rights legislation.

RISK ANALYSIS

17. It is essential that a risk management policy and strategy is in place. Work is continuing to ensure there is a consistent and robust approach to the identification, analysis and treatment of risks. This, in turn, ensures that major threats and opportunities are considered and managed appropriately with adequate control measures implemented.
18. It is important that decisions taken by the Authority's elected members and management consider the risks associated with them. Risk management implications are included in all reports so that these can be considered in making decisions. As such, a separate section is inserted in all Fire Authority/Committee/Service Management Team reports in which the author states what, if any, risks have been identified and how these will be managed

CONCLUSION

19. This report provides the outcomes and recommendations of our review of the Authority's Strategic Risk Register.

RECOMMENDATIONS

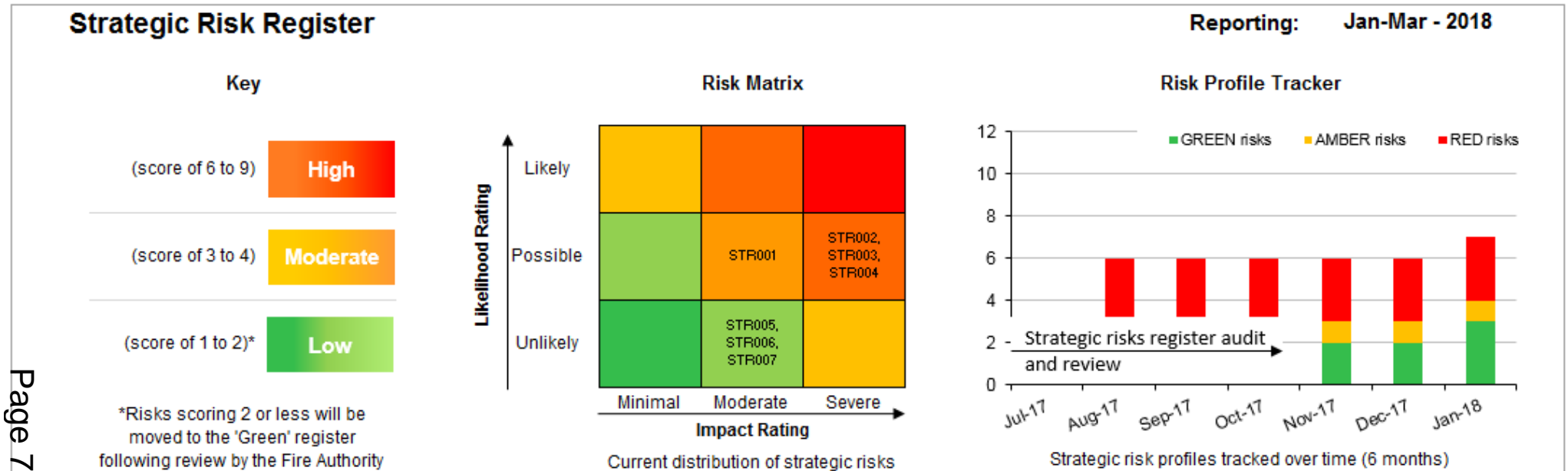
20. That the proposed new scoring mechanism be used by Hampshire Fire and Rescue Authority
21. That the refreshed Strategic Risk Register be approved by Hampshire Fire and Rescue Authority

APPENDIX ATTACHED

22. Appendix 1 – Revised Strategic Risk Register

Contact: Nicki Whitehouse, Head of Knowledge Management,
nicki.whitehouse@hantsfire.gov.uk, Telephone: 07918887541

Appendix 1 – Revised Strategic Risk Register



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Ref.	Description	Owner	Risk Exposure	Trend	Comments	Actions Status
STR001	Inability to forecast and match the appropriate skillsets to workforce requirements in order to provide the best service.	Director of HR	4	↓		Action(s) on track
STR002	Failure to continue delivering our services following an extensive disruption to normal methods of working	Assistant Chief Officer - Review	6	→	The risk relates to recovery from any disruption not the disruption itself	Action(s) on track
STR003	Inability to maintain the controls to protect people, systems and physical assets from loss or damage.	Director of Professional Services	6	→		Action(s) on track
STR004	Lack of appropriate systems to equip ourselves to provide relevant and information for decision making and transparency	Director of Professional Services	6	↓	The risk relates to the interconnectivity of systems and data.	Action(s) on track
STR005	Failure to adequately manage the Authority's services within its financial resources, in the medium term	Director of Finance	2	■		Action(s) on track
STR006	Potential alternative governance models may distract our attention and/or restrict our opportunities for collaboration	Director of Professional Services	2	■		Action(s) on track
STR007	Due to a reliance on, or an association with, a third party, our ability to directly manage and control aspects of our business could diminish	Director of Professional Services	2	■		Action(s) on track

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

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