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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

NOTICE OF MEETING

| | | |
|----------------------|--|--|
| <i>Meeting</i> | Hampshire and Isle of Wight Fire and Rescue Authority | <i>Clerk to the Hampshire & Isle of Wight Fire and Rescue Authority</i> CFO Neil Odin |
| <i>Date and Time</i> | Tuesday 26th July, 2022 10.30 am | <i>Fire & Police HQ</i> <i>Leigh Road,</i> <i>Eastleigh</i> <i>Hampshire</i> <i>SO50 9SJ</i> |
| <i>Place</i> | Room X - Hampshire Fire & Police SHQ, Eastleigh | |
| <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 - 14 JUNE 2022** (Pages 5 - 10)

To approve the minutes from the Full Authority meeting that took place on 14 June 2022.

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**

To receive any updates from Members of the Combined Fire Authority.

7 **APPOINTMENTS REPORT** (Pages 11 - 16)

To consider a report from the Monitoring Officer regarding an update to HIWFRA Appointments.

8 **ASSET MANAGEMENT POLICY** (Pages 17 - 24)

To consider a report from the Chief Fire Officer, which seeks approval for the Asset Management Policy.

9 **PROPERTY MATTERS REPORT** (Pages 25 - 28)

To receive a report from the Chief Fire Officer, which summarises property related matters where action has already been taken under delegated authority in accordance with the Authority's Scheme of Delegation.

10 **OUTTURN REPORT** (Pages 29 - 72)

To consider a report from the Chief Financial Officer, which provides a summary of the 2021/22 revenue outturn position for the Hampshire and Isle of Wight Fire and Rescue Service for the 2021/22 financial year.

11 **EXCLUSION OF PRESS AND PUBLIC**

To resolve that the public be excluded from the meeting during the following items of business, 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 during these items there would be disclosure to them of exempt information within Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

12 **OUTTURN REPORT - EXEMPT APPENDIX** (Pages 73 - 74)

An exempt appendix to support Item 10 on the agenda.

ABOUT THIS AGENDA:

This agenda is available through the Hampshire & Isle of Wight 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.

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Agenda Item 3

AT A MEETING of the Hampshire and Isle of Wight Fire and Rescue Authority of
held at Fire & Police HQ, Eastleigh Tuesday 14th June, 2022

Chairman:

* Councillor Rhydian Vaughan MBE

- | | |
|-------------------------------|---------------------------|
| * Councillor Gary Hughes | * Councillor Zoe Huggins |
| Councillor Tony Bunday | Councillor Keith Mans |
| * Councillor Cal Corkery | * Councillor Derek Mellor |
| Councillor Debbie Curnow-Ford | * Councillor Roger Price |
| * Councillor David Harrison | * Councillor Ian Stephens |

Also present with the agreement of the Chairman: Donna Jones, Hampshire Police and Crime Commissioner

91. ELECTION OF CHAIRMAN

Councillor Rhydian Vaughan was proposed by Gary Hughes. There were no other nominations and Cllr Vaughan was unanimously voted in as the new Chairman of the Hampshire and Isle of Wight Fire and Rescue Authority for 2022/23.

Upon his election, the Chairman initiated a minute's silence for the anniversary of the Grenfell disaster.

92. ELECTION OF VICE CHAIRMAN

Councillor Gary Hughes was proposed by David Harrison and seconded by Derek Mellor. There were no other nominations and Cllr Hughes was unanimously voted in as the new Vice Chairman of the Hampshire and Isle of Wight Fire and Rescue Authority for 2022/23.

93. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Tony Bunday (SCC), Debbie Curnow-Ford (HCC) and Keith Mans (HCC)

94. DECLARATIONS OF INTEREST

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak

in accordance with the Code.

95. **MINUTES OF PREVIOUS MEETING - 12 APRIL 2022**

The minutes of the last meeting were reviewed and agreed.

96. **DEPUTATIONS**

There were no deputations for the meeting.

97. **MEMBER DEVELOPMENTS**

Councillor Zoe Huggins thanked officers for the induction that had taken place on the 6 June, which had been very beneficial and enabled new Members to fully appreciate the values and processes in place at the Fire Authority.

Councillor Gary Hughes confirmed that the Carbon Reduction Programme was moving forward and a report was anticipated towards the end of the year.

Councillor Derek Mellor had visited Kingsclere fire station and had beneficial discussions with the staff there.

98. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman was pleased to announce the award of the Queen's Fire Service Medal to the Chief Fire Officer, which was the highest award of its kind that a serving fire officer could receive.

The Chairman confirmed his attendance at the first ever Isle of Wight based HIWFRS Princes Trust Team Programme as well as highlighting a recent consultation by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) on its proposed inspection programme and framework for 2023/24.

The Chairman also shared that there was a consultation on Emergency Evacuation Information Sharing by the Home Office, which aimed to establish a way forward in identifying and recording vulnerable persons in high risk (high rise) residential premises. The consultation was open until 10 August 2022.

Finally, the Chairman announced that Councillor Ian Stephens was stepping down from the Fire Commission Committee and thanked his for his work and support of the Fire Authority at the meetings he had attended.

99. **APPOINTMENTS REPORT**

The Fire Authority received a report from the Monitoring Officer (item 9 in the minute book), which summarised the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) appointments required for the municipal year.

RESOLVED

- a) The Authority approved the current schedule of meetings of the Authority and its committees for the coming year at Appendix 3.
- b) For the purposes of Part 1 of the Local Government and Housing Act 1989, the allocation of seats on the Standards and Governance Committee, and the Stakeholder Committee of the Authority were agreed as in Appendix 2
- c) That the Authority appointed members of the Standards and Governance Committee, and the Stakeholder Committee and their respective Chairmen and Vice-Chairmen following the agreed allocation of seats at paragraph 5 (above) as follows:

| | Standards & Governance Committee | Stakeholder Committee |
|---------------|-------------------------------------|------------------------------|
| Chairman | Derek Mellor | Roger Price |
| Vice Chairman | David Harrison | Keith Mans |
| | Gary Hughes | Tony Bunday |
| | Zoe Huggins | Debbie Curnow-Ford |
| | Cal Corkery | Zoe Huggins |
| Deputies | Debbie Curnow-Ford and Ian Stephens | Gary Hughes and Ian Stephens |

With regards to the Pension Board, the Authority considered the position and confirmed the appointments as set out in paragraph 10 of the report.

- d) It was agreed that APAG include all appointed HIWFRA Members until the AGM in 2023.
- e) The Authority appointed three Members to an informal working group for the review of principal officer pay, as detailed in paragraph 7b of the report, until the AGM in 2023:

| | Principal Officer Pay Informal Working Group |
|---------------|--|
| Chairman | Derek Mellor |
| Vice Chairman | Roger Price |
| | Gary Hughes |

- f) The Minority Group Spokesperson for the Liberal Democrat and Independent Party Group until the inaugural meeting of the Combined Fire Authority in 2023 was confirmed as **Roger Price**. The Spokesperson for the Labour Group was confirmed as **Tony Bunday**.
- g) The Authority noted the current appointments of the Independent Persons for HIWFRA as referred to in paragraph 7d of the report.

- h) The Chairman of the Stakeholder Committee was appointed as the Shareholder Representative for 3SFire CIC pursuant to Article 42 of the Articles of Association of 3SFire CIC as set out in paragraph 7e of the report, until the HIWFRA AGM in 2023
- i) The Authority agreed to grant dispensations under Sections 33(2)(a) and (d) of the Localism Act 2011, expiring on 30 June 2023, in respect of the provisions of Sections 31(4)(a) and (b) of the Localism Act:
 - a. to all Members to enable them to participate and vote in any business of the Authority relating to the setting of Council Tax or Precepts, when they would otherwise be prevented from doing so in consequence of a beneficial interest in land within the administrative area of the Authority; and
 - b. to all Members in receipt of an allowance under the Authority's Members' Allowances Scheme or Members' Allowances Scheme, enabling them to participate and vote in any business of the Authority where they may otherwise be prevented from doing so in consequence of being in receipt of a Members' Allowance.
- j) Members noted the updated Members' Allowance Scheme as set out at Appendix 4.

100. **FIRE REFORM: WHITE PAPER**

The Authority considered a report from the Chief Fire Officer (item 10 in the minute book) regarding a response to a consultation on the "Reforming Our Fire and Rescue Service: Building Professionalism, Boosting Performance and Strengthening Governance" White Paper.

The Chief Fire Officer summarised the high level themes within the White Paper and confirmed plans to discuss it further at an Authority Policy Advisory Group (APAG) meeting. There would be two separate responses for both the Fire Service and the Fire Authority and each would focus on the areas most applicable to them.

Councillor Corkery shared concerns over the risks in undermining employment rights for fire fighters and welcomed further discussion.

RESOLVED

The White Paper was noted by the HIWFRA Full Authority and authority was delegated to the Chief Fire Officer, in consultation with the Chairman, to finalise and submit a response to the consultation on behalf of the Full Authority following further discussion at APAG.

101. **2021/22 END OF YEAR PERFORMANCE AND SAFETY PLAN REPORT**

Councillor Ian Stephens left the meeting

The Authority received a report from the Chief Fire Officer (item 11 in the minute book), which explored how Hampshire and Isle of Wight Fire and Rescue

Service performed against key operational and corporate health measures in the period 1 April 2021 through to 31 March 2022.

The officer summarised the report, emphasising the prevention work that had taken place as well as the close working with partners.

During questions, Members learned that whilst there were no powers of entry with Safe & Well Visits, the Service did work closely with partners and regularly review those most at risk.

In paragraph 11 of the report it was confirmed that one of the national fire standards did not apply to the Authority and officers would confirm what this was and confirm at a future meeting.

Members raised concerns regarding the number of false alarms being generated in newer developments and also the ongoing slower response times being recorded, and it was confirmed that there were both areas being investigated further to see where improvements could be made.

RESOLVED

a) The 2021/22 End of Year Performance Report was noted by the HIWFRA Full Authority

b) The 2021/22 Safety Plan Year 2 Improvements Report was noted by the HIWFRA Full Authority

102. **FIRE CADETS PROGRESS REPORT**

The Authority received a report from the Chief Fire Officer (item 12 in the minute book), which the Authority on the progress made in relation to the expansion of Fire Cadet units across the Service since the Authority's decision to fund the project in 2018.

It was confirmed that a further four units were up and running and had been a great success with a strong uptake. It was anticipated that sponsorship would be achieved successfully and staff and volunteers were thanked for their work with the units.

RESOLVED

The progress the Fire Cadets project had achieved to date was noted by the HIWFRA Full Authority.

Chairman,

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Hampshire & Isle of Wight

FIRE & RESCUE AUTHORITY

HIWFRA Full Authority

Purpose: Approval

Date: **26 JULY 2022**

Title: **APPOINTMENTS REPORT**

Report of Monitoring Officer

SUMMARY

1. Following the appointments made at the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) AGM that took place on Tuesday 14 June 2022, there has been a change of member appointed to the Authority by the Isle of Wight Council. Councillor Karen Lucioni is now the Independent representative in her capacity as the Cabinet Member for Community Protection, Regulatory Services and Waste replacing Councillor Ian Stephens.
2. This report seeks the Authority's approval of consequential committee appointments to reflect the change in membership.

SIZE AND POLITICAL COMPOSITION OF COMMITTEES

3. Under the Combination Order, from 1 April 2021 the number of members of the Combined Fire Authority is 11. These are comprised of 8 from Hampshire County Council and one from each of the Isle of Wight, Portsmouth and Southampton City Councils.
4. The updated political composition of the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) is attached at Appendix 1 to reflect the change in the Isle of Wight Member. The political proportionality of the Authority and allocation of seats on Committees remains unchanged.
5. At the Authority's AGM on 14 June 2022, the Authority made appointments to its standing Committees. In light of the change of member from Isle of

Wight Council, the Authority now needs to reconsider and update appointments to the Authority's Committees.

RESOURCE IMPLICATIONS

17. There are no financial or resource implications from the content of this report.

IMPACT ASSESSMENTS

18. There are no specific equality or other impacts arising from the proposals contained in this paper.

LEGAL IMPLICATIONS

19. The Authority's appointments and governance arrangements should be kept up to date in order to ensure lawful decision making and good governance. The proposals in this paper ensure that the Authority's governance arrangements are up to date and compliant with Local Government legal requirements.

OPTIONS

20. Option 1 (Recommended) – The Authority is asked to make the appointments to reflect the changes in membership.
21. Option 2 – That HIWFRA does not make the relevant appointments.

RISK ANALYSIS

22. Option 1 ensures that the Authority's governance arrangements are up to date, and its committees are properly constituted.
23. Option 2 would mean the Authority's governance arrangements are not compliant with local government legal principles which could ultimately lead to challenges to decision making.

CONCLUSION

24. It is recommended that the Authority makes the appointments to ensure the Authority's governance arrangements are up to date and compliant with local government law. This will in turn ensure good governance and will also minimise the risk of challenge to the Authority's decision making.

RECOMMENDATIONS

25. That the Authority notes the updated political composition of the Authority as attached in Appendix 1 and that the proportional allocation of seats on the Authority's committees remains as agreed at the Authority's Annual Meeting on 14 June 2022.
26. That Councillor Karen Lucioni is appointed in place of Councillor Ian Stephens as the Liberal Democrat and Independent deputy on Standards & Governance Committee.
27. That Councillor Karen Lucioni is appointed in place of Councillor Ian Stephens as the Liberal Democrat and Independent deputy on the 3SFire CIC Stakeholder Committee.
28. That all other appointments remain as agreed at the Authority's Annual General Meeting on 14 June 2022.

APPENDICES ATTACHED

29. Political Composition – Appendix 1

Contact: Paul Hodgson, Monitoring Officer
paul.hodgson@hants.gov.uk

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Appendix 1:

Membership and political composition of Hampshire and Isle of Wight Fire and Rescue Authority from July 2022, following local elections and subsequent Hampshire, Portsmouth, Southampton and Isle of Wight annual Council meetings in May and June 2022:

| Councillor: | Political Party/Group | Appointing Authority |
|--------------------|------------------------------|-----------------------------|
| Anthony Bunday | Labour | Southampton City Council |
| Cal Corkery | Labour | Portsmouth City Council |
| Debbie Curnow-Ford | Conservative | Hampshire County Council |
| David Harrison | Liberal Democrat | Hampshire County Council |
| Zoe Huggins | Conservative | Hampshire County Council |
| Gary Hughes | Conservative | Hampshire County Council |
| Karen Lucioni | Independent | Isle of Wight Council |
| Keith Mans | Conservative | Hampshire County Council |
| Derek Mellor | Conservative | Hampshire County Council |
| Roger Price | Liberal Democrat | Hampshire County Council |
| Rhydian Vaughan | Conservative | Hampshire County Council |

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

HIWFRA Full Authority

Purpose: Approval

Date: **26 JULY 2022**

Title: **ASSET MANAGEMENT POLICY**

Report of Chief Fire Officer

SUMMARY

1. This report seeks approval for the Hampshire & Isle of Wight Fire & Rescue Authority Asset Management Policy.
2. The Authority is required to discharge its responsibilities to safeguard public funds by correctly managing the lifecycle of assets under its stewardship. This policy sets out a whole life, whole asset approach to achieving this responsibility.

BACKGROUND

3. It is of primary importance to the Authority that its assets are managed correctly to enable longevity of usage, safe operation and efficient financial management.
4. To ensure there is a clear line of sight from the Authority's Safety Plan to operational use of assets, the policy at Appendix A sets out how assets will be managed on behalf of the Authority. This includes four key asset management principles: effectiveness, legislative compliance, value for money and stewardship.
5. The asset management policy sets out how the Authority will manage its physical assets such as estate, vehicles, workwear and equipment.
6. As an asset dependent organisation, the Corporate Services Directorate will take a whole life, whole asset approach to managing the organisation's equipment, vehicles, buildings and infrastructure. This approach will focus

on the availability, reliability, dependability, and safety of assets. Our premises, fleet, equipment and information delivery systems need to reliably operate, often in situations that place them under duress. It is therefore essential that we manage our assets in an integrated, efficient and effective way so we maximise value for money across each stage of the life cycle.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

7. **Public Value.** *We plan over the longer-term to ensure our decisions and actions deliver efficient and effective public services.*

(a) The Authority is committed to maintaining efficient and effective assets. Ensuring the appropriate policy is in place to improve asset lifecycle, financial forecasting and a clear line of sight to the Service strategic plan to ensure what is delivered is the best solution.

8. **High Performance.** *Our diverse teams are trusted, skilled and feel equipped to deliver a leading fire and rescue service today and into the future.*

(a) The Authority is committed to delivering and maintaining the best assets for a modern-day fire service

RESOURCE IMPLICATIONS

9. This policy will be managed as part of existing resource levels.

IMPACT ASSESSMENTS

10. Impact Assessments Stage 1 and Stage 2 have been completed and reviewed with specialist departments involved in the management of assets, notably Property & Facilities, ICT and Operational Assets. The assessments evidence that the requirements of the policy can be satisfactorily met from within existing resourcing and facilities.

LEGAL IMPLICATIONS

11. Through this policy Hampshire & Isle of Wight Fire & Rescue Authority (HIWFRA) will meet its legal requirements under the Fire and Rescue Services Act 2004 and Civil Contingencies Act 2004 to secure the provision of services and equipment necessary to meet all normal service delivery requirements.

RISK ANALYSIS

12. There is a risk that should the policy not be approved, the Authority will not have set a clear approach for how it expects the Service to manage assets. This could result in assets not being managed in the most efficient manner that not only provides value for money but also complies with statutory regulations.

EVALUATION

13. There will be a review of the policy every 12 months as part of the policy, procedure and guidance process. This will allow ensure the policy remains accurate and up to date from industry standards and statutory guidelines. In addition, the review will allow feedback from the departments this policy impacts to ensure the policy remains fit for purpose.

CONCLUSION

14. As an asset dependent organisation, It is recommended that the Authority approve the asset management policy to ensure an efficient whole life, whole asset approach to managing the organisation's equipment, vehicles, buildings and infrastructure.

RECOMMENDATION

15. That the Asset Management Policy be approved by the HIWFRA Full Authority.

APPENDICES ATTACHED

16. [Appendix A](#) – Asset Management Policy

Contact: Matt Robertson, Director of Corporate Services, 07918 887532
matt.robertson@hantsfire.gov.uk

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Description

This document contains the Authority’s policy on how it will manage its physical assets such as estate, vehicles, workwear and equipment. Through this policy Hampshire & Isle of Wight Fire & Rescue Authority (HIWFRA) will meet its legal requirements under the Fire and Rescue Services Act 2004 and Civil Contingencies Act 2004 to secure the provision of services and equipment necessary to meet all normal service delivery requirements. The policy is underpinned by a set of procedures.

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Context

As an asset dependent organisation, the Service will take a whole life, whole asset approach to managing the organisation's equipment, vehicles, buildings and infrastructure. This approach will focus on the availability, reliability, dependability, and safety of assets. Our premises, fleet, equipment and information delivery systems need to reliably operate, often in situations that place them under duress. It is therefore essential that we manage our assets in an integrated, efficient and effective way so we maximise value for money across each stage of the life cycle.

The Service will adopt a commercial, sustainable approach to asset management to deliver public value, drive efficiencies and continually improve. To ensure the operational needs of the organisation are met, the Service will ensure asset management is a corporate priority when budget planning and setting the strategic direction of the organisation's assets.

Line of Sight

There will be a direct correlation between the Service Safety Plan and the Corporate Services Strategic Plan, which is the directorate which predominately manages the Service's assets that evidences the importance of managing assets through a lifecycle methodology.

Each department within Corporate Services and any other department across the organisation who manage Service assets will have an independent focus on their asset management approach that will include:

- Asset Management systems
- Written Asset Management Plans (AMP)
- Knowledge sharing
- Up to date insurance data

Asset Management Principles

Through this policy and its associated procedures, we will ensure that our assets (where appropriate) have the capabilities required to meet the requirements set out in our Safety Plan and that they are suitable and safe to be used by our diverse workforce.

The following principles will be adopted to aid Asset Management decision making.

Effectiveness

- We will continually assess the effectiveness, safety and suitability of our assets, in terms of their ability to deliver against our Safety Plan. We will

consult with those who use our assets and monitor feedback, including operational effectiveness, reported accidents and near misses.

- We will ensure we have suitability competent people to deliver against this Asset Management Policy. This will be achieved through investment in training, qualifications, and focus on the recruitment process. We will set clear accountabilities within role profiles, ensuring decisions are made at the right level of the organisation, in a timely manner.
- We will monitor and report on the availability of our assets and our defect rectification performance.

Legislative Compliance

- We will maintain a register of our statutory/regulatory duties and record our compliance against these.
- We will monitor and report on our planned maintenance procedures.

Value for Money

- We will seek value for money in terms of economy and efficiency, by ensuring that we balance quality and cost to secure value for money in all our procurement decisions and that this results in transparency in the use of public assets.
- A written Asset Management Plan (AMP) will be available for each department's area of responsibility. These plans will look long term at asset pressures for the Service. The AMP will be for a period of no less than five years and will be budgeted and agreed by finance colleagues to include capital funding availability and revenue budget implications of asset management and will be consistent with the Authority's Capital and Investment Strategy.
- We will monitor and report on the costs of our services.
- We will benchmark ourselves against other fire and rescue services and/or wider industry.
- We will collaborate with other public sector and third sector partners, seeking to maximise use of and value from publicly funded assets.

Stewardship

- We will monitor and report on the condition of our assets and the value of work identified to keep them in good order.

- We will ensure that our assets are managed in a way that reduces their impact on the environment, contributes to reducing our carbon footprint and preserves their long-term viability and value.

Updates

| Section | What's been updated and why | Date updated | Who updated |
|-----------------------|--|---------------------|---|
| Policy written | Initial drafting | 04/01/2022 | Arron Hedges |
| Draft refined | Initial drafting | 10/01/2022 | Arron Hedges, Tony Oliver, Darren House, Fiona Sale Matt Robertson |
| Draft Approved | Approved for onward consideration at Executive Group | 22/02/2022 | CSMB |
| Final Approved | Approved for onward consideration at Fire Authority | 16/06/2022 | Executive Group |
| Final Approved | Approved for implementation | TBC | Fire Authority |
| | | | |
| | | | |



**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

HIWFRA Full Authority

Purpose: Noted

Date: **26 JULY 2022**

Title: **PROPERTY MATTERS REPORT**

Report of Chief Fire Officer

SUMMARY

1. This report summarises property related matters where action has already been taken under delegated authority. These actions are reported in accordance with the Authority's Scheme of Delegation. The Authority are asked to note these actions.

BACKGROUND

2. The Hampshire & Isle of Wight Fire and Rescue Authority (HIWFRA) Constitution states that HIWFRA must:
 - (a) *'Consider and approve the sale and purchase of land or buildings with a value greater than £250,000, or the disposal of land or buildings by way of lease or licence for a period greater than 10 years or at a value greater than £100,000 per annum.'*
3. Any proposed property transactions falling within these parameters are reported to HIWFRA for approval to proceed.
4. Any property transactions which fall outside of these parameters are approved under the HIWFRA Scheme of Delegation and are included herein for information and noting by Members.

PROPERTY MATTERS

5. The following actions have been undertaken by Officers under delegated authority:

- (a) The Office of the Police and Crime Commissioner (OPCC) have renewed their lease at Winchester Fire Station and combined the separated areas in one overarching lease. From February 2022 until March 2031 at the rental cost of £42,507 per annum (pa).
- (b) The OPCC rental review at Hightown has increased to £27,000 backdated to 1 July 2021.
- (c) On 3 March 2022 the OPCC surrendered their existing lease at Southsea. They have now entered into a new lease including additional areas, from 1 September 2021 for 10 years at £30,704pa.
- (d) South Central Ambulance Service (SCAS) have taken a lease at Southsea Fire Station, this is a five year lease at £12,000pa.
- (e) SCAS Basics, a volunteer arm of the ambulance service attending high priority road traffic collisions and other trauma incidents, have a licence to store a vehicle in the '42' garage at SHQ, from 17 March 2022 on a short term basis on a nominal cost recovery rent.
- (f) Heads of Terms have been agreed and signed on 17 March 2022 for the NHS CCG to take a rental agreement for office space at SHQ, for 5 years at £69,500 per year.
- (g) A site compound managed by Hampshire County Council, to be erected at Steele Close on HIWFRA owned land. This will be for a planned 20 weeks starting in March 2023 at £600 per week.
- (h) The OPCC have taken an additional room at Hardley Fire Station, increasing the income from the OPCC at Hardley to £46,146 per year.
- (i) ServWessex have been granted a licence to base a motorcycle for blood runners at Waterlooville Fire Station on a nominal cost recovery rent.
- (j) ServeOn have been granted a licence to conduct their weekly meetings at Southsea Fire Station in the community room, and store some of their equipment at Havant Fire Station. A single one off £400 will be paid to cover fees involved.
- (k) The income received from the HIWFRA estate has increased from £959,271 during 2021/22 to £1,201,490. An increase of 25.25%. This is from additional partners taking up agreements across the estate, and managing the pre-existing leases and licences to ensure that rent is both being received and being reviewed.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

6. One of the Authority's priorities is to manage assets, including buildings, land and equipment in a cost-effective way. The proposals and actions taken in this report support this.
7. The Safety Plan identifies Public Value as a key priority, our estates strategy supports this by maximising returns from property assets and making the best use of our estate. The proposals outlined within this report support this aim.

CONSULTATION

8. Consultation is necessary where there is a statutory duty to consult. It is also necessary where there is a significant decision and where we have said that we will have consulted on similar matters in the past.
9. For the property matters outlined within this report no public consultation has taken place since the activities are deemed as business as usual functions of effectively managing our property estate.
10. Consultation has taken place at all fire station premises with local teams and partners based there before any decision has been made in relation to extending or establishing a new lease/licence with a third party.

COLLABORATION

11. The granting of leases to partners to enable shared occupation of HIWFRA property supports and furthers our current collaborative partnerships.

RESOURCE IMPLICATIONS

12. All property related matters in this report are considered to be cost effective and are met from within existing resources.
13. The income from sharing premises will contribute to offset operating costs which would otherwise be a direct cost to the Authority.

IMPACT ASSESSMENTS

14. The contents in this report are considered compatible with the provisions of equality and human rights legislation.
15. Where there are local impacts, Impact Assessments have been undertaken in line with the Service Change Framework.

LEGAL IMPLICATIONS

16. There are no legal implications arising from the matters contained within this report. Legal advice is routinely sought for all lease and licence agreements.

BENEFITS

17. There are two benefits to the agreements set out in this report. Firstly, it allows the Service to recover costs which enables the organisation to more cost efficiently run a large estate. Secondly, it is a collaborative approach with our partners and allows closer operational working.

RISK ANALYSIS

18. There are no identified risks associated with the activities listed within this report.

EVALUATION

19. Co-location with partners is monitored through regular liaison meetings and formally reviewed in line with the timetable set out in each lease/licence.

CONCLUSION

20. The activities outlined within this report enable the Authority to manage assets, including buildings, land and equipment in a cost-effective way.

RECOMMENDATION

21. The items set out in this report be noted by the HIWFRA Full Authority.

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**Hampshire
& Isle of Wight**
FIRE & RESCUE AUTHORITY

HIWFRA Full Authority

Purpose: Approval

Date: **26 JULY 2022**

Title: **OUTTURN REPORT**

Report of Chief Financial Officer

SUMMARY

1. This report provides a summary of the 2021/22 revenue outturn position for the Hampshire and Isle of Wight Fire and Rescue Service for the 2021/22 financial year. It explains that the final year position is that spend is £2.582m lower than the budgeted amount after taking account of proposed requests to carry forward budgeted allocations of £0.616m into 2022/23. Carry forward requests have been provisionally agreed by the Chairman of the Fire Authority. This position has been achieved by the careful management of spend and will allow a necessary contribution to be made towards capital priorities.
2. The report recommends that the £2.582m available from the year end position is added to the Capital Payments Reserve to fund the future priorities of the Authority and provides an update on balances held across all reserves at the end of 2021/22.
3. In addition, the report also covers capital expenditure and financing for 2021/22, revisions to the forward-looking capital programme, and the treasury management outturn report for 2021/22.
4. This report requests Members of the Authority to review the figures as laid out in the appendices and recommends that the outturn report, including carry forwards, reserves and capital financing are approved. In addition, it recommends that the annual treasury outturn for 2021/22 is approved.

BACKGROUND

5. This is an annual report that sets out the financial position for the financial year 2021/22 as per the draft Statement of Accounts. The budget for 2021/22 was agreed in February 2021, with updates on the in-year financial position presented to the Authority in December 2021 (end of Q2) and February 2022 (end of Q3).

REVENUE EXPENDITURE 2021/22

6. A summary of the revenue position by area of spend and type of spend is shown at Appendix A. After allowing for carry forward requests, the outturn position is an underspend of £2.582m.
7. The main reasons for this underspend are:
 - (a) Wholetime Firefighters – balanced position. There is a proposal later on in this report to contribute £550,000 to reserves to fund improvements within the Operations Directorate. This is the underspend on the wholetime firefighter budget, which has been achieved by careful management of vacancies. The figures in this report assume that this request is approved, therefore there is a nil variance on wholetime firefighters.
 - (b) On-Call (Retained) firefighters - £0.308m underspend. This is a result of vacancies across the on-call workforce.
 - (c) Green book staff - £0.690m underspend. Challenges in recruiting and retaining staff in a number of areas including IT has contributed to this underspend. The underspend is partially offset by the use of external resources, resulting in a pressure in 'supplies and services' below.
 - (d) Premises costs - £0.279m underspend. This underspend is largely due to one-off underspends on utilities costs.
 - (e) Transport costs - £0.105m overspend, mainly due to higher fuel prices.
 - (f) Supplies and services - £0.515m underspend. The underspend mainly relates to non-pay spend within the People and Organisational Development Directorate. The use of agency staff to fill vacancies as identified above has offset some of the underspend.
 - (g) Additional income - £0.636m. This mainly relates to additional investment and rental income.

8. During financial year 2021/22 the Authority continued to contribute to the response to the COVID-19 pandemic, including support to partner organisations. The cost of COVID-19 response was covered by government funding. The COVID-19 grant has now been fully committed. Should any further COVID-19 related costs emerge during the next financial year, these will become a pressure on the overall budget.
9. A larger underspend was delivered than anticipated when the financial position was last reported to the Authority in February 2022 (end of December 2021 forecasts). At that time, it was anticipated that an underspend of £0.871m would be delivered, approximately £1.7m less than the underspend ultimately achieved.
10. There is no single reason for the difference, instead it is the result of increased underspends across a range of areas including an increased underspend on staffing due to vacancies; lower premises costs than forecast relating to utilities, rates and property works; lower than expected training costs due to vacancies; additional rental and Primary Authority Scheme income; additional grant income; and lower costs associated with stock, loan interest and pension adjustments.
11. Given the challenges of the past year, this is a strong outturn position and reflects the continued focus on sound financial management within the service.
12. Operations teams have carefully managed their budgets to deliver a substantial underspend during 2021/22. Subject to Fire Authority approval there is a proposal to contribute part of this underspend (£550,000) to the Transformation Reserve and to ring fence this funding to deliver improvements and change within the Operations Directorate. The funding will deliver a number of change activities.
13. The largest single item is the temporary establishment of 6 On-Call Support Officer posts. These posts are essential in supporting our On Call workforce. Our people working in the rural On Call areas of Hampshire and Isle of Wight have little facility to enable the delivery of crucial Community Safety provision, for organising and facilitating training and having a provision for much needed wellbeing support. The use of On-Call Support Officers will be evaluated. In order for the posts to become permanent, additional efficiency savings will need to be found from within the Operations budget.
14. In addition, the funding will be used for assessing the quality of our current Community Safety programme against our ambitions, and for evaluating new approaches to help keep people safe from emerging risks. It also allows preparation for the important efficiency programme.

15. Spend against this ringfenced allocation will be reported to Executive Group and the Fire Authority via the standard quarterly monitoring processes. The figures in this report assume that the Fire Authority have approved this ringfenced contribution to the Transformation Reserve.

CARRY FORWARD REQUESTS

16. Requests have been received from the Operations, Corporate Services and People and Organisational Development Directorates to carry forward budget allocated in 2021/22 for work which was unable to be completed during the year. The main reason for delay in the completion of these activities during the year was the COVID-19 pandemic. These requests are:
 - (a) Operations (£0.230m) – to resource the Community Safety plan as work was significantly delayed by Covid 19 restrictions. The carry forward will enable the completion of the work.
 - (b) People and Organisational Development (£0.040m) – to enable the completion of external training courses planned during 2021/22 that were unable unavailable due to Covid 19 restrictions. Approval of the carry forward will enable these courses to be completed during 2022/23.
 - (c) Corporate Services (£0.346m) – Supply chain issues due to the global interruption of microchip production has delayed purchases of planned replacement equipment. This along with a lack of resourcing has caused development work not to be completed in line with the 2021/22 plan, this carry forward will allow the activities to be completed.
17. These carry forward requests were provisionally agreed by the Chairman of HIWFRA in May to enable activity in these areas to continue and have therefore already been reflected in the Statement of Accounts and the figures quoted within this report.

ADDITIONAL PERMANENT POSTS

18. In line with the constitution, any budget transfer from non-pay budgets to pay budgets must be approved by the Fire Authority. This is generally covered off as part of the Budget and Precept report in February when any additional funding for these posts is also approved.
19. The Director of People and Organisational Development was previously employed by Hampshire County Council. Following a period of work between Hampshire County Council and HIWFRS a decision has been taken to transfer the role and the postholder into HIWFRS. This decision was taken in

recognition of the breadth of the role and its importance for the Service. Therefore a budget transfer is required to transfer the budget from non-pay to pay budget. The change is covered by realigning existing budgets so no additional funding is required.

20. As highlighted in this and previous financial monitoring reports, recruitment to positions within the ICT team continues to be extremely challenging. The Director of Corporate Services and his team have considered options to address this resourcing issue and have proposed the creation of two new posts within the ICT structure. These posts will be funded from non-pay savings within the ICT budget. This means that transfers from non-pay to pay budgets will also be required.

CAPITAL EXPENDITURE 2021/22

21. The Fire Authority has incurred capital spend of £1.659m during 2021/22 in addition to drawing £0.173m from the Capital Payments Reserve to fund elements of the capital programme that for accounting reasons must be treated as revenue expenditure. This results in total expenditure of £1.832m against the most recent forecast included in the February 2022 budget report of £3.743m.
22. The Capital Payments Reserve is also used to fund major revenue projects and a further £1.790m has therefore been drawn from the reserve to fund expenditure in 2021/22 on these projects, compared with the most recent forecast of £2.866m.
23. The lower than forecast spend relates to delays in the delivery of schemes within the programme. The total funding for these schemes will continue to be required to complete the programme in future years and this has been reflected in the updated capital forecast at Appendix B.
24. The financing of the expenditure incurred during 2021/22 is detailed in the following table. This compares the outturn position against the estimates included in the budget setting report in February 2022.

| Funding source | Estimated £'000 | Actual £'000 |
|---|----------------------------|-------------------------|
| Capital payments reserve (CPR) | 2,143 | 550 |
| Prudential borrowing | 1,500 | 1,109 |
| Capital receipts | 0 | 0 |
| Partner contributions | 100 | 0 |
| Total capitalised expenditure | 3,743 | 1,659 |
| Revenue expenditure from CPR | 0 | 173 |
| Total capital programme projects | 3,743 | 1,832 |
| Major revenue investments | 2,866 | 1,790 |
| Total cost | 6,609 | 3,622 |

25. Of the expenditure incurred, £1.109m relates to the Redbridge and Cosham Station Investment Programme (SIP) schemes and will be funded through prudential borrowing, as previously agreed by the Authority. In line with the Authority's Treasury Management Strategy and advice from its treasury advisors, this prudential borrowing has not yet resulted in the Authority taking on new external debt. This is because temporary internal borrowing has been used to mitigate risks associated with borrowing too much and/or too soon. This will delay but not replace the need to borrow externally to fund these projects and given the current rising interest rate environment, the risks associated with the timing of external borrowing are being carefully monitored by the Chief Financial Officer in liaison with the Authority's treasury advisors.
26. The Authority is required to set and monitor against Prudential Indicators in accordance with the Prudential Code. These indicators cover capital expenditure, external debt, and affordability. The Authority has ensured compliance with its prudential indicators during 2021/22, including remaining within the Authorised Limit of £26.7m for the maximum affordable amount of external debt set and ensuring that over the medium-term debt will only be for capital purposes.
27. The Prudential Indicators were last updated in February 2022 during the budget setting process and actual values for 2021/22 against these estimates are shown in the table below, with the difference due to the slippage of schemes described above.

| Prudential Indicators for prudence | Estimated £m | Actual £m |
|---|-------------------------|----------------------|
| Capital expenditure for 2021/22 | 3.7 | 1.7 |
| Capital financing requirement (CFR) as at 31/3/22 | 11.4 | 11.0 |
| External debt as at 31/3/22 | 6.7 | 6.7 |
| | | |
| Prudential Indicators for affordability | Estimated | Actual |
| Financing costs to net revenue stream 2021/22 | 1.1% | 0.9% |

CAPITAL EXPENDITURE 2022/23 TO 2025/26

28. Appendix B provides an update to the capital programme for the coming years, including the latest forecast of spending requirements and funding sources. There is a summarised appendix included as Appendix B1, with a more detailed presentation containing commercially sensitive information included at exempt Appendix B2.
29. The most significant elements of the Authority's forward capital programme relate to the vehicle replacement programme and the Station Investment Programme. Other projects include the development of the Live Fire training facility, sprinkler installation at the fleet maintenance centre, and the installation of electric vehicle charging points, in addition to the finalisation of the Basingstoke Fire Station project, where the station has been in operation for some time but final works have been delayed due to Covid-19.
30. Specialist mechanical & electrical advisors have been appointed as part of the Fleet Maintenance Centre (FMC) sprinkler installation project. They have now completed a design analysis from the original feasibility completed by Hampshire County Council in 2019. The FMC building has since evolved to meet the business need and areas of risk have shifted. Therefore, a greater coverage of the site is required to ensure full asset protection. This has in turn had a knock-on impact on the size of system required including diesel pump, tank and concrete slab. In addition to this, the project has been hit with higher-than-expected inflation that has subsequently increased raw materials and prelims for the project. It is therefore recommended that the approved budget for the project is increased from the current £400,000 to £530,000. Of this increase, £60,000 relates to inflation and can be accommodated within the existing inflation contingency built into the revenue budget for 2022/23. The remaining £70,000 will be funded from the Capital Payments Reserve. This increase in budget is included within the forward looking capital programme table presented as Appendix B.

31. Significant inflationary pressures continue to affect the UK economy and officers are actively working to mitigate inflationary risks and to minimise the impact on the delivery of the capital programme.
32. The £3.5m live fire scheme as approved by Authority in 2021 is under pressure. The original budget included scope for two aspects, the live fire practical element and then the Learning & Development area fit out to enhance contamination control and gender-neutral facilities.
33. Due to pressure from Brexit, Covid and now the Ukraine war we have hit the perfect storm in the construction industry. Since the budget was approved by the Authority in 2021, the construction sector has changed significantly with low levels of material supplies nationally, limited labour resource which is expensive and significant inflation for certain materials (steel prices for example have increased 50% since February 2022).
34. To remain within the current financial envelope it will be necessary to remove the Learning & Development fit out and deliver the live fire element only. This would mean that the project would not provide the necessary support and welfare facilities to enable live fire training to a standard that meets the five estate Design Principles, most notably “healthy and inclusive” facilities to improve decontamination processes and ensure the Service provides inclusive facilities for trainers and trainees.
35. Specifically, if the project is descoped the following benefits will not be achieved:
 - (a) Benefits to the health and wellbeing of personnel through dedicated welfare facilities and decontamination routes and initiatives
 - (b) Providing an accessible and inclusive place of work for HIWFRS personnel, partners and visitors with the introduction of a lift, access ramp and gender-neutral facilities to the Learning and Development suite.
 - (c) Improved contamination control.
 - (d) Alignment to the Design Principles to ensure the Service is providing a Service fit for the future
36. Therefore it is recommended that additional funding of up to £1m is allocated to this project from the Capital Payments Reserve. This can be accommodated from the reserve due to the additional contribution from revenue underspends. This funding would otherwise have been used towards the retrospective design principles work approved by the Authority in April

2022 for which a funding source has yet to be identified. This increase in budget is included within the forward looking capital programme table presented as Appendix B.

37. Elements of planned expenditure on the Redbridge and Cosham SIP schemes will have to be classified as revenue expenditure for accounting reasons. The Authority therefore agreed as part of the February 2021 budget setting report that up to £2m of such costs for the Redbridge scheme could be funded from the Capital Payments Reserve (CPR), providing that the total scheme cost remained within the approved budget. To preserve the funding within the CPR, it was agreed that an equivalent amount of borrowing would be used to fund eligible capital expenditure on other schemes in place of the use of the CPR. The intention is for the same approach will be taken for any revenue costs associated with the Cosham scheme. No relevant expenditure against either project has been incurred to date.

PROVISIONS

38. Provisions are included in the year end position for future liabilities where the timing or amount is uncertain at the end of the financial year. Increases and decreases in provisions impact on the revenue budget. The following provisions have been adjusted during the 2021/22 financial year:
 - (a) **Provision for pension liabilities (£28,000 decrease)** This provision covers the costs of pension liabilities relating to one-off lump sum payments for temporary promotions that the Authority has agreed to fund. The decrease reflects the use of the provision as affected firefighters retire.
 - (b) **Provision for uninsurable and other claims (£14,000 decrease)** This provision covers the excess on insurance claims. There is an excess of £25,000 on employee liability claims and £50,000 on motor vehicle claims. These cases may take a number of years to settle. The decrease is based on the latest assessment of outstanding claims.

RESERVE BALANCES

39. An updated reserves position is included as Appendix C. It is recommended that the Authority approves the transfer of the 2021/22 underspend of £2.582m to the Capital Payments Reserve (CPR). This will result in a balance on the CPR of £30.6m, however given the significant commitments already built into the capital programme and the estates delivery pressures highlighted within the recent Medium Term Financial Plan update presented to the Authority in February 2022, in addition to emerging inflationary pressures, significant future

draws on this reserve are anticipated to meet the Authority’s capital priorities. Appendix C has been prepared on the basis that this recommendation is approved by the Authority.

40. There are two different types of reserve, and these are:
- (a) Earmarked Reserves – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.
 - (b) General Reserve – use of this Reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant on-call pay costs. Generally, this is deemed to be a reserve of ‘last resort’ and the Authority has never been required to use its General Reserve.
41. The changes to reserves during the year, including the contribution of the underspend to the Capital Payments Reserve, can be summarised as follows with more detail available in Appendix C:

| | Earmarked Reserves (£'000) | General Reserve (£'000) |
|-----------------|----------------------------|-------------------------|
| Opening balance | 33,761 | 3,023 |
| Contributions | 10,541 | - |
| Draws | (5,381) | (523) |
| Closing balance | 38,921 | 2,500 |

Although the reserve balances are significant, the majority of the balance (94%) is committed to the capital and other investment programmes over the next five years. There are uncommitted balances totalling £2.4m in the Transformation Reserve and the Grant Equalisation Reserve. These balances are held for service improvement and to mitigate against the financial uncertainty generated by the lack of a multi-year funding settlement respectively.

42. In addition, the Authority has £6.7m of outstanding PWLB borrowing from the funding of capital expenditure in previous years that will mature and require repayment over the next 15 years. The presentation of the financial position means that these amounts are shown separately i.e. the reserves position shown above does not reflect the outstanding PWLB borrowing or any internal borrowing.
43. The transferred Isle of Wight reserves balance (£0.983m) was received in year and the opening reserves balances shown in the table above and in Appendix C have been adjusted accordingly to reflect the opening reserves position for the new Combined Authority as at 1 April 2021. The majority of this balance has been allocated to the Capital Payments Reserve (£0.842m) to support future investment with the remainder related to grants (£0.141m) placed in the Revenue Grants Unapplied Reserve (RGUR).

TREASURY MANAGEMENT

44. The Treasury Management Strategy approved by the Authority in February 2021 and updated in February 2022 was followed throughout the year. All the limits and boundaries set were fully complied with.
45. The year end report for Treasury Management is set out as Appendix D for Members' approval.

STATEMENT OF ACCOUNTS

46. The timescales for the publication of draft and audited accounts have been temporarily extended through amendments to the Accounts and Audit Regulations over recent years due to the impact of Covid-19.
47. Despite these extended deadlines, the national picture is that the audits of a significant majority of local authority accounts were not completed on time in 2020/21. The Department for Levelling Up, Housing and Communities therefore published details of measures to support the improved timeliness of local audit in December 2021. One of the outcomes was to extend the deadline for the sign-off of audited accounts for 2021/22 to the end of November 2022. Under these proposals, the deadline will then revert to 30 September for the subsequent 6 years.
48. The Fire Authority's annual accounts are presented to the Standards and Governance Committee for approval. Officers are working with the external auditors EY with the aim of presenting audited accounts for 2021/22 to the 28 September 2022 meeting.

FINANCIAL MANAGEMENT CODE

49. The CIPFA Financial Management (FM) Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) in response to a number of local authorities experiencing high profile issues with their financial management. The Code notes that there is much good practice across the sector but that the failure of a small number of authorities threatens stakeholders' confidence in local government as a whole. The FM Code therefore sets out principles to guide local authorities in managing their finances and minimum standards that should be achieved, although it is not prescriptive about how this should happen.
50. The FM Code was formally adopted across local government from the 2021/22 financial year and includes six principles within the Statement of Principles of Good Financial Management as a benchmark against which financial management should be judged. These six principles are then translated into financial management standards, covering:
- (a) The responsibilities of the chief financial officer and leadership team
 - (b) Governance and financial management style
 - (c) Long to medium term financial management
 - (d) The annual budget
 - (e) Stakeholder engagement and business plans
 - (f) Monitoring financial performance
 - (g) External financial reporting
51. A self-assessment of the Authority's financial management has been undertaken by the Chief Financial Officer and the Executive Group and has concluded that the Authority is compliant with the requirements of the Code. Although Compliant, the Executive Group has discussed opportunities to further enhance the Authority's financial management and will continue to actively do so as opportunities arise.

PENSIONS MATTERS – COST CAP ENVELOPE

52. In 2016 the former Hampshire Fire Authority made a local decision to include periods of temporary promotion as part of pensionable pay for a small cohort of affected firefighters. Because these benefits were in excess of the statutory

minimum, the costs need to be paid by the Fire Authority rather than the Home Office.

53. The current cost cap envelope is:
- (a) £291,000 for one-off lump sum payments
 - (b) £38,700 per annum for ongoing payments.
54. The lump sum payments are covered by the provision mentioned in paragraph 32 above. This amount remains sufficient. Based on retirements to date (36 of the cohort of 41) it is recommended that the allocation for ongoing payments is increased by £11,300 to £50,000.
55. There are a number of reasons why the forecast ongoing payment may have increased since the 2016 forecasts, including the impacts of the McCloud remedy, pay increases, unbroken periods of temporary promotion and changes to commutation factors. These could not have been anticipated in 2016. It is recommended that the Authority approve a revised cost cap envelope as follows:
- (a) £291,000 for one-off lump sum payments - unchanged
 - (b) £50,000 per annum for ongoing payments – an increase of £11,300 per annum.
56. The increase in the cost cap envelope can be funded from within the existing allocation for ongoing pension costs.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

57. Ensuring that funding is appropriately accounted for is vital for all public sector organisations. 2021/22 has continued to be challenging due to the extra pressures and uncertainty resulting from the COVID 19 pandemic. Strong budget management has meant that an underspend has been achieved in year.

RESOURCE IMPLICATIONS

58. This report reflects the financial position for the previous financial year and does not contain any requests which would affect the future financial position other than the carry forward requests and the proposed transfer of the underspend to the Capital Payments reserve providing for future funding needs.

IMPACT ASSESSMENTS

59. This is a factual report that looks back over the financial performance during the last financial year. Any financial decisions taken during that year, or future decisions about the use of the amounts added to reserves will be subject to separate impact assessments.

LEGAL IMPLICATIONS

60. This report is part of the final accounts process. There is a legal requirement that the Statement of Accounts be approved and signed off by external audit. The deadline for the sign-off of the accounts has been extended in recent years through temporary amendments to the Accounts and Audit Regulations due to the impact of Covid-19 and well documented challenges across the country in meeting deadlines for the sign-off of audited accounts. The sign off of the audited accounts for the Authority is planned for the end September, which is within the timescales dictated by current legislative requirements.

RISK ANALYSIS

61. This report covers the draft outturn position prior to the full audit of the accounts. If any significant errors are uncovered during the audit process these will be referred back to the Authority.

EVALUATION

62. The finance team preparing the Authority's accounts evaluates the process of preparing the accounts and liaising with the external auditors to identify lessons learned and areas to further streamline and improve the process for future financial years.

CONCLUSION

63. It is requested that the Authority review and approve the financial position for the year ended 31st March 2022 as detailed in this report.

RECOMMENDATION

64. That that the outturn position for 2021/22 (including Appendix A) and the use of reserves set out in paragraph 39 and appendix C of this report be approved by the HIWFRA Full Authority

65. That the carry forward requests totalling £616,000 as set out in paragraph 16 of this report be approved by the HIWFRA Full Authority
66. That the contribution of £550,000 from the Operations Directorate budget to the Transformation Reserve, to be ringfenced for improvements as set out in paragraphs 12 - 15
67. That the transfer of budgets from non-pay to pay to cover the post of Director of People and Organisational Development and two additional posts within the ICT team be approved by the HIWFRA Full Authority
68. That the capital outturn position in 2021/22 and the capital spend profile going forwards including the additional funding for the sprinkler project set out in appendix B be approved by the HIWFRA Full Authority
69. That the increase in funding of £1m for the Live Fire project be approved by the HIWFRA Full Authority
70. That the financing for capital payments set out in paragraph 24 be approved by the HIWFRA Full Authority
71. That the revised cost cap envelope for temporary promotions set out in paragraph 55 be approved by the HIWFRA Full Authority
72. That the annual Treasury outturn report set out in appendix D of this report be approved by the HIWFRA Full Authority

APPENDICES ATTACHED

Appendix A – Revenue Outturn by type of spend and service areas

Appendix B1 – Capital Outturn, forecast and funding (public)

Appendix B2 – Capital Outturn, forecast and funding (exempt)

Appendix C – Reserves Position

Appendix D – Treasury Management Outturn

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Appendix A – Revenue Outturn

| By type of spend | Budget 2021/22 £'000 | Outturn 2021/22 £'000 | Variance 2021/22 £'000 |
|------------------------------------|----------------------------|-----------------------------|------------------------------|
| Whole Time Firefighters | 36,815 | 36,815 | - |
| Retained Firefighters | 8,178 | 7,870 | (308) |
| Staff | 13,829 | 13,139 | (690) |
| Net cost of pensions | 1,500 | 1,444 | (56) |
| Other Employee Costs | 855 | 824 | (31) |
| | 61,177 | 60,092 | (1,085) |
| Premises | 7,619 | 7,340 | (279) |
| Transport | 1,726 | 1,831 | 105 |
| Supplies & Services | 8,873 | 8,322 | (551) |
| Third Party Payments | 2,584 | 2,592 | 8 |
| | 20,802 | 20,085 | (717) |
| Income | (3,444) | (3,871) | (427) |
| | (3,444) | (3,871) | (427) |
| Contributions to / (from) reserves | | | |
| Capital reserve | 1,394 | 1,394 | - |
| Equipment reserve | 625 | 625 | - |
| Grant equalisation reserve | (153) | (153) | - |
| Transformation reserve | 134 | 134 | - |
| ICT reserve | 445 | 445 | - |
| Carry forward reserve | 65 | 65 | - |
| Revenue grants unapplied reserve | (599) | (599) | - |
| Princes Trust reserve | (50) | (50) | - |
| SHQ maintenance reserve | 194 | 194 | - |
| | 2,055 | 2,055 | 0 |
| Net Cost of Service | 80,590 | 78,361 | (2,229) |
| Change in provisions | - | 24 | 24 |
| Investment income | (210) | (420) | (210) |
| Capital Financing | 950 | 763 | (187) |
| Revenue contribution to capital | 550 | 550 | - |
| Budget Requirement | 81,880 | 79,278 | (2,602) |

Funded by:

| | | | |
|-----------------------------------|-----------------|-----------------|-----------|
| Precept | (49,158) | (49,158) | - |
| Revenue Support Grant | (8,275) | (8,275) | - |
| Business Rates Top-Up Grant | (9,043) | (9,043) | - |
| Locally Retained Business Rates | (7,492) | (7,492) | - |
| Council Tax Support Grant | (695) | (696) | (1) |
| Pension grant | (3,771) | (3,772) | (1) |
| New Dimensions | (974) | (976) | (2) |
| Firelink | (399) | (324) | 75 |
| S31 Business rates | (1,395) | (1,389) | 6 |
| CT Collection Fund Balance | 59 | 59 | - |
| BR Collection Fund Balance | 171 | 123 | (48) |
| Government Grant for Covid Losses | (94) | (103) | (9) |
| Protection Uplift Programme | (182) | (182) | - |
| Other grants | (632) | (632) | - |
| Funding Gap / (Surplus) | (81,880) | (81,860) | 20 |

Surplus transferred to reserves**(2,582)**

Appendix A – Revenue Outturn

| By service area | Budget 2021/22 | Outturn 2021/22 | Variance 2021/22 |
|---------------------------------------|---------------------|---------------------|----------------------|
| | £'000 | £'000 | £'000 |
| Combined Fire Authority | 64 | 64 | - |
| People and Organisational Development | 5,325 | 5,104 | (221) |
| Operations | 44,373 | 43,376 | (997) |
| Policy, Planning and Assurance | 5,085 | 5,028 | (57) |
| Corporate Services | 21,674 | 20,863 | (811) |
| Finance | 2,014 | 1871 | (143) |
| | <hr/> 78,535 | <hr/> 76,306 | <hr/> (2,229) |
| Contributions to / (from) reserves | | | |
| Capital reserve | 1,394 | 1,394 | - |
| Equipment reserve | 625 | 625 | - |
| Grant equalisation reserve | (153) | (153) | - |
| Transformation reserve | 134 | 134 | - |
| ICT reserve | 445 | 445 | - |
| Carry forward reserve | 65 | 65 | - |
| Revenue grants unapplied reserve | (599) | (599) | - |
| Princes Trust reserve | (50) | (50) | - |
| SHQ maintenance reserve | 194 | 194 | - |
| | <hr/> 2,055 | <hr/> 2,055 | <hr/> - |
| Net Cost of Service | 80,590 | 78,361 | (2,229) |
| Change in provisions | 0 | 24 | 24 |
| Investment income | (210) | (420) | (210) |
| Capital Financing | 950 | 763 | (187) |
| Revenue contributions to capital | 550 | 550 | - |
| Budget Requirement | <hr/> 81,880 | <hr/> 79,278 | <hr/> (2,602) |

Funded by:

| | | | |
|-----------------------------------|-----------------|-----------------|-----------|
| Precept | (49,158) | (49,158) | - |
| Revenue Support Grant | (8,275) | (8,275) | - |
| Business Rates Top-Up Grant | (9,043) | (9,043) | - |
| Locally Retained Business Rates | (7,492) | (7,492) | - |
| Council Tax Support Grant | (695) | (696) | (1) |
| Pension grant | (3,771) | (3,772) | (1) |
| New Dimensions | (974) | (976) | (2) |
| Firelink | (399) | (324) | 75 |
| S31 Business rates | (1,395) | (1,389) | 6 |
| CT Collection Fund Balance | 59 | 59 | - |
| BR Collection Fund Balance | 171 | 123 | (48) |
| Government Grant for Covid Losses | (94) | (103) | (9) |
| Protection Uplift Programme | (182) | (182) | - |
| Other grants | (632) | (632) | - |
| Funding Gap / (Surplus) | (81,880) | (81,860) | 20 |

Surplus transferred to reserves**(2,582)**

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Appendix B1 – Capital outturn, forecast and funding

| <i>Project Details:</i> | Approved | Previous | Annual Spend Forecasts: | | | | | Latest |
|---|----------------|-----------------|-------------------------|---------------|---------------|---------------|--------------|----------------|
| | Spend | Years' | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Estimate |
| | £'000s | Spend £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Basingstoke Fire Station | 6,955 | 6,832 | 3 | 120 | 0 | 0 | 0 | 6,955 |
| Fire Control System | 671 | 671 | 0 | 0 | 0 | 0 | 0 | 671 |
| Estates Transformation - HQ Phase 2 | 4,660 | 4,519 | 10 | 131 | 0 | 0 | 0 | 4,660 |
| Vehicles | 40,157 | 5,165 | 299 | 14,037 | 10,748 | 6,181 | 3,727 | 40,157 |
| Live Fire (Training Facility) | 4,500 | 0 | 19 | 3,956 | 525 | 0 | 0 | 4,500 |
| Fleet Maintenance Centre - Sprinkler Installation | 530 | 0 | 2 | 528 | 0 | 0 | 0 | 530 |
| Electric Vehicle Charging points | 940 | 0 | 0 | 940 | 0 | 0 | 0 | 940 |
| Station Investment Programme | 48,450 | 119 | 1,499 | 25,165 | 15,479 | 5,920 | 268 | 48,450 |
| Revenue Investments | 4,888 | 2,109 | 1,790 | 989 | 0 | 0 | 0 | 4,888 |
| Total programme cost (funded) | 111,751 | 19,415 | 3,622 | 45,866 | 26,752 | 12,101 | 3,995 | 111,751 |
| Retrospective design principles* | 4,500 | | | | | | | |
| Total approved programme | 116,251 | | | | | | | |
| <i>Financed by:</i> | | | | | | | | |
| Capital Payments Reserve | | 17,234 | 2,513 | 23,795 | 11,522 | 5,831 | 3,727 | 64,622 |
| Prudential Borrowing | | 12 | 1,109 | 22,011 | 15,230 | 5,920 | 268 | 44,550 |
| Revenue Grant Unapplied Reserve | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue Contribution to Capital | | | 0 | 60 | 0 | 0 | 0 | 60 |
| Capital Receipts | | 1,669 | 0 | 0 | 0 | 350 | 0 | 2,019 |
| Capital Grant | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Partner Contributions | | 500 | 0 | 0 | 0 | 0 | 0 | 500 |
| Total financing | | 19,415 | 3,622 | 45,866 | 26,752 | 12,101 | 3,995 | 111,751 |

The Authority agreed in April 2022 to a £4.5m programme of works to retrospectively apply design principles relating to the healthy and inclusive design principle for the estate but agreed that work would not commence until specific funding for the proposals is brought back to and agreed by the Authority later in 2022.

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Appendix C – Reserves Position

| Movement in Reserves 2021/22 | Earmarked Reserves | | | | | | | | | Earmarked Reserves | General Reserve |
|------------------------------|------------------------|--------------------------|-------------------|----------------|----------------------------|-----------------------|----------------------------------|-------------------------|-----------------------|--------------------|-----------------|
| | Transformation Reserve | Capital Payments Reserve | Equipment Reserve | IT Reserve | Grant Equalisation Reserve | Earmarked underspends | Revenue Grants Unapplied Reserve | SHQ maintenance reserve | Princes Trust Reserve | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance* | (2,468) | (26,101) | (797) | (575) | (625) | (551) | (1,899) | (621) | (124) | (33,761) | (3,023) |
| Draws** | 733 | 2,838 | 325 | 84 | 153 | 551 | 647 | 0 | 50 | 5,381 | 523 |
| Contributions** | (867) | (7,337) | (950) | (529) | 0 | (616) | (48) | (194) | 0 | (10,541) | 0 |
| Closing balance | (2,602) | (30,600) | (1,422) | (1,020) | (472) | (616) | (1,300) | (815) | (74) | (38,921) | (2,500) |

* Includes balances transferred from Isle of Wight Council

** Includes reallocating balances received from Isle of Wight Council to the Capital Payments Reserve to support future investment priorities of the Authority

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Appendix D - Annual Treasury Outturn Report 2021/22

Purpose of the Report

1. Hampshire and Isle of Wight Fire and Rescue Authority has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2021. The CIPFA Code requires the Fire and Rescue Authority to approve a treasury management strategy before the start of the year and a semi-annual and annual treasury outturn report. The purpose of this report is therefore to meet this obligation by providing an update on the performance of the treasury management function during 2021/22.

Summary

2. This report fulfils the Fire and Rescue Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code and provides an update on the performance of the treasury management function during 2021/22.
3. The Fire and Rescue Authority's treasury management strategy was most recently updated and approved at a meeting of Hampshire & Isle of Wight Fire & Rescue Authority in February 2022. The Fire and 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 and Rescue Authority's treasury management strategy.
4. Treasury management in the context of this report is defined as: "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
5. This annual report sets out the performance of the treasury management function during 2021/22, to include the effects of the decisions taken and the transactions executed in the past year.
6. Overall responsibility for treasury management remains with the Fire and Rescue Authority. No treasury management activity is without risk and the effective identification and management of risk are therefore integral to the Fire and Rescue Authority's treasury management objectives.

7. All treasury activity has complied with the Fire and Rescue Authority's Treasury Management Strategy and Investment Strategy for 2021/22, and all relevant statute, guidance and accounting standards. In addition, support in undertaking treasury management activities has been provided by the Fire and Rescue Authority's treasury advisers, Arlingclose.
8. The Prudential Code includes the requirement to produce a Capital Strategy, a summary document approved covering capital expenditure and financing, treasury management and non-treasury investments. The most recent Capital and Investment Strategy, complying with CIPFA's requirement, was approved by the Fire and Rescue Authority in February 2022.

External Context

9. The following sections outline the key economic themes in the UK against which investment and borrowing decisions were made in 2021/22.

Economic commentary

10. The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over 2021/22.
11. UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices as well as the concern about further supply chain disruption due to Russia's invasion of Ukraine and recent Covid-19 developments in China led to elevated inflation expectations and 12-month CPI inflation rose to 9.0% in April 2022.
12. In efforts to bring inflation down the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate from 0.10% to 0.25% in December 2021, with further increases to 0.50% in February 2022, 0.75% in March, 1.00% in May and 1.25% in June. Also, at its meeting in February, the MPC voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.
13. In its June 2022 interest rate announcement, the MPC noted that global inflationary pressures have intensified sharply as a result of supply chain bottlenecks exacerbated by war in Ukraine and lockdowns in China. In the UK April saw 12-month CPI inflation rise to 9%, driven by the rising price of

energy, core goods and to some extent the rising price of food and services. Global inflationary pressures are predicted to develop further in the near term, reaching as high as 10% in September 2022 and above 11% in October 2022. Although short term expectations are for inflation to rise, the outlook over the longer term is for inflation to come back under control but remain elevated compared to the historic average.

14. This report is focused on the outturn position for the 2021/22 financial year, however it is worth noting how the forward looking themes have continued to evolve since the Treasury Management Strategy for 2022/23 was approved by the Authority in February 2022.

Financial markets

15. The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period which impacted global stock markets.
16. Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

Credit review

17. Credit default swaps (CDS) are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. In the first half of the financial year CDS spreads were flat and broadly in line with pre-pandemic levels. In September 2021 CDS spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but then fell back. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher between January and March, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.
18. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Fire and Rescue Authority's counterparty list to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.
19. Having completed its full review of its credit advice on unsecured deposits, in September 2021 Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December 2021 for the non-UK banks on this list. As ever, the institutions and durations on the Fire and Rescue Authority's counterparty list recommended by Arlingclose remains under constant review.

Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

20. In August 2021 HM Treasury significantly revised guidance for the Public Works Loan Board (PWLB) lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.
21. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20 December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
22. The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. Due to the timing of publication being towards the end of the budget preparation period for 2022/23 it was agreed that the Fire and Rescue Authority would introduce the revised reporting requirements from 2023/24.
23. To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make an investment or spending decision that will increase the Capital Financing Requirement (CFR) unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.
24. Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.
25. Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management (TM) Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.
26. The Fire and Rescue Authority will follow the same process as the Prudential Code and so will be reporting in line with the new reporting requirements from

2023/24 other than the new liability benchmark requirement which was implemented from 2022/23.

27. The Fire and Rescue Authority's Capital and Investment Strategy confirms that the Authority will not borrow to invest primarily for financial return and will therefore be in compliance with the requirements of the Prudential Code and will retain access to the PWLB lending facility.

Local Context

28. At 31 March 2022 the Fire and Rescue Authority's underlying need to borrow for capital purposes was £11.0m as measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment and amounted to £36.5m. These factors are summarised in Table 1.

| Table 1: Balance sheet summary | 31/03/21 Balance £m | Movement £m | 31/03/22 Balance £m |
|---------------------------------------|------------------------------------|------------------------|------------------------------------|
| CFR | 10.3 | 0.7 | 11.0 |
| Less: External borrowing | | | |
| - Public Works Loan Board | (7.1) | 0.4 | (6.7) |
| Internal Borrowing | 3.2 | 1.2 | 4.4 |
| Less: Usable Reserves | (35.8) | (5.6) | (41.4) |
| Less: Working Capital liability | 6.3 | (1.4) | 4.9 |
| Net Investments | (26.3) | (5.8) | (32.1) |

29. The CFR has increased by £0.7m during 2021/22 as a result of expenditure incurred in delivering the Station Investment Programme, offset partly by Minimum Revenue Provision (MRP) charges relating to capital expenditure from previous years. External borrowing reduced by £0.4m as a result of the scheduled repayment of Public Works Loan Board (PWLB) borrowing. Usable reserves rose as contributions were made to the Capital Payments Reserve (CPR), Transformation Reserve, IT Reserve and Equipment Reserve in line with the Medium Term Financial Plan (MTFP), while existing reserves balances were transferred from the Isle of Wight Council as part of creating the new combined authority.
30. In addition, the outturn report recommends that the Authority approves the transfer of the 2021/22 underspend of £2.582m to the CPR, given significant commitments already built into the capital programme and the estates delivery pressures highlighted within the recent MTFP, in addition to emerging inflationary pressures. There were also some delays to planned expenditure to be funded from reserves, particularly vehicle purchases, which also contributed to the increase in reserves during the year. Approximately 94% of

the balance is committed to the capital programme and other investment programmes over the next five years. Although internal borrowing has increased, this has been more than offset by an increase in usable reserves and a reduction in working capital liability, resulting in an increase in net investments reported at 31 March 2022.

31. It is likely that new external borrowing will be required in future years to fund capital expenditure commitments, and the Chief Financial Officer is actively working with Hampshire County Council's Investments and Borrowing team and treasury advisors Arlingclose to ascertain at what point it would be prudent to take out additional borrowing.
32. The Fire and Rescue Authority's strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, to reduce risk and keep interest costs low. This has meant that internal funds have been utilised in lieu of taking on external borrowing debt. The treasury management position at 31 March 2022 and the change during the year are shown in Table 2.

| Table 2: Treasury management summary | 31/03/21 Balance £m | Movement £m | 31/03/22 Balance £m | 31/03/22 Rate % |
|---|------------------------------------|------------------------|------------------------------------|--------------------------------|
| Long-term borrowing | (6.65) | 0.75 | (5.90) | (4.66) |
| Short-term borrowing | (0.45) | (0.30) | (0.75) | (4.88) |
| Total borrowing | (7.10) | 0.45 | (6.65) | (4.69) |
| Long-term investments | 8.00 | - | 8.00 | 4.17 |
| Short-term investments | 14.00 | (0.99) | 13.01 | 0.32 |
| Cash and cash equivalents | 4.79 | 6.29 | 11.08 | 0.53 |
| Total investments | 26.79 | 5.30 | 32.09 | 1.35 |
| Net investments | 19.69 | 5.75 | 25.44 | |

Note: the figures in Table 2 are from the balance sheet in the Fire and Rescue Authority's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

33. The increase in net investments of £5.75m shown in Table 2 reflects an increase in investment balances of £5.30m in combination with the repayment at maturity of borrowing of £0.45m, in line with the Fire and Rescue Authority's policy on internal borrowing. Further details are provided in the Borrowing Strategy and Treasury Investments Activity sections of this report.

Borrowing Update

34. The Fire and Rescue Authority has no plans to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.

35. The Fire and Rescue Authority is not planning to purchase any investment assets primarily for yield, so is able to retain full access to the PWLB.
36. Further, the Fire and Rescue Authority has invested in pooled funds as part of its Treasury Management strategy. This is not a policy to primarily generate yield but a part of the implementation of the wider Treasury Management strategy to invest the Fire and Rescue Authority's surplus cash and reserves ensuring it is investing its funds prudently, having regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. By investing a diversified portfolio in respect of yield this meets the Fire and Rescue Authority's aim of protecting reserves from high inflation.
37. The Fire and Rescue Authority is a net investor and as stated in the Treasury Management Strategy 2022/23, the Fire and Rescue Authority expected a negative liability benchmark across the first two years of the forecast period, meaning that there is not currently a requirement to borrow during this period.
38. It is expected that during 2022/23 the CFR will rise as the Authority delivers the Station Investment Programme. Balance sheet resources are anticipated to drop which is expected to result in a positive liability benchmark as at 31 March 2023, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR. Although the Fire and Rescue Authority currently holds external borrowing from its historic capital programme, this is not predicted to be sufficient to meet the CFR and therefore as a result further borrowing will be considered by the Chief Financial Officer in the delivery of the Station Investment Programme, if required.
39. The Chief Financial Officer will review the current pooled fund investments prior to making any external borrowing decisions.
- 40. Borrowing Strategy**
41. At 31 March 2022 the Fire and Rescue Authority held £6.65m of loans (a decrease of £0.45m from 31 March 2021) as part of its strategy for funding previous years' capital programmes. The year-end treasury management borrowing position and year-on-year change are summarised in Table 3.

| Table 3: Borrowing position | 31/03/21 Balance | Net movement | 31/03/22 Balance | 31/03/22 Weighted average rate | 31/03/22 Weighted average maturity (years) |
|------------------------------------|-------------------------|---------------------|-------------------------|---------------------------------------|---|
| | £m | £m | £m | % | |
| Public Works Loan Board | (7.10) | 0.45 | (6.65) | 4.69 | 9.8 |
| Total borrowing | (7.10) | 0.45 | (6.65) | 4.69 | 9.8 |

Note: the figures Table 3 are from the balance sheet in the Fire and Rescue Authority's statement of accounts but adjusted to exclude accrued interest.

42. The Fire and Rescue Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Fire and Rescue Authority's long-term plans change is a secondary objective.
43. Short-term interest rates have remained much lower than long-term rates and the Fire and Rescue Authority has therefore considered it to be more cost effective in the near term to use internal resources than to use additional borrowing. In line with this strategy, £0.45m of PWLB loans were allowed to mature without refinancing.
44. This borrowing strategy has been monitored with the assistance of Arlingclose and has enabled the Fire and Rescue Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

Treasury Investment Activity

45. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
46. The Fire and Rescue Authority holds invested funds representing income received in advance of expenditure plus balances and reserves held. During the year, the Fire and Rescue Authority's investment balances have ranged between £23.3m and £42.4m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4.

| Table 4: Treasury investment position | 31/03/2021 balance | Net movement | 31/03/2022 balance | 31/03/22 Income return | 31/03/22 Weighted average maturity (years) |
|--|---------------------------|---------------------|---------------------------|-------------------------------|---|
| | £m | £m | £m | % | |
| Short term investments: | | | | | |
| Banks and Building Societies: | | | | | |
| - Unsecured | 4.84 | 0.99 | 5.83 | 0.44 | 0.05 |
| - Secured | - | 4.00 | 4.00 | 0.39 | 0.35 |
| Money Market Funds | 2.95 | 6.81 | 9.76 | 0.53 | 0.00 |
| Government: | | | | | |
| - Local Authorities | 11.00 | (10.00) | 1.00 | 0.10 | 0.25 |
| - Debt Management Office | - | 1.50 | 1.50 | 0.07 | 0.09 |
| - UK Gilt | - | 1.00 | 1.00 | 0.28 | 0.31 |
| - Treasury Bill | - | 1.00 | 1.00 | 0.20 | 0.09 |
| Total | 18.79 | 5.30 | 24.09 | 0.42 | 0.10 |
| Long term investments: | | | | | |
| Banks and Building Societies: | | | | | |
| - Secured | 1.00 | - | 1.00 | 0.75 | 1.03 |
| Total | 1.00 | - | 1.00 | 0.75 | 1.03 |
| Long term investments – higher yielding strategy: | | | | | |
| Pooled Funds | | | | | |
| - Pooled property* | 3.25 | - | 3.25 | 3.88 | N/A |
| - Pooled equity* | 2.00 | - | 2.00 | 5.64 | N/A |
| - Pooled multi-asset* | 1.75 | - | 1.75 | 4.98 | N/A |
| Total | 7.00 | - | 7.00 | 4.66 | N/A |
| Total investments | 26.79 | 5.30 | 32.09 | 1.35 | 0.14 |

** The rates provided for pooled fund investments are reflective of annualised income returns over the year to 31 March 2022 based on the market value of investments at the start of the year.

Note: the figures in Table 4 are from the balance sheet in the Fire and Rescue Authority's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

47. The Fire and Rescue Authority made a payment of £3.9m on 1 April 2020 to prepay its employer's LGPS pension contributions for 3 years. By making this payment in advance the Fire and Rescue Authority was able to generate an estimated saving of £0.26m over 3 years on its pension contributions.
48. Investment balances have subsequently increased which is in part explained by the Fire and Rescue Authority not having to make monthly employer's

pension contributions throughout 2020/21 and 2021/22 (having already paid in advance) but also represents the impact of delays on the capital programme, the underspend against the revenue budget in 2021/22 and planned contributions to the Capital Payments Reserve (CPR), Transformation Reserve, IT Reserve and Equipment Reserve in line with the Medium Term Financial Plan (MTFP). The availability of appropriate longer term investments combined with the prudent management of shorter term investment balances during an uncertain economic market meant that additional investment balances were held as short term investments at 31 March 2022, much of it in money market funds to ensure appropriate liquidity was available to pay any capital programme expenditure.

49. The CIPFA Code and government guidance both require the Fire and Rescue Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Fire and Rescue Authority's objective when investing money is therefore to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults alongside managing the risk of receiving unsuitably low investment income. The Fire and Rescue Authority's Treasury Management Strategy Statement (TMSS) sets out how it will manage and mitigate these risks.
50. The security of investments has been maintained by following the counterparty policy and investment limits within the TMSS, taking advice from Arlingclose on changes in counterparty credit worthiness, and making use of secured investment products that provide collateral. The Fire and Rescue Authority invests in liquid investments to ensure money is available when required to meet its financial obligations, spreading these investments across a number of counterparties to mitigate operational risk.
51. In delivering investment returns, the Fire and Rescue Authority has operated against a backdrop in which UK Bank Rate was 0.10% from March 2020 with rises in the final four months of 2021/22. Ultra low short-dated cash rates, which were a feature since March 2020, prevailed for much of the 12-month reporting period which resulted in the return on sterling low volatility net asset value (LVNAV) Money Market Funds (MMFs) being close to zero even after some managers have temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December 2021, February and March 2022. At 31 March 2022, the 1-day return on the Fire and Rescue Authority's MMFs ranged between 0.49% - 0.57% per annum (p.a.).
52. The Fire and Rescue Authority benchmarks the performance of its internally managed investments against that of other Arlingclose clients. Internally managed investments include all investments except externally managed pooled funds but do include MMFs. The performance of these investments against relevant measures of security, liquidity and yield are shown in Table 5,

providing data for the quarter ended 31 March 2022 and at the same date in 2021 for comparison.

| Table 5: Investment benchmarking (excluding pooled funds) | Credit rating | Bail-in exposure | Weighted average maturity | Rate of return |
|--|----------------------|-------------------------|----------------------------------|-----------------------|
| | | % | (days) | % |
| 31.03.2021 | AA- | 39% | 87 | 0.22% |
| 31.03.2022 | AA- | 62% | 52 | 0.43% |
| Police & Fire Authorities | AA- | 72% | 18 | 0.38% |
| All LAs | AA- | 60% | 14 | 0.46% |

53. Table 5 shows the average credit rating of the portfolio has remained consistent at AA-. Bail-in exposure has risen in comparison to the same time in 2021, as the Fire and Rescue Authority held a greater investment balance with money market funds, which are technically exposed to bail-in risk however these are diversified products and are considered by Arlingclose to be 'bail-in risk light'. The weighted average maturity of investments was lower in comparison to the position at 31 March 2021 as the Fire and Rescue Authority held greater liquid balances as a proportion of the raised level of total investment balances. This is due to the availability of suitable investment options providing adequate interest return. The average rate of return (0.43% pa) has increased over the year as a result of the UK Bank Rate rises which have favourably impacted the short term portfolio. The Fire and Rescue Authority compared favourably with all other police and fire authorities included in the benchmarking exercise across all metrics.

Externally managed pooled funds

54. In order to minimise the risk of receiving unsuitably low investment income, the Fire and Rescue Authority has continued to invest a proportion of steady core balances in externally managed pooled funds as part of its higher yielding strategy.
55. The CIPFA Code requires the Fire and Rescue Authority to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest yield. As a result, the Fire and Rescue Authority's investments targeting higher yields have been made from its most stable balances and with the intention that they will be held for at least the medium term. This means that the initial costs of any investment and any periods of falling capital values can be overcome and mitigates the risk of having to sell an asset for liquidity purposes, helping to ensure the long-term security of the Fire and Rescue Authority's investments.

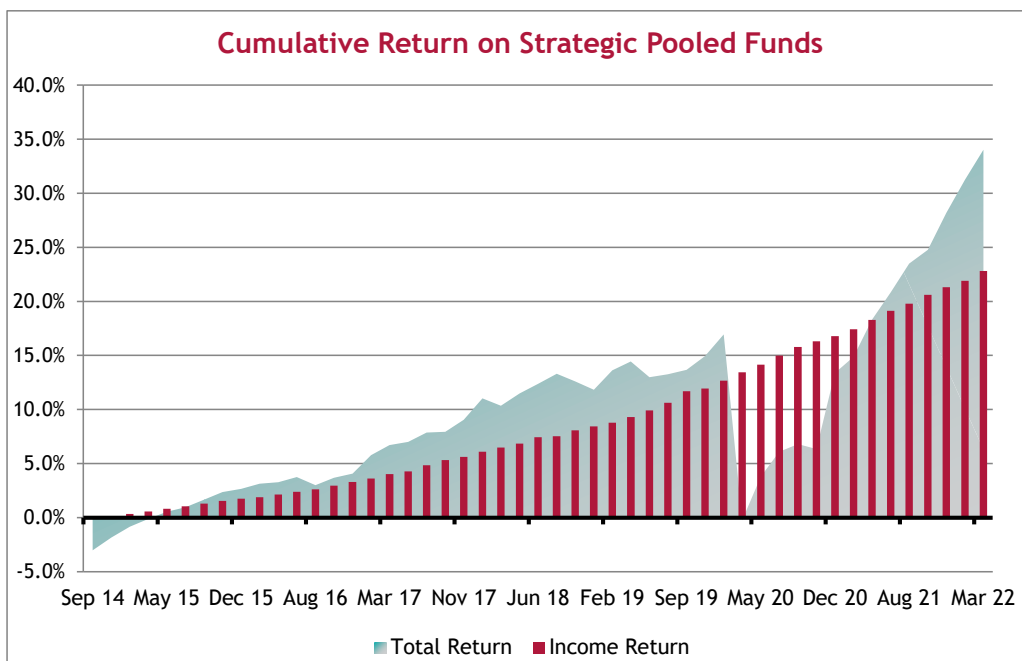
56. In the nine months to December improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the investments in property, equity and multi-asset income funds in the Fire and Rescue Authority's portfolio. The prospect of higher inflation and rising bond yields did however result in muted bond fund performance. In the fourth quarter of the financial year the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.
57. In light of Russia's invasion, Arlingclose contacted the fund managers of the Fire and Rescue Authority's MMF, cash plus and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that any assets held by banks and financial institutions (e.g. from loans to companies with links to those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.
58. The Fire and Rescue Authority's investments in pooled funds fell considerably in value when the coronavirus pandemic hit world markets but have since recovered well. This recovery means these investments are now worth more in aggregate than the initial sums invested, as shown in Table 6, demonstrating the importance of taking a longer term approach and being able to ride out periods of market volatility, ensuring the Fire and Rescue Authority is not a forced seller at the bottom of the market.

| Table 6 – Higher yielding investments – market value performance | Amount invested* | Market value at 31/03/22 | Gain/(fall) in capital value | |
|---|-------------------------|---------------------------------|-------------------------------------|----------------|
| | | | Since purchase | 2021/22 |
| | £m | £m | £m | £m |
| Pooled property funds | 3.25 | 3.75 | 0.50 | 0.56 |
| Pooled equity funds | 2.00 | 2.32 | 0.32 | 0.26 |
| Pooled multi-asset funds | 1.75 | 1.72 | (0.03) | 0.00 |
| Total pooled funds | 7.00 | 7.79 | 0.79 | 0.82 |

59. The Fire and Rescue Authority's investments in pooled funds target long-term price stability and regular revenue income and bring significant benefits to the revenue budget. As shown in Table 7 the annualised income returns have averaged 4.41% pa (per annum) since purchase, contributing to a total return of 34.01%.

| Table 7 – Higher yielding investments – income and total returns since purchase | Annualised income return | Total return |
|--|---------------------------------|---------------------|
| | % | % |
| Pooled property funds | 4.10 | 41.02 |
| Pooled equity funds | 4.99 | 42.46 |
| Pooled multi-asset funds | 4.42 | 11.33 |
| Total pooled funds | 4.41 | 34.01 |

60. The Fire and Rescue Authority’s pooled fund investments continue to deliver income returns far in excess of what could be generated from cash investments and in line with the Fire and Rescue Authority’s agreed objective of targeting income of 4% pa from its higher yielding strategy.
61. The cumulative total return from the Fire and Rescue Authority’s investments in pooled equity, property and multi-asset funds since purchase is shown in the following graph. This highlights that the Fire and Rescue Authority has benefited from strong and steady income returns over time and the way that capital values have recovered since the onset of the global pandemic in March 2020.



62. The IFRS 9 accounting standard that was introduced in 2018/19 means that annual movements in the capital values of investments need to be reflected in the revenue account on an annual basis, although a five year statutory override was put in place for local authorities that exempts them from complying with this requirement.

63. Pooled fund investments have no defined maturity date but are available for withdrawal after a notice period and their performance and continued suitability in meeting the Fire and Rescue Authority's investment objectives is monitored regularly and discussed with Arlingclose.

Financial Implications

64. The outturn for debt interest paid in 2021/22 was £329,000 on an average debt portfolio of £7.0m, against a budgeted £538,000. Actual interest costs were lower than budgeted due to the delay in the need to take on new external borrowing to fund the Station Investment Programme.
65. The outturn for investment income received in 2021/22 was £350,000 on an average investment portfolio of £34.2m, therefore giving a yield of 1.02%, against a budgeted £210,000. By comparison investment income received in 2020/21 was £370,000 on an average investment portfolio of £29.8m with a yield of 1.24%.

Non-Treasury Investments

66. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Fire and Rescue Authority as well as other non-financial assets which the Fire and Rescue Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).
67. Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.
68. This could include the direct purchase of land or property and any such loans and investments will be subject to the Fire and Rescue Authority's normal approval processes for revenue and capital expenditure and need not comply with the treasury management strategy. The Fire and Rescue Authority does not have any existing non-treasury investments.

Compliance Report

69. The Fire and Rescue Authority confirms compliance of all treasury management activities undertaken during 2021/22 with the CIPFA Code of Practice and the Fire and Rescue Authority's approved Treasury Management Strategy.

70. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 8.

| Table 8 – Debt limits | 2021/22 Maximum | 31/03/22 Actual | 2021/22 Operational Boundary | 2021/22 Authorised Limit | Complied? |
|------------------------------|----------------------------|----------------------------|---|---|------------------|
| | £m | £m | £m | £m | |
| Borrowing | 8.60 | 6.65 | 16.60 | 21.70 | ✓ |
| Other long-term liabilities | - | - | 5.00 | 5.00 | ✓ |
| Total debt | 8.60 | 6.65 | 21.60 | 26.70 | ✓ |

71. As reported in the Treasury Management Mid Year Monitoring Report 2021/22 the total actual debt as measured by the debt limits was £8.6m on 30 September 2021 which represents the use of £1.5m of the Fire and Rescue Authority's overdraft facility in addition to the £7.1m PWLB debt. On 30 September 2021 £1.5m principal was due to be returned to the Fire and Rescue Authority on maturity of a secured bond, however in error it was not released due to counterparty error and so the Fire and Rescue Authority was forced to use its overdraft facility with NatWest for one night.
72. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. However this limit was not breached during the financial year.

Treasury Management Indicators

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

Interest rate exposures

74. The following indicator shows the sensitivity of the Fire and Rescue Authority's current investments and borrowing to a change in interest rates:

| Table 9 – Interest rate risk indicator | 31/03/22 Actual | Impact of +/-1% interest rate change |
|---|----------------------------|---|
| Sums subject to variable interest rates | | |
| Investment | £22.2m | +/- £0.2m |
| Borrowing | £0.0m | +/-£0.0m |

75. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity structure of borrowing

76. This indicator is set to control the Fire and Rescue Authority's exposure to refinancing risk. The upper and lower limits show the maximum and minimum maturity exposure to fixed rate borrowing as agreed in the Treasury Management Strategy Statement:

| Table 10 – Refinancing rate risk indicator | 31/03/22 Actual | Upper Limit | Lower Limit | Complied |
|---|------------------------|--------------------|--------------------|-----------------|
| Under 12 months | 11% | 50% | 0% | ✓ |
| 12 months and within 24 months | 5% | 50% | 0% | ✓ |
| 24 months and within 5 years | 7% | 50% | 0% | ✓ |
| 5 years and within 10 years | 8% | 75% | 0% | ✓ |
| 10 years and within 20 years | 69% | 75% | 0% | ✓ |
| 20 years and above | 0% | 100% | 0% | ✓ |

Principal sums invested for periods longer than a year

77. The purpose of this indicator is to control the Fire and 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 were:

| Table 11 – Price risk indicator | 2021/22 | 2022/23 | 2023/24 |
|---|----------------|----------------|----------------|
| Actual principal invested beyond year end | £8m | £7m | £7m |
| Limit on principal invested beyond year end | £10m | £12m | £10m |
| Complied? | ✓ | ✓ | ✓ |

78. The table includes investments in strategic pooled funds of £7m as although these can usually be redeemed at short notice, the Fire and Rescue Authority intends to hold these investments for at least the medium-term.

Other

CIPFA consultations – IFRS 16

79. The implementation of the new IFRS 16 Leases accounting standard was due to come into force for local authorities from 1st April 2022, however following a consultation CIPFA/LASAAC announced an optional two year delay to the implementation of this standard - a decision which was confirmed by the Financial Reporting Advisory Board in early April 2022. Authorities can now choose to adopt the new standard on 1st April 2022, 1st April 2023 or 1st April 2024. The Fire and Rescue Authority intends to adopt the new standard on 1st April 2023 or later.

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

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