

## NOTICE OF MEETING

<i>Meeting</i>	<b>Hampshire Fire and Rescue Authority</b>	<i>Clerk to the Hampshire Fire and Rescue Authority</i> <b>John Coughlan CBE</b>
<i>Date and Time</i>	<b>Tuesday, 21st February, 2017 11.00 am</b>	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	<b>Fire and Police HQ, Leigh Road, Eastleigh</b>	
<i>Enquiries to</i>	<b><u><a href="mailto:members.services@hants.gov.uk">members.services@hants.gov.uk</a></u></b>	

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

## Agenda

**1 APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

**2 DECLARATIONS OF INTEREST**

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

**3 MINUTES OF PREVIOUS MEETING (Pages 1 - 6)**

To confirm the minutes of the previous meeting

**4 DEPUTATIONS**

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

**5 MEMBERS' QUESTIONS AND DEVELOPMENT**

To receive any Members' questions and any verbal reports back on attendance(s) at fire and rescue service conferences, seminars and other training awareness activities.

**6 CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

**7 ACTIVITY REPORT**

To receive an activity report of the Chief Officer covering the period 1 October 2016 to 31 December 2016.

**8 BUDGET AND PRECEPT REQUIREMENT 2017/18 (Pages 7 - 50)**

To receive a report of the Chief Financial Officer and Chief Officer regarding the budget and precept requirement for 2017/18.

**9 BLUE LIGHT COLLABORATION**

To receive a presentation on Blue Light Collaboration in Hampshire.

**10 POTENTIAL TO EXPAND THE EXISTING COMBINED FIRE AUTHORITY OF HAMPSHIRE, PORTSMOUTH AND SOUTHAMPTON TO INCLUDE THE ISLE OF WIGHT FIRE AUTHORITY (Pages 51 - 56)**

To receive a report of the Chief Officer to consider the addition of the Isle of Wight Fire Authority to the existing Combined Fire Authority (CFA) arrangements for Hampshire, Portsmouth and Southampton.

**11 MINUTES OF THE PERFORMANCE REVIEW AND SCRUTINY COMMITTEE HELD ON THE 24 JANUARY 2017. (Pages 57 - 74)**

To receive the Minutes and supporting report of the Performance Review and Scrutiny Committee held on the 24 January 2017.

**12 MINUTES OF THE HUMAN RESOURCES COMMITTEES HELD ON THE 26 JANUARY 2017. (Pages 75 - 84)**

To receive the Minutes and supporting report of the Human Resources Committee held on the 26 January 2017.

13 **MINUTES OF THE FINANCE AND GENERAL PURPOSES  
COMMITTEE HELD ON THE 1 FEBRUARY 2017.** (Pages 85 - 100)

To receive the Minutes and supporting report of the Finance and General Purposes Committee held on the 1 February 2017.

**ABOUT THIS AGENDA:**

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

**ABOUT THIS MEETING**

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

This page is intentionally left blank

# Agenda Item 3

At a meeting of the HAMPSHIRE FIRE AND RESCUE AUTHORITY held at the Fire and Police Headquarters, Eastleigh, on 8 December, 2016

## **PRESENT:**

Councillors:

p	John Bennison	a	Frank Jonas
p	Ann Briggs	p	Fiona Mather
p	Graham Burgess	p	Robin McIntosh
p	Chris Carter	p	Andy Moore
p	Roz Chadd	p	Sharon Mintoff
p	Hannah Coombs	a	Frank Pearce
p	Mark Cooper	p	Roger Price
p	Liz Fairhurst	a	David Simpson
p	Jane Frankum	p	Mark Staplehurst
p	David Fuller	p	Luke Stubbs
p	Jonathan Glen	p	John Wall
p	David Harrison	p	Matthew Winnington
p	Geoff Hockley		

### **235 BROADCASTING ANNOUNCEMENT**

The Chairman announced that the meeting was being recorded for broadcast on the Authority's website and would be available for repeated viewing. The press and members of the public were also permitted to film and broadcast this meeting. Those remaining at the meeting were consenting to being filmed and recorded, and to the possible use of those images and recording for broadcasting purposes.

### **236 APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Jonas, Pearce and Simpson. It was noted that all three were unwell and the Authority extended best wishes to them.

Apologies were also received from Michael Lane, Police and Crime Commissioner.

### **237 DECLARATIONS OF INTEREST**

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

### **238 MINUTES**

The Minutes of the meeting of the Authority held on 7 September 2016 were confirmed as a correct record and signed by the Chairman.

## 239 DEPUTATIONS

No deputations requests were received for the meeting.

## 240 MEMBERS' QUESTIONS AND DEVELOPMENT

Councillors Fuller and Price had attended a national fire conference which had focussed on value for money, the inspection regime, blue light collaboration and non blue light partnership as well as Fire Authority reform.

Councillor Price confirmed that he was now a member of the National Firefighters' Pension Board.

Councillor Bennison reported on a leadership course for Fire Authority Members he had attended, which had covered topics including Fire Authority reform and collaboration.

Councillor Carter had attended a conference of Combined Fire Authorities at which collaboration, reform, RDS recruitment and the Policing and Crime Bill had been discussed. He had presented details of the HFRA governance review and its outcomes to the conference.

A number of Councillors had attended the presentation of new vehicles and were impressed by what they had seen.

The recent "Celebrating Success" event was highlighted and the Authority expressed its thanks to all those who made Hampshire Fire and Rescue Service successful. Thanks was also offered to the Police for the use of the venue for the event.

## 241 CHAIRMAN'S COMMUNICATIONS

Following the deployment of Assistant Chief Officer (ACO) Steve Apter to London Fire Brigade, the Chairman announced that Shantha Dickinson had been appointed ACO with responsibility for community safety and furthermore that Stew Adamson had been appointed ACO with the role of Director for blue light collaboration; both on a temporary six month basis.

The Chairman updated the Authority on progress of the implementation of actions relating to the efficiency and effective review, in particular that the outcomes of the September Authority meeting had been acknowledged by the Secretary of State and that an application for an amendment to the Combination Order had been submitted in liaison with officers from the Home Office.

Details of the recognition of a Hampshire Fire officer who had completed 50 years of service at the Excellence in Fire award ceremony were shared by the Chairman.

The launch of the Police and Crime Commissioner's policing plan was highlighted. It was noted that there was only brief reference to collaboration with the Fire Authority in the plan and Members looked forward to developing collaboration with the PCC when he became a full member of the Authority.

## 242 **ACTIVITY REPORT**

The Authority considered the report of the Chief Officer, Item 7 in the Minute Book, regarding activity in the period 1 July 2016 to 30 September 2016.

Member queries relating to individual incidents and to the report in general were responded to.

RESOLVED:

The Authority noted the report.

## 243 **FINANCE UPDATE**

The Authority received and considered the report of the Chief Financial Officer providing an update of the current financial position for the 2016/17 Revenue Budget, an update on the 2017/18 budget setting process and to provide the Treasury Mid Year report, item 8 in the Minute Book.

The Chief Financial Officer introduced the report, highlighting the key issues and recommendations to the Authority, including details around the need to authorise £250,000 of potential spend on blue light collaboration.

Members questioned whether there was a performance risk to be derived from the vacancies amongst retained firefighters and it was confirmed that although there were challenges in certain areas, the availability of appliances was of more significance and a number of vacancies were held with regard to the incoming agreed establishment levels.

The provision of call handling to the Isle of Wight was discussed and it was questioned whether this would place undue strain on Hampshire's capacity. The Chief Fire Officer confirmed that as Chief Officer for both areas, he would ensure that this would only go live based on confidence in the system and the mitigation of risk to both Fire and Rescue Services.

It was proposed that spending decisions relating to blue light collaboration be presented to the Finance and General Purpose Committee for approval. It was explained that the proposal had been to allow a level of flexible as it was not yet entirely clear what the money may be required for, but it would potentially include a demand mapping exercise and support for demand management. Members heard that under the existing Scheme of Delegation, the Chief Officer was able to spend up to £100,000 on a single item, which would likely be sufficient and therefore this decision was sought for additional transparency. It proposed and agreed that recommendation 2.5 be removed and a further update be presented to the Finance and General Purposes Committee if required.

RESOLVED:

- i. That the Budget Monitoring position for 2016/17 is noted and the underspend be transferred to the Transformation Reserve.

- ii. To approve the proposal that any available surplus within the 2017/18 Budget be transferred to Capital Funding.
- iii. That the mid-year review of treasury management activities outlined in Appendix B be noted
- iv. To approve the inclusion of Call Handling within the Delivering Differently in Partnership project and give delegated Authority to the Chief Officer in consultation with the Clerk and Monitoring Officer to finalise all arrangements in respect of the transfer.

#### 244 **MEMBERS' ALLOWANCES SCHEME**

The Authority received the report of the Clerk regarding the Members' Allowances Scheme, item 9 in the Minute Book.

It was questioned whether amendments should be made to the Scheme to reflect the reduction in size of the Authority from June 2017 and it was noted that this point had been considered by the Human Resources Committee and it had been felt appropriate to allow the new governance arrangements to be established and for the Scheme to be subsequently reviewed. The allowance payable to the Independent Person was questioned and clarified.

RESOLVED:

- i. That, having had regard to the recommendations of the relevant IRPs and to the Human Resources Committee, Hampshire Fire and Rescue Authority agrees to implement a Members' Allowances Scheme from 1 April 2017 to 31 March 2018, on the same terms as the 2016/17 Scheme. That this be applied to the newly constituted Authority, as set out at paragraph 4.7 of the report.
- ii. That the Authority agree that a full review of the Members' Allowances Scheme take place by March 2018.

#### 245 **MINUTES OF STANDARDS AND GOVERNANCE COMMITTEE – 15 SEPTEMBER 2016**

The Authority received and noted the Minutes of the Standards and Governance Committee held on 15 September 2016.

#### 246 **MINUTES OF HUMAN RESOURCES COMMITTEE – 12 OCTOBER 2016 AND 22 NOVEMBER 2016**

The Authority received and noted the Minutes of the Human Resources Committee held on 12 October 2016 and 22 November 2016.

The recommendations to the Authority at Minute 156 were agreed.

[with regard to the recommendations to the Authority at Minute 156, Councillor Price declared a non-pecuniary interest by virtue of being a Member of the Firefighters' Pension Board and withdrew from the decision]

#### 247 **MINUTES OF PERFORMANCE REVIEW AND SCRUTINY COMMITTEE – 25 OCTOBER 2016**



The Authority received and noted the Minutes of the Performance Review and Scrutiny Committee held on 25 October 2016.

**248 MINUTES OF FINANCE AND GENERAL PURPOSES COMMITTEE – 1 NOVEMBER 2016**

The Authority received and noted the Minutes of the Finance and General Purposes Committee held on 1 November 2016.

**249 EXCLUSION OF PRESS AND PUBLIC**

Resolved:

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

**250 EXEMPT MINUTES OF FINANCE AND GENERAL PURPOSES COMMITTEE – 1 NOVEMBER 2016**

The Authority received and noted the exempt Minutes of the Finance and General Purposes Committee held on 1 November 2016.

The recommendations to the Authority at Minute 176 were agreed.

This page is intentionally left blank

**Hampshire Fire and Rescue Authority**

**Item 8**

**21 February 2017**

**Budget and precept requirement 2017/18**

**Report by Chief Financial Officer and Chief Officer**

Contact: Rob Carr, Treasurer; Telephone: 01962 847508

## **1 Introduction**

- 1.1 This report is an updated version of the budget report presented to the Finance & General Purposes Committee (F&GP) on the 1st February 2017. This report has been prepared using the agreed principles for managing the budget in recent years. Those being, that one off in year gains are added to reserves, whereas other technical changes are absorbed into the revenue contributions to capital (RCCO) figure to balance the budget.
- 1.2 The figures now reflect the billing authorities' final tax base, the final position on their council tax collection fund, the share of business rates due to the authority and the position on the business rates collection fund.
- 1.3 There have been some minor changes to the precept and business rates figures since the report to F&GP for their meeting of 1<sup>st</sup> February, but with no significant effect on the bottom line. These figures are now final and are not expected to change.

## **2 Recommendations**

- 2.1 That if any subsequent minor technical changes are required to the budget, the Chief Financial Officer in consultation with the Chief Fire Officer and the Chairman of the Authority is given delegated authority to reflect the actual position in the budget.
- 2.2 That the revenue budget for 2017/18 as set out at Appendix A is approved.
- 2.3 That the capital programme for 2017/18 as set out in appendix E and the funding of this as set out in appendix F be approved.

2.4 That the Treasury Management Strategy and Annual Investment Strategy for 2017/18 (and the remainder of 2016/17) as set out in Appendix G is approved, including:

- Prudential Indicators for 2017/18, 2018/19 and 2019/20 – Annex C
- Minimum Revenue Provision (MRP) Statement – Annex D

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

2.5 That the budget requirement for the general expenses of the Authority for the year beginning 1<sup>st</sup> April 2017 be £64,075,000.

2.6 That the council tax requirement for the Authority for the year beginning 1<sup>st</sup> April 2017 be £39,483,585.09.

2.7 That the Authority's council tax be increased by 1.98% for the year beginning 1st April 2017 and for the properties in each band to be:

Band A:	£42.56	Band E:	£78.03
Band B:	£49.65	Band F:	£92.21
Band C:	£56.75	Band G:	£106.40
Band D:	£63.84	Band H:	£127.68

2.8 That the precepts, as set out below, totalling £39,483,585.09 are issued on the billing authorities in Hampshire, requiring the payment in such instalments and on such dates set by them and previously notified to the Authority, in proportion to the tax base of each billing authority's area as determined by them.

Basingstoke and Deane Borough Council	4,045,981.30
East Hampshire District Council	3,121,826.43
Eastleigh Borough Council	2,816,514.83
Fareham Borough Council	2,705,002.94
Gosport Borough Council	1,685,995.25
Hart District Council	2,518,119.64
Havant Borough Council	2,549,578.08
New Forest District Council	4,478,707.97
Portsmouth City Council	3,532,260.82
Rushmoor Borough Council	1,942,283.48
Southampton City Council	4,015,536.00
Test Valley Borough Council	3,020,589.60
Winchester City Council	3,051,188.75
<b>Total</b>	<b>39,483,585.09</b>

- 2.9 That in accordance with the set of principles set by the Secretary of State for Communities and Local Government for the year, it is determined that the relevant basic amount of council tax for 2017/18 is not excessive.

### **3 Summary**

- 3.1 At its meeting on 7 September 2016, the Authority received an update of the Medium Term Financial Plan, in which the financial position was laid out and the need to continue increasing the precept for the next few years was explained in order to avoid further reductions to service over the years to 2019/20.
- 3.2 Billing authorities have now confirmed their final tax bases and their surplus/deficits on the council tax collection fund, their business rates position, the position on the business rates collection fund and their section 31 grant funding which will be provided for business rates relief. Overall funding from these sources has had a positive impact on the budget position of the authority in 2017/18.
- 3.3 Efficiency and savings plans are continuing, with significant savings being included in the 2017/18 budget. As savings plans have been put in place earlier than required, it has been possible to include a one-off contribution to the transformation reserve within the 2017/18 budget.

### **4 The current year 2016/17**

- 4.1 The latest budget monitoring position reported to F&GP forecasts that there will be an underspend of £1.8m in 2016/17. It was agreed at the F&GP Committee that this underspend would be transferred to the transformation reserve at year end.

### **5 Changes to the medium term position**

- 5.1 A number of changes have been made to the medium term position presented to the Authority on 7 September 2016. Following the receipt of information from Government and District and Unitary Councils the 2017/18 budget position is more favourable than previously anticipated and has now been balanced in line with the accepted financial strategy.
- 5.2 The table below summarises the changes to the estimates made to the MTFP figures, since the report to the Full Authority in September 2016 and sets out the proposal to balance the 2017/18 budget.

<b>Total predicted 2017/18 deficit reported to Full Authority in September 2016:</b>	£000's
	<b>909</b>
Changes in assumptions:	
Reduction in inflation	-199
Increase in Revenue Contribution to Capital	144
Reduction in base budget cost	-67
Changes to pension costs	-560
	<hr/> <b>-682</b>
Savings:	
Increase in 2017/18 Efficiencies	-687
	<hr/> <b>-687</b>
Funding Changes:	
Higher increase in Council Tax Base than expected	-693
Increase in Business Rates Top-Up Grant	-297
Decrease in Locally Retained Business Rates	151
Increase in S31 Grant	-204
Contribution from surplus on collection funds	-563
	<hr/> <b>-1,606</b>
Recommended use of extra income (in line with financial strategy):	
Contribution to the Transformation Reserve	2,066
	<hr/> <b>0</b>
<b>Projected 2017/18 surplus / deficit</b>	<hr/> <b>0</b>

### **Council tax collection fund and tax base**

- 5.3 Final figures from the billing authorities have confirmed the tax base has increased from last financial year by 1.80%, which is a favourable position since this generates extra council tax revenue on an on going basis.
- 5.4 The referendum limit has been set by Government at 2% for 2017/18, which means any precept increases must be below that level. Due to the technical way in which the bandings are calculated based on the Band D figure, a 1.99% increase in Band D would create increases of over 2% for some bandings. The recommendation is therefore to increase the Band D precept by 1.98%, which ensures that all bands remain below the referendum limit.
- 5.5 Final figures from the billing authorities on their council tax collection fund surpluses/deficits for years prior to 2017/18 confirm a surplus of £562,677 allocated to the Authority. This is a one-off sum and will only be of benefit in the financial year 2017/18.

## Business rates retention scheme

- 5.6 The Authority receives a top up grant in respect of business rates from the Government, together with a proportion of retained business rates collected by District and Unitary councils in the County. Furthermore, following reliefs and business rate caps introduced by the Government, Section 31 grant is paid to the authority for lost business rate income it would otherwise have earned.
- 5.7 As per of the four year settlement offered by the Government a top up grant of £6,776,776 was expected. The actual top up grant announced is £7,074,068, which is £297,292 higher than expected and is due to the business rates re-valuation which has taken place this year.
- 5.8 Initially this year's retained business rate figure was assumed to be last year's figure inflated by 1.00%. This would have given the authority a £6,909,600 share of business rates. Billing authorities have now confirmed the authority's share of business rates will be £6,758,294. This is a decrease of £151,306 against forecast, which will have an ongoing effect on the revenue budget.
- 5.9 However, section 31 grant amounting to £207,782 will be provided in compensation for the 2% cap, and £228,487 will be provided for other business rates relief schemes. This is significantly higher than anticipated.
- 5.10 The billing authorities have now confirmed that there is a surplus on their business rates collection fund and the authority's share will be £206 in 2017/18. This will be a one off benefit to the Authority in 2017/18, in the same way that the council tax collection fund operates.

## 6 Budget requirement 2017/18

- 6.1 This table summarises the adjustments to the medium term financial position over the forthcoming financial year:

	<b>2017/18</b>
	<b>£000</b>
<b>Approved 2016/17 Budget</b>	<b>64,993</b>
Less 2016/17 one-off contribution to capital reserve	-1,981
<b>Adjustments:</b>	
Inflation provision 2017/18	771
Other minor adjustments and budget pressures	333
2017/18 Efficiencies	-2,749
Increase in revenue contributions to capital	573
Apprenticeship Levy	225
Increase in pension contributions	444
Other pension changes	-612
Interest and statutory provision for debt repayment	12
Contribution to the Transformation Reserve	2,066
<b>Estimate of draft budget requirement 2017/18</b>	<b>64,075</b>

Appendix A sets out the base budget calculation in more detail and Appendix B outlines the base budget for 2017/18 by both cost type and function.

- 6.2 The format in which the budget is presented has changed slightly from previous years. This is in order to align it with the new accounting guidelines and to help link the budget to the final accounts at year end. All internal accounting entries have been removed from the budget figures and some of the grant income has been re-categorised. The 2016/17 Original Budget has been re-stated in the new format so that it can be accurately compared to the 2017/18 Proposed Budget.
- 6.3 Phase 2 and Phase 3 of the efficiency programmes are now underway and are expected to achieve £11.089m by 2019/20. £2.749m has been removed from the 2017/18 budget and a summary of the plan is shown at Appendix D of this report.
- 6.4 The Transformation Reserve is being used to fund significant pieces of work to enable the efficiencies programmes. These have not been included within the budget and the funding will be transferred to cover the spend as required.

### Government Grant

- 6.5 The following table sets out the headline grant position for the Authority:

	<b>2016/17</b>
	<b>£000</b>
<b>Sources of income</b>	
Revenue Support Grant (now includes all CTFG's)	9,634
Other Non-Specific Grant	562
Retained business rates	6,758
Business rates top up grant (including 11/12 BRFG)	7,074
Collection fund surplus / (deficit)	563
Council tax	39,484
<b>TOTAL INCOME</b>	<b>64,075</b>
Budget	64,075
<b>TOTAL SURPLUS (+) / DEFICIT (-)</b>	<b>0</b>

- 6.6 The proposal to increase council tax in this report is in line with our own planning assumptions within the MTFP and is consistent with the Government's assumptions in setting the grant levels. For the lowest cost District Councils and Police Forces, higher levels of increase have been authorised by the Government, if agreed locally, but this does not apply to Fire Authorities.
- 6.7 The figures in the report therefore assume that the Authority will increase the precept by 1.98%.



## **7 Level of reserves and general balance**

### **General balance**

- 7.1 Last year a detailed exercise was carried out to risk assess the level of general balance that the Authority should hold. There has been a review again this year and it is considered that there is no requirement to alter the level of general balance and it is therefore recommend that the balance remain at £2.5m.

### **Specific reserves**

- 7.2 The Authority also has specific reserves to provide for future spending. These are:
- 'Transformation Reserve'. This is used to help generate savings, deliver value for money improvements and to 'pump-prime' environmental improvement initiatives. There are currently plans to spend £1.361m of this reserve during 2017/18. These have not been built into the revenue budget.
  - 'Capital Payments Reserve'. This provides an essential resource for the capital programme and helps to reduce the need for borrowing. This will put the Authority in a more secure position as government funding for capital is now on a 'bids' basis and therefore the Authority may not always be successful in bidding for these funds.
  - 'Revenue Grants Reserve'. This reserve holds grants that have been awarded to the authority for specific projects or programmes of work that may fall across more than one financial year.
- 7.3 Details of the expected balance on each of the specific reserves and the general balance over the period 2016/17 to 2019/20 are set out in Appendix C.

## **8 Capital programme and financing**

- 8.1 The proposed capital programme from 2017/18 is set out at Appendix E and the proposed financing of this can be found at Appendix F.
- 8.2 The Vehicle Replacement Programme (VRP) has been updated to reflect changing needs following the Service Delivery Redesign (SDR) programme. This was approved by Finance & General Purposes Committee at the November meeting and has been incorporated into the overall capital programme.
- 8.3 During 2015/16 and into 2016/17, work has been undertaken to transform the Eastleigh Headquarters site into a joint strategic headquarters with Hampshire Constabulary. The final phase of this work is due to take place during 2017/18, with the addition of the conference facility and command suite.

- 8.4 As from 2015/16 central government has withdrawn the fixed capital grant for Fire & Rescue Authorities (FRA) over the longer term the Authority will be required to finance their regular capital programme from the revenue budget to avoid the need to borrow. However, with reducing revenue grants from central government this poses a challenge.
- 8.5 In the past the Authority has maintained a regular capital programme of £3.5m for vehicles and around £0.5m for buildings per year. In recent years additional contributions from revenue have been made to the Capital Payments Reserve and through in year revenue contributions to capital, increasing the amount available for the capital programme and avoiding the need to borrow.
- 8.6 An expected outcome of the Service Delivery Redesign will be to reduce the standard capital programme in order to prolong the availability of the capital payments reserve and provide more time to try and accommodate the regular capital programme within the Authority's revenue resources
- 8.7 There has previously been no standard policy on which sources of capital funding should be used on any specific capital works. Therefore, at its meeting on 1<sup>st</sup> February, the F&GP Committee approved the following policy:

The capital programme will be funded using the most appropriate capital resources depending on the resources available at the time. Generally resources will be used in the following order:

1. Partner contributions – scheme specific
2. Capital Grant – these are all S31 grants – only condition is they should be used for the same purpose a capital receipt should be used for. However as some of the capital grants relate to Transformation grant bids we are using these for the specific Transformation schemes (Estates Transformation (ET) and SD Transformation) where possible.
3. Capital receipts
4. RCCO – budgeted or use of reserves other than CPR
5. Capital Payments Reserve (CPR)
6. Loan - last resort

Where possible the same funding source will be used for a scheme but this will not always be possible so there may be a mix of funding (e.g. RCCO and Capital Fund)

If there is slippage in the programme it may mean that how a scheme is funded changes during the course of the year or over the life of the scheme.

## **9 Treasury Management**

- 9.1 Attached as Appendix G is the Treasury Management Strategy Statement and Investment Strategy which requires approval on an annual basis. This document includes the Prudential Indicators and statement on Minimum Revenue Provision.
- 9.2 The Treasury Management Strategy and Investment Strategy for 2017/18 follow a similar format and have a similar content to previous years.

- 9.3 The report recommends that the following be approved:
- Treasury Management Strategy and Annual Investment Strategy for 2017/18, (and the remainder of 2016/17) including:
    - Prudential Indicators for 2017/18, 2018/19 and 2019/20 – Annex C
    - Minimum Revenue Provision (MRP) Statement – Annex D
  - That authority is delegated to the Treasurer to manage the Fire & Rescue Authority's investments according to the risk assessment process in the Investment Strategy as appropriate.

## **10 Supporting our corporate aims and objectives**

- 10.1 The draft budget and future spending plans underpin the HFRA service plan for the medium term. The budgets proposed will allow the Service Plan priorities to be addressed over the coming years.
- 10.2 The Service will implement the phase 2 savings over the coming years and has begun formulating proposals for phase 3 efficiency savings, building on the work to date of the Safer Stronger Board. The Risk Review, a fundamental examination of the way operational services are provided, is currently being progressed and has been challenged with coming up with savings proposals that will form a major element of meeting the budget deficit.

## **11 Risk analysis**

- 11.1 The Authority has an established process for planning ahead to meet financial targets. This has helped considerably in managing the reductions in Government grant as set out in this report.
- 11.2 The current savings programme has progressed according to plan but development and implementation of a new savings programme will need to be kept under review over the coming years.
- 11.3 There continues to be a real risk of a budget deficit in future years which will require reductions across the Service and increases in council tax. The Service has begun early planning to identify how a shortfall could be overcome, including examining other potential income sources. However, as a backstop position, the Authority has sufficient reserves to meet the gap thereby mitigating this risk.

## **12 People impact assessment**

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

## **13 Consultation**

- 13.1 The Authority undertook a major consultation process during 2015 that sought residents and stakeholders' views about the proposed changes arising from the Risk Review as well as other issues around budgets and council tax levels. The most relevant point to note for this report is that the majority of respondents were happy to see a rise in council tax in order to protect services provided by the Authority.
- 13.2 A consultation document on the 2017/18 budget proposals was provided to the business community via existing networks, but to date no feedback or comments have been received.
- 13.3 A consultation meeting with the Representative Bodies is scheduled for 13/02/2017 and any feedback or comments will be reported verbally to the Authority.

## **14 Background papers**

- 14.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

None.

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.

### **List of Appendices**

Appendix A	Calculation of the base budget
Appendix B	Outline of the revenue budget 2017/18
Appendix C	Level of specific reserves and general balance 2016/17 to 2019/20
Appendix D	Phase 2 & 3 efficiency savings programme
Appendix E	Proposed capital programme 2017/18 to 2019/20
Appendix F	Financing of capital programme
Appendix G	Treasury Management Strategy Statement

## Calculation of the draft budget

### Summary of changes in the base budget

	£000
Original budget requirement 2016/17	64,993
Less ceasing contribution to the capital payments reserve	-1,981
<b>Adjustments:</b>	
Provision for inflation for 2017/18	771
2017/18 of efficiency savings	-2,749
Increase in revenue contributions to capital	573
Apprenticeship Levy	225
Increase in pension contributions	444
Other pension changes	-612
Other minor adjustments / budget pressures	333
Interest and statutory provision for debt repayment	12
Contribution to the Transformation Reserve	2,066
Draft Budget 2017/18	64,075

## 1 Contributions to reserves

- 1.1 Contributions to and from reserves are shown in Appendix C of the main report.
- 1.2 The contribution to the Transformation Reserves of £2.066m shown in the reconciliation above is the surplus available within the revenue budget. It is proposed that this amount be transferred to the Transformation Reserve in order to increase the funding available for future one off projects.

## **2 Full year effect of grey book pay award**

- 2.1 The original budget has been increased to reflect the full year effect of the grey book pay award made in July 2016.

## **3 Provision for future inflation**

- 3.1 The provision for inflation for 2017/18 has been calculated based on 1.5% for fire-fighters and 1% for support staff pay awards for whom a two year pay award has already been agreed. In addition to this, 2.0% has been included for pension payments that the Authority is still liable for and 2% for non pay costs with the exception of the fixed contribution to the LGPS which has increased by 8.8%, waste 8%, vehicle fuel 5% and utilities.

## **4 Interest and provision for statutory debt repayment cost**

- 4.1 Interest payable to the Public Works Loans Board remains unchanged for 2017/18 at £393,000.
- 4.2 Interest received on cash balances and short-term investments is expected to remain at 2016/17 levels for 2017/18. This will provide £248,000 of income.
- 4.3 The provision for debt repayment is expected to increase slightly for 2017/18 from £504,000 to £516,000.
- 4.4 Interest on finance lease payments is expected to reduce by £56,000, due to a number of leases expiring, in some case these vehicles have been purchased at preferential rates.
- 4.5 Revenue contributions to capital have increased by £574,000. This is to try and increase the capital payments reserve and finance the general capital programme from within revenue resources, now that no capital grant is received.

## **5 Apprenticeship Levy**

- 5.1 As of April 2017, the Government will introduce a levy on all organisations with a pay bill in excess of £3m. The levy will be 0.5% of the pay bill, which equates to £225,000. This was included in the MTFP figures in Sept 2016 and is now built into the base budget for 2017/18.

## **6 HFRA pension costs**

- 6.1 The employer's contributions are expected to increase for 2017/18 and future years, as well as the lump sum past years contribution for the LGPS scheme. Therefore an increase of £0.444m has been included within the 2017/18 budget.
- 6.2 A higher number of firefighters transferred to the new scheme than expected, which has a lower cost to the service. This has resulted in a reduction in cost of £0.7m, which more than offsets the increase in

contribution costs.

- 6.3 Further increases to budget of £88,000 have also been made due to changes within the pension schemes.

## **7 Council tax freeze grants**

All Council Tax Freeze Grants have now been incorporated into the base Revenue Support Grant.

## **8 Savings**

- 8.1 £2.749m represents a number of efficiency projects currently underway within the Authority. Appendix D details the savings included within the 2017/18 budget and those expected for future years.

This page is intentionally left blank



## Outline Budget 2017/18 - Subjective

2016/17 Original Budget		2016/17 Revised Budget	2017/18 Forward Budget
31,212	Whole Time Firefighters	33,684	29,985
6,225	Retained Firefighters	6,453	6,447
8,469	Staff	9,668	8,715
991	Net cost of pensions	991	1,079
593	Employers LGPS contribution re pension deficit	593	697
754	Other Employee Costs	945	656
<b>48,244</b>		<b>52,334</b>	<b>47,579</b>
4,556	Premises	4,217	4,135
1,643	Transport	1,903	1,468
8,363	Supplies & Services	10,270	7,769
12	Support Services	12	12
<b>62,818</b>		<b>68,736</b>	<b>60,963</b>
-1,705	Income	-2,122	-2,066
-1,660	Specific Grant	-1,660	-1,257
<b>59,453</b>		<b>64,954</b>	<b>57,640</b>
2,019	Revenue contributions to capital	2,131	2,592
0	Revenue contributions to capital funded from reserves	2,292	0
1,003	Contingency	23	1,078
348	Service Improvement Plan	0	0
<b>62,822</b>	<b>Net Cost of Service</b>	<b>69,400</b>	<b>61,310</b>
229	Interest payable / (receivable)	239	183
504	Provision for debt repayment	504	516
1,437	Contribution to / (from) reserves	-5,150	2,066
<b>64,993</b>	<b>Budget Requirement</b>	<b>64,993</b>	<b>64,075</b>
<b>Funded By:</b>			
-38,032	Precept	-38,032	-39,484
-12,526	Revenue Support Grant	-12,526	-9,634
-430	Other Non-Specific grants	-430	-562
-6,646	Business Rates Top-Up Grant	-6,646	-7,074
-6,841	Locally Retained Business Rates	-6,841	-6,758
-599	CT Collection Fund Balance	-599	-563
81	BR Collection Fund Balance	81	0
<b>-64,993</b>		<b>-64,993</b>	<b>-64,075</b>
<b>0</b>	<b>Funding Gap / (Surplus)</b>	<b>0</b>	<b>0</b>

**Outline Budget 2017/18 - Objective**

<b>2016/17 Original Budget</b>		<b>2016/17 Revised Budget</b>	<b>2017/18 Forward Budget</b>
49,435	Community Response	52,657	48,508
110	Community Resilience	114	73
5,477	Community Safety	5,424	5,065
4,790	Professional Services	7,194	3,887
991	Net cost of pensions	991	1,079
593	Employers LGPS contribution re pension deficit	593	697
-1,942	Other	-2,019	-1,669
<b>59,453</b>		<b>64,954</b>	<b>57,640</b>
2,019	Revenue contributions to capital	2,131	2,592
0	Revenue contributions to capital funded from reserves	2,292	0
1,003	Contingency	23	1,078
348	Service Improvement Plan	0	0
<b>62,822</b>	<b>Net Cost of Service</b>	<b>69,400</b>	<b>61,310</b>
229	Interest payable / (receivable)	239	183
504	Provision for debt repayment	504	516
1,437	Contribution to / (from) reserves	-5,150	2,066
<b>64,993</b>	<b>Budget Requirement</b>	<b>64,993</b>	<b>64,075</b>
<b>Funded By:</b>			
-38,032	Precept	-38,032	-39,484
-12,526	Revenue Support Grant	-12,526	-9,634
-430	Other Non-Specific grants	-430	-562
-6,646	Business Rates Top-Up Grant	-6,646	-7,074
-6,841	Locally Retained Business Rates	-6,841	-6,758
-599	CT Collection Fund Balance	-599	-563
81	BR Collection Fund Balance	81	0
<b>-64,993</b>		<b>-64,993</b>	<b>-64,075</b>
<b>0</b>	<b>Funding Gap / (Surplus)</b>	<b>0</b>	<b>0</b>

Specific reserves and general balance 2016/17 to 2019/20

	Transformation Reserve	Capital Payments	Earmarked Underspendings	Revenue Grants	Capital Grants	Capital Receipts	General Balance	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Actual balance 31.3.16</b>	<b>-8,767</b>	<b>-23,590</b>	<b>-107</b>	<b>-430</b>	<b>-1,759</b>	<b>-2,914</b>	<b>-2,500</b>	<b>-40,067</b>
budgeted addition in year	-1,823	-1,981				-150		-3,954
Used in year	7,283	5,162	67	192	1,759	3,064		17,527
<b>Estimated balance 31.3.17</b>	<b>-3,307</b>	<b>-20,409</b>	<b>-40</b>	<b>-238</b>	<b>0</b>	<b>0</b>	<b>-2,500</b>	<b>-26,494</b>
budgeted addition in year						-1,350		-1,350
Used in year	1,361	11,883		120		1,350		14,714
<b>Estimated balance 31.3.18</b>	<b>-1,946</b>	<b>-8,526</b>	<b>-40</b>	<b>-118</b>	<b>0</b>	<b>0</b>	<b>-2,500</b>	<b>-13,130</b>
budgeted addition in year								0
Used in year	711	1,816						2,527
<b>Estimated balance 31.3.19</b>	<b>-1,235</b>	<b>-6,710</b>	<b>-40</b>	<b>-118</b>	<b>0</b>	<b>0</b>	<b>-2,500</b>	<b>-10,603</b>
budgeted addition in year								0
Used in year								0
<b>Estimated balance 31.3.20</b>	<b>-1,235</b>	<b>-6,710</b>	<b>-40</b>	<b>-118</b>	<b>0</b>	<b>0</b>	<b>-2,500</b>	<b>-10,603</b>

This page is intentionally left blank

	Efficiency Plan Target	Pre 2017/18 Budget Reduction	2017/18 Budget Reduction	Future Year Savings	Total Saving
<i>Phase 2 Savings</i>					
Budget Reviews	2,542	2,542	0	0	2,542
Carbon Management (Solar PV)	124	124	0	0	124
Shared Services Partnerships	86	86	0	0	86
Network Fire Control Systems	140	140	0	0	140
Provided Vehicles	80	50	105	0	155
Contribution from Wholly Owned Company	100	50	50	0	100
Estate Transformation including Police & fire HQ	550	417	117	16	550
Professional Services Redesign	1,093	624	474	0	1,098
Training	296	0	85	211	296
Risk Review / SD Redesign	4,100	0	1,003	3,097	4,100
Shared Management with Isle of Wight	201	103	110	0	213
Reduction in requirement for RDS Pension Scheme	880	880		0	880
<b>Total Phase 2 Savings</b>	<b>10,192</b>	<b>5,016</b>	<b>1,944</b>	<b>3,324</b>	<b>10,284</b>
<i>Phase 3 Savings</i>					
ICT Transformation	0	0	805	0	805
<b>Total Phase 3 Savings</b>	<b>0</b>	<b>0</b>	<b>805</b>	<b>0</b>	<b>805</b>
<b>Total Savings</b>	<b>10,192</b>	<b>5,016</b>	<b>2,749</b>	<b>3,324</b>	<b>11,089</b>

This page is intentionally left blank

## Proposed capital programme 2017/18 to 2019/20

Scheme	Total	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
<b>2017/18 starts</b>				
Vehicles:				
1 Water/foam carrier	}			
2 Enhanced capability appliances	}			
5 Intermediate capability appliances	}			
6 First response appliances	}			
Incident command unit	}			
Safe and Well (KS2 Education) vehicle	}			
4 Canine support vehicles	}	5,480	5,480	
1 light off-road vehicle	}			
1 Heavy off road vehicle	}			
1 Command support unit	}			
12 GP van	}			
2 4x4 pick up (FIU)	}			
13 crew car/van	}			
Retained station replacement programme - Accumulated annual allocations 2014/15 to 2017/18		1,715	1,715	
<b>2018/19 starts</b>				
Vehicles:				
2 Enhanced capability appliances	}			
5 Intermediate capability appliances	}			
6 First response appliances	}			
3 Light off-road vehicles	}			
1 General Purpose Van	}	4,022	4,022	
8 Crew car/van	}			
A/T Fork Lift	}			
Retained station replacement programme		450	450	
<b>2019/20 starts</b>				
Vehicles:				
2 Enhanced capability appliances	}			
5 Intermediate capability appliances	}			
6 First response appliances	}			
3 GP vans	}	2,471		2,471
1 Pick-up (4x4)	}			
6 Crew cars / vans	}			
Retained station replacement programme		450		450
		<b>14,588</b>	<b>7,195</b>	<b>4,472</b>
				<b>2,921</b>

This page is intentionally left blank



## Financing of existing &amp; proposed capital programme

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Payments: existing commitments	15,523	8,750	129	0	24,402
Payments - proposed programme 2017/18 - 2019/20 starts		7,195	4,472	2,921	14,588
<b>Total payments</b>	<b>15,523</b>	<b>15,945</b>	<b>4,601</b>	<b>2,921</b>	<b>38,990</b>
Financed by:					
Revenue Contributions	4,423	2,592	2,785	2,921	12,721
Capital grant / transformation grant	1,758	0	0		1,758
Capital payments reserve	5,162	11,883	1,816		18,861
Revenue grant unapplied reserve		120			120
Capital receipts	3,064	1,350			4,414
Partner contributions	1,116	0			1,116
<b>Total financing</b>	<b>15,523</b>	<b>15,945</b>	<b>4,601</b>	<b>2,921</b>	<b>38,990</b>

This page is intentionally left blank

## Treasury Management Strategy and Investment Strategy 2017/18 to 2019/20

### 1. Summary

- 1.1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also includes the Annual Investment Strategy that is a requirement of the Department for Communities and Local Government's (DCLG) Investment Guidance.
- 1.2. As per the requirements of the Prudential Code, Hampshire Fire and Rescue Authority adopted the CIPFA Treasury Management Code at its meeting in February 2012. This report fulfils the Fire & Rescue Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DCLG Guidance.
- 1.3. The purpose of this TMSS is, therefore, to approve:
  - Treasury Management Strategy for 2017/18
  - Annual Investment Strategy for 2017/18
  - Prudential Indicators for 2017/18, 2018/19 and 2019/20 shown in Annex C
  - Minimum Revenue Provision (MRP) Statement shown in Annex D
- 1.4. The Fire and Rescue Authority has potentially large exposures to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Fire & Rescue Authority's treasury management strategy.
- 1.5. **This Report recommends the following be approved:**
  - **Treasury Management Strategy and Annual Investment Strategy for 2017/18, (and the remainder of 2016/17) including:**
    - **Prudential Indicators for 2017/18, 2018/19 and 2019/20 – Annex C**
    - **Minimum Revenue Provision (MRP) Statement – Annex D**
  - **That authority is delegated to the Treasurer to manage the Fire & Rescue Authority's investments according to the risk assessment process in the Investment Strategy as appropriate.**

### 2. Introduction

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

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

### **3. External Context**

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

#### **Economic background**

- 3.2. The major external influence on the Fire & Rescue Authority's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.
- 3.3. The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.
- 3.4. Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

#### **Credit outlook**

- 3.5. Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Fire & Rescue Authority; returns from cash deposits however continue to fall.

### Interest rate forecast

- 3.6. The Fire & Rescue Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18. The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. A negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.
- 3.7. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.

### 4. Balance Sheet Summary and Forecast

- 4.1. On 30<sup>th</sup> November 2016, the Fire & Rescue Authority held £8.4m of borrowing and £34.2m of investments. This is set out in further detail at Annex B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below.

**Table 1: Balance Sheet Summary and Forecast**

	31/03/16 Actual £m	31/03/17 Estimate £m	31/03/18 Forecast £m	31/03/19 Forecast £m	31/03/20 Forecast £m
Capital Funding Requirement	12.8	12.2	11.7	11.2	10.8
Less: External borrowing					
- Public Works Loan Board	(8.4)	(8.4)	(8.4)	(8.4)	(8.3)
<b>Internal (over) borrowing</b>	<b>4.4</b>	<b>3.8</b>	<b>3.3</b>	<b>2.8</b>	<b>2.5</b>
Less: Working capital	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Less: Usable reserves	(37.2)	(26.5)	(13.1)	(10.6)	(10.6)
<b>New borrowing or (investments)</b>	<b>(34.4)</b>	<b>(24.3)</b>	<b>(11.4)</b>	<b>(9.4)</b>	<b>(9.7)</b>

- 4.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Fire & Rescue Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 4.3. The capital funding requirement is predominantly for major building works, including Basingstoke Fire Station and Strategic Headquarters. There is an on-going requirement for vehicles and other equipment that will need to be replaced over the coming years. Reserves will mainly be used to fund the Transformation programme, particularly Service Delivery Redesign.
- 4.4. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Fire & Rescue Authority's total debt should be lower than its highest

forecast CFR over the next three years. Table 1 shows that the Fire & Rescue Authority expects to comply with this recommendation during 2017/18.

## **5. Borrowing Strategy**

- 5.1. The Fire & Rescue Authority currently holds £8.4 million of loans, which represents no change since the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that the Fire & Rescue Authority does not expect to need to borrow in 2017/18. The Fire & Rescue Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £17.1 million.

### **Objectives**

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

### **Strategy**

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

### **Sources**

- 5.6. The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB) and any successor body
  - UK local authorities
  - any institution approved for investments (see below)
  - any other bank or building society authorised to operate in the UK
  - UK public and private sector pension funds (except Hampshire Pension Fund)

- capital market bond investors
  - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- 5.7. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- operating and finance leases
  - hire purchase
  - Private Finance Initiative
  - sale and leaseback
- 5.8. The Fire & Rescue Authority has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

#### **Short-term and Variable Rate loans**

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

#### **Debt Rescheduling**

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

### **6. Investment Strategy**

- 6.1. The Fire & Rescue Authority holds invested funds representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Fire & Rescue Authority's investment balance has ranged between £31.4 and £42.8 million, however it is planned that balances will fall significantly between now and 31 March 2018 as shown in Table 1.

#### **Objectives**

- 6.2. Both the CIPFA Code and the DCLG Guidance require the Fire & Rescue Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Fire & Rescue Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

#### **Negative Interest Rates**

- 6.3. If the UK enters into a recession in 2017/18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment

options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

### Strategy

- 6.4. Given the increasing risk and falling returns from short-term unsecured bank investments, the Fire & Rescue Authority aims to further diversify into more secure and/or higher yielding asset classes during 2017/18. This is especially the case for the estimated £15m that is available for longer-term investment. Approximately 77% (increased from 48% last year) of the Fire & Rescue Authority's surplus cash is invested so that it is not subject to bail-in risk, as it is invested in local authorities, supranational banks, corporate bonds, pooled property and equity funds, and secured bank bonds. Whilst the remaining cash is subject to bail-in risk, 62% of this balance is held in overnight money market funds which are subject to a reduced risk of bail-in, and the remaining 38% is held in short-term notice accounts which produce a significant return commensurate with the bail-in risk. Further detail is provided at Annex B. This diversification will represent a continuation of the new strategy adopted in 2015/16.

### Investment Limits

- 6.5. Given the impact of the Bank Reform Act, Bank Recovery and Resolution Directive, and the recast Deposit Guarantee Schemes Directive, which have increased the credit risk that unsecured bank investments could be 'bailed-in', the following investment limits are proposed to mitigate the risk whilst allowing sufficient flexibility to manage the Fire & Rescue Authority's investment balances.

**Table 2: Investment Limits**

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£5m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£5m per manager
Registered Providers	£6m in total
Money Market Funds	50% in total

### Approved Counterparties

- 6.6. The Fire & Rescue Authority may invest its surplus funds with any of the counterparty types in Table 3 below, subject to the cash limits (per counterparty) and the time limits shown.



**Table 3: Approved Investment Counterparties and Limits**

<b>Credit Rating</b>	<b>Banks Unsecured</b>	<b>Banks Secured</b>	<b>Government</b>	<b>Corporates</b>	<b>Registered Providers Unsecured</b>	<b>Registered Providers Secured</b>
UK Govt	n/a	n/a	£ Unlimited 30 years	n/a	n/a	n/a
AAA	£3m 5 years	£5m 20 years	£5m 30 years	£3m 20 years	£3m 20 years	£3m 20 years
AA+	£3m 5 years	£5m 10 years	£5m 25 years	£3m 10 years	£3m 10 years	£3m 10 years
AA	£3m 4 years	£5m 5 years	£5m 15 years	£3m 5 years	£3m 10 years	£3m 10 years
AA-	£3m 3 years	£5m 4 years	£5m 10 years	£3m 4 years	£3m 10 years	£3m 10 years
A+	£3m 2 years	£5m 3 years	£3m 5 years	£3m 3 years	£3m 5 years	£3m 5 years
A	£3m 13 months	£5m 2 years	£3m 5 years	£3m 2 years	£3m 5 years	£3m 5 years
A-	£3m 6 months	£5m 13 months	£3m 5 years	£3m 13 months	£3m 5 years	£3m 25 years
BBB+	£1.5m 100 days	£3m 6 months	£1.5m 2 years	£1.5m 6 months	£1.5m 2 years	£1.5m 2 years
None	£1m 6 months	n/a	£3m 25 years	n/a	£3m 5 years	£3m 5 years
<b>Pooled funds</b>	£5m per fund					

6.7. This table must be read in conjunction with the notes below

**Credit Rating**

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

**Banks Unsecured**

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

### **Banks Secured**

- 6.10. Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

### **Government**

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

### **Corporates**

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

### **Registered Providers**

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

### **Pooled Funds**

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

## **Risk Assessment and Credit Ratings**

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

## **Other Information on the Security of Investments**

- 6.18. The Fire & Rescue Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 6.19. Based on the available information and the advice of the Fire & Rescue Authority's advisers, Arlingclose, the Treasurer may reduce the investment limits shown in Tables 2 & 3, and suspend investing with certain counterparties as necessary.
- 6.20. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Fire & Rescue Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

## **Specified Investments**

- 6.21. The DCLG Guidance defines specified investments as those:
- denominated in pound sterling,
  - due to be repaid within 12 months of arrangement,
  - not defined as capital expenditure by legislation, and
  - invested with one of:
    - the UK Government,

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

#### **Non-specified Investments**

- 6.23. Any investment not meeting the definition of a specified investment is classed as non-specified. The Fire & Rescue Authority does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to long-term investments, (i.e. those that are due to mature 12 months or longer from the date of arrangement), pooled funds that the Fire & Rescue Authority intends to hold as long-term investments (for more than one year) and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in Table 4 below.

**Table 4: Non-Specified Investment Limits**

	<b>Cash limit</b>
Total long-term investments	£15m
Total investments without credit ratings or rated below A- (excluding investments with other local authorities)	£15m
Total non-Sterling investments	£0m
Total investments in foreign countries rated below AA+	£0m
Total non-specified investments	£18m*

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

- 6.24. Although the total long-term investments limit is greater than the expected investment balance at 31 March 2018, as shown in Table 1, this limit has been set to allow for current long-term investments to mature, as well as to allow flexibility if capital expenditure is experienced to be slower than forecast.

#### **Liquidity Management**

- 6.25. The Fire & Rescue Authority has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept. Limits on long-term investments are set by reference to the Fire & Rescue Authority’s medium term financial position (summarised in Table 1) and forecast short-term balances.

## 7. Treasury Management Indicators

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

### Interest Rate Exposures

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

**Table 5: Interest Rate Exposures**

	2017/18	2018/19	2019/20
Upper limit on fixed interest rate borrowing exposure	£17.1m	£16.7m	£16.2m
Upper limit on variable interest rate borrowing exposure	£17.1m	£16.7m	£16.2m
Upper limit on fixed interest rate investment exposure	£15m	£15m	£15m
Upper limit on variable interest rate investment exposure	£50m	£50m	£50m

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

### Maturity Structure of Borrowing

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

**Table 6: Maturity Structure of Borrowing**

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

### Principal Sums Invested for Periods Longer than 364 days

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

**Table 7: Principle Sums Invested for Periods Longer than 364 days**

	2017/18	2018/19	2019/20
Limit on principal invested beyond year end	£15m	£15m	£15m

**8. Other Items**

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

**Policy on Use of Financial Derivatives**

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

**Investment Training**

- 8.3. The needs of H3's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
- 8.4. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.
- 8.5. CIPFA's Code of Practice requires that the Fire & Rescue Authority ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Members of the Finance and General Purposes Committee were invited to a workshop presented by Arlingclose on 29 November 2016, which gave an update on treasury matters. A further Arlingclose workshop has been planned for 29 November 2017.

**Investment Advisers**

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

**Investment of Money Borrowed in Advance of Need**

- 8.7. The Fire & Rescue Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Fire & Rescue Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Fire & Rescue Authority's overall management of its treasury risks. The total

amount borrowed will not exceed the authorised borrowing limit of £17.1 million.

## Arlingclose Economic & Interest Rate Forecast November 2016

### Underlying assumptions:

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.
- The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.
- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.
- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.
- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.
- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.
- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.
- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.
- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely.

### Forecast:

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.
- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.



- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.12
<b>Arlingclose Central Case</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>
Downside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.40
<b>3-month LIBID rate</b>														
Upside risk	0.05	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.18
<b>Arlingclose Central Case</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.29</b>
Downside risk	0.20	0.25	0.25	0.25	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.34
<b>1-yr LIBID rate</b>														
Upside risk	0.10	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.23
<b>Arlingclose Central Case</b>	<b>0.60</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.60</b>	<b>0.70</b>	<b>0.85</b>	<b>0.90</b>	<b>0.90</b>	<b>0.90</b>	<b>0.65</b>
Downside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.24
<b>5-yr gilt yield</b>														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.40</b>	<b>0.35</b>	<b>0.35</b>	<b>0.35</b>	<b>0.40</b>	<b>0.40</b>	<b>0.40</b>	<b>0.45</b>	<b>0.50</b>	<b>0.55</b>	<b>0.60</b>	<b>0.65</b>	<b>0.45</b>
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.47
<b>10-yr gilt yield</b>														
Upside risk	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
<b>Arlingclose Central Case</b>	<b>1.15</b>	<b>0.95</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.90</b>	<b>0.95</b>	<b>1.00</b>	<b>1.05</b>	<b>1.10</b>	<b>1.15</b>	<b>0.96</b>
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.47
<b>20-yr gilt yield</b>														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
<b>Arlingclose Central Case</b>	<b>1.70</b>	<b>1.50</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>	<b>1.45</b>	<b>1.50</b>	<b>1.55</b>	<b>1.60</b>	<b>1.65</b>	<b>1.70</b>	<b>1.75</b>
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57
<b>50-yr gilt yield</b>														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
<b>Arlingclose Central Case</b>	<b>1.60</b>	<b>1.40</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.35</b>	<b>1.40</b>	<b>1.45</b>	<b>1.50</b>	<b>1.55</b>	<b>1.60</b>	<b>1.41</b>
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57

## Existing Investment &amp; Debt Portfolio Position at 30 November 2016

Investments Duration to maturity	Overnight	<1 year	>1 year	Total	Average rate/yield	Average life
	£m	£m	£m	£m	%	(years)
<i>Subject to bail-in risk</i>						
Bank notice accounts	0.0	3.0	0.0	3.0	0.75	0.16
Money market funds <sup>1</sup>	4.9	0.0	0.0	4.9	0.33	0.00
	<b>4.9</b>	<b>3.0</b>	<b>0.0</b>	<b>7.9</b>	<b>0.49</b>	<b>0.06</b>
<i>Exempt from bail-in risk</i>						
Covered floating rate notes	0.0	2.4	5.0	7.4	0.74	1.52
Covered fixed bonds	0.0	0.0	1.0	1.0	1.30	1.36
Supranational bonds	0.0	1.0	0.0	1.0	0.61	0.02
Government bonds	0.0	3.4	0.0	3.4	0.72	0.03
Corporate floating rate notes	0.0	0.5	0.0	0.5	0.67	0.19
Corporate fixed bonds	0.0	0.5	0.0	0.5	0.68	0.02
Local authorities	0.0	9.0	0.0	9.0	0.53	0.37
	<b>0.0</b>	<b>16.8</b>	<b>6.0</b>	<b>22.8</b>	<b>0.67</b>	<b>0.71</b>
<i>Targeting higher yields</i>						
Pooled property funds <sup>2</sup>	0.0	0.0	2.0	2.0	4.78	n/a
Pooled equity funds <sup>3</sup>	0.0	0.0	1.5	1.5	2.29	n/a
	<b>0.0</b>	<b>0.0</b>	<b>3.5</b>	<b>3.5</b>	<b>3.71</b>	<b>n/a</b>
<b>Total</b>	<b>4.9</b>	<b>19.8</b>	<b>9.5</b>	<b>34.2</b>	<b>0.94</b>	<b>0.54</b>
				<b>£m</b>	<b>%</b>	
<b>External Borrowing</b>						
PWLB				(8.4)	(4.71)	
<b>Investments</b>						
Total Investments				34.2	0.94	
<b>Net Debt</b>				<b>25.8</b>	<b>(0.28)</b>	

<sup>1</sup> Money market funds have a reduced risk of bail-in due to the portfolio of investments each fund is invested in.

<sup>2</sup> The average rate/yield provided for the pooled property funds is the average income return per annum.

<sup>3</sup> The Fire & Rescue Authority invested in the pooled equity funds part-way through the year, therefore the average rate/yield is the income return for the investment period, annualised.

## Prudential Indicators 2017/18

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

### Estimates of Capital Expenditure

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

<b>Capital Expenditure and Financing</b>	<b>2016/17 Revised £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>
<b>Total Expenditure</b>	<b>15.5</b>	<b>15.9</b>	<b>4.6</b>	<b>2.9</b>
Capital Receipts	3.0	1.3	-	-
Government Grants	1.8	-	-	-
Capital Payments Reserves	5.2	11.9	1.8	-
Revenue Contributions	4.4	2.7	2.8	2.9
Capital Contributions	1.1	-	-	-
<b>Total Financing</b>	<b>15.5</b>	<b>15.9</b>	<b>4.6</b>	<b>2.9</b>

### Estimates of Capital Financing Requirement

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

<b>Capital Financing Requirement</b>	<b>31/03/17 Revised £m</b>	<b>31/03/18 Estimate £m</b>	<b>31/03/19 Estimate £m</b>	<b>31/03/20 Estimate £m</b>
<b>Total CFR</b>	<b>12.2</b>	<b>11.7</b>	<b>11.2</b>	<b>10.8</b>

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

## Gross Debt and the Capital Financing Requirement

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

<b>Debt</b>	<b>31/03/17 Revised £m</b>	<b>31/03/18 Estimate £m</b>	<b>31/03/19 Estimate £m</b>	<b>31/03/20 Estimate £m</b>
Borrowing	8.4	8.4	8.4	8.3
<b>Total Debt</b>	<b>8.4</b>	<b>8.4</b>	<b>8.4</b>	<b>8.3</b>

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

## Operational Boundary for External Debt

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

<b>Operational Boundary</b>	<b>2016/17 Revised £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>
Borrowing	14.9	14.4	14.0	13.5
<b>Total Debt</b>	<b>14.9</b>	<b>14.4</b>	<b>14.0</b>	<b>13.5</b>

## Authorised Limit for External Debt

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

<b>Authorised Limit</b>	<b>2016/17 Limit £m</b>	<b>2017/18 Limit £m</b>	<b>2018/19 Limit £m</b>	<b>2019/20 Limit £m</b>
Borrowing	17.6	17.1	16.7	16.2
<b>Total Debt</b>	<b>17.6</b>	<b>17.1</b>	<b>16.7</b>	<b>16.2</b>

### Ratio of Financing Costs to Net Revenue Stream

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

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2016/17 Revised</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
General Fund	1.09	1.02	0.96	0.93

### Incremental Impact of Capital Investment Decisions

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

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>
General Fund - increase in annual band D Council Tax	4.20	4.32	4.64

### Adoption of the CIPFA Treasury Management Code

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

## Annual Minimum Revenue Provision Statement 2017/18

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

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

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

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

### MRP in 2017/18

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

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

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

Capital expenditure incurred during 2017/18 will not be subject to a MRP charge until 2018/19.

**Hampshire Fire and Rescue Authority**

**Item 10**

**21 February 2017**

**Potential to expand the existing Combined Fire Authority of Hampshire, Portsmouth and Southampton to include the Isle of Wight Fire Authority**

**Report of the Chief Officer**

**Contact: Chief Officer, Dave Curry, [dave.curry@hantsfire.gov.uk](mailto:dave.curry@hantsfire.gov.uk). Telephone; 02380 626834**

## **1 Summary**

- 1.1 The Strategic Partnership between Hampshire Fire and Rescue Authority (HFRA) and the Isle of Wight Council (IWC) to facilitate the operational alignment of the two Services, was agreed by each Authority in April 2015.

This report to the Authority is seeking a mandate for the Chief Officer to create a business case for the Fire Authority's consideration that examines future governance arrangements for the Fire and Rescue Service. The key aspect would be to consider the addition of the Isle of Wight Fire Authority to the existing Combined Fire Authority (CFA) arrangements for Hampshire, Portsmouth and Southampton.

The IWC will consider a mirror report at an Extraordinary Executive meeting scheduled for 21 February 2017 to coincide with this report to the Fire Authority.

## **2 Recommendations**

- 2.1 That HFRA acknowledge the new duty to be placed upon the Fire Services to collaborate with blue light partners as legislated through the Policing and Crime Act 2017.
- 2.2 That HFRA agree to, and subject to the Isle of Wight Council also agreeing, give the Chief Officer the authority to create a business case for the Fire Authority's consideration and to present back to the Authority in December 2017 for further decision.

## **3 Introduction and background**

- 3.1 The Strategic Partnership between Hampshire Fire and Rescue Authority (HFRA) and the Isle of Wight Council (IWC) to facilitate the operational alignment of the two Services, was agreed by each Authority in April 2015 (the original reports are provided as background papers). It has been successfully operating for nearly two years and in that time has delivered benefits to both Authorities, our staff and the communities we serve. It has been successful in achieving financial efficiencies and operating benefits for both partners. In addition to financial savings, both Services have benefitted from this collaboration in other ways, including mutual learning and cross fertilisation of ideas.

- 3.2 This locally led innovation was developed and instigated by the then Chief Fire Officer of the IWFRS in recognition that the Service could not continue to sustain its improvement and efficiency journey without a fundamental change in the way it was led and supported.
- 3.3 The partnership has reduced the cost of the IWFRS and provided cost recovery for HFRA. It has also had the effect of bringing the Services closer together and increasingly they are becoming aligned in the way they deliver services.
- 3.4 Although savings have been created for the IWC, and costs recovered for HRFA, financial pressures continue. It is important that the leadership of the Fire and Rescue Services continue to develop and make proposals that could lead to further service improvements and efficiencies that would benefit the residents of both the Isle of Wight and Hampshire.
- 3.5 Further financial pressure, together with the national desire for more efficient governance models, means that further review and building upon the success of the current strategic partnership is timely. The operational aspects of the two Services are aligning and the organisational benefits are beginning to be realised. The area that is now under consideration is the optimal governance arrangement for the two Authorities.
- 3.6 The Home Office has now taken over responsibility for Fire policy. The Fire Reform agenda introduced to the Fire Sector by the then Home Secretary in May 2016 clearly set out the Home Office's expectations for further collaboration between Emergency Services under three pillars of reform: Accountability and Transparency, Efficiency and Collaboration and Workforce Reform. The current national political climate of the Fire Reform agenda is seen as an important driver for exploring further alignment of the two services.
- 3.7 The Policing and Crime Act 2017 received Royal Assent on 31 January 2017 which means it is now an act of parliament. The Act introduces a high-level duty for emergency services to collaborate where at least two parties believe it would aid efficiency or effectiveness. It also gives powers for Police and Crime Commissioners (PCCs) to become the Fire Authority where a local case is made and agreed.

#### **4 Proposal for the creation of a business case**

- 4.1 If there is agreement by both Authorities to the recommendations within this report, a business case would be developed and presented for consideration to both Fire and Rescue Authorities.
- 4.2 The scope of the business case would include looking at options for change in Governance including the potential benefits and risks of these options and any financial and resource implications.
- 4.3 It is recognised that the creation of an agreed business case, may require an alteration to the current HFRA's Combination Order. This would need to be agreed by the Secretary of State.

#### **5 Principles for the development of a business case**



- 5.1 It is suggested that the following principles are established to guide the development of the business case and provide the options to be examined:
- Consideration of the requirements of the Fire Reform agenda.
  - To maximise efficiencies in order to protect front line services.
  - The creation of further financial efficiencies.
  - Strengthening of existing relationships.
  - To examine options for securing funding for the Services.
  - Consideration of the requirements of Policing and Crime Act 2017.

## **6 Areas for exploration during the creation of a business case**

- 6.1 Both Fire Authorities have a strong track record of collaboration with blue light partners, particularly other FRS's, our Ambulance colleagues and Hampshire Constabulary (HC). This has helped us provide high quality services to make life safer for our communities in Hampshire and on the Isle of Wight. A business case for the Fire Authority's consideration that examines future governance arrangements for the HFRA and IWC would examine the benefits of blue light co-terminosity which can help to further drive our partnership working.
- 6.2 A business case will explore governance options and identify whether we can use shared expertise, innovation and knowledge across an enlarged Combined Fire Authority to gain greater effectiveness and help make our communities safer, whilst providing efficiencies. A business case will explore the identity of both the new Combined Fire Authority and both Services. The uniqueness of the challenges faced by the IWC being an island Authority would be fully appreciated and taken into account during the creation of a business case.
- 6.3 A business case would examine the financial implications of various governance options and potential savings, including exploring an expanded CFA which could provide greater opportunities to take further the financial benefits demonstrated through the strategic partnership.
- 6.4 A key consideration would be to have the PCC represented on a new Combined Fire Authority covering Hampshire and Isle of Wight. A business case would include a review of the legal requirements of a new Combined Fire Authority paying particular attention to the duties contained within the Policing and Crime Act 2017.
- 6.5 In recent months, health organisations and local authorities across Hampshire and the Isle of Wight have been working together to create a Sustainability and Transformation Plan (STP). There are common underlying risk factors which increase demands on both fire and health services. The business case will also explore how co-terminosity with the STP area may enable more effective use of our collective fire service capabilities and resources.
- 6.6 IWC will receive a proposal in March 2017 to carry out a Service Review of the IWFRS. Although the full scope for the review is yet to be agreed. The business case

to examine the expansion of the Fire Authority to include the IWC could compliment the Service Review and assist in facilitating the desired outcomes.

## **7 Timeline**

- 7.1 If agreement is reached by both Authorities to commission a business case, it is expected that a report will be brought back to HFRA and IWC on 5 December 2017.

## **8 Risk analysis**

- 8.1 A full risk analysis will be carried out as part of the business case.

## **9 Equality Impact Assessment**

- 9.1 The creation of a business case will include a full equality impact assessment.

## **10 Resource Implications**

- 10.1 Following agreement to create a business case, a team made up of both Hampshire and Isle of Wight personnel will be established to work together. The aim is for financial resources for this team to be established through existing budgets.

The development of the business case would be highlighted to the Home Office and discussions would be progressed to determine whether any financial support could be offered for any transition/implementation costs should a decision to proceed with a change in governance arrangements be made.

A business case would evaluate in detail the benefits, savings, costs, legal and human resource implications.

- 10.2 An analysis of the resource implications of expanding the CFA will be carried out as part of the business case.

## **11 Environmental and Sustainability impact assessment**

- 11.1 Any environmental and sustainability impacts will be considered within the business case.

## **12 Conclusion**

- 12.1 The Strategic Partnership between HFRA and the IWC has been successfully operating for nearly two years and in that time has seen many benefits.

The move of Fire Policy to the Home Office, the Fire Reform agenda and the changes to legislation as outlined in the Police and Crime Act 2017 lead to the conclusion that it would be timely to build upon the success of the strategic partnership and consider optimal governance arrangements for the two Authorities.

### **Background papers**

Hampshire Fire and Rescue Authority report: 20 February 2015

[Partnership between Hampshire Fire and Rescue Authority and the Isle of Wight Fire and Rescue Authority](#)

Isle of Wight Council report: 21 January 2015

[Isle of Wight Fire and Rescue Service - Strategic Partnership with Hampshire Fire and Rescue Service](#)

This page is intentionally left blank

**At a meeting of the HAMPSHIRE FIRE AND RESCUE AUTHORITY  
PERFORMANCE REVIEW AND SCRUTINY COMMITTEE held at Hampshire Fire  
and Rescue Service Headquarters, Eastleigh  
on 24 January 2017**

The Chairman announced that the press and members of the public were permitted to film and broadcast the meeting. Those remaining at the meeting were consenting to being filmed and recorded, and to the possible use of those images and recording for broadcasting purposes.

**PRESENT:**

Councillors:

p	Ann Briggs	a	Andy Moore
p	Mark Cooper	a	Frank Pearce (Vice Chairman)
p	Jane Frankum	p	David Simpson
p	Jonathan Glen (Chairman)	p	John Wall
p	Frank Jonas		

**107. APOLOGIES**

Apologies were received from Councillors Moore and Pearce.

**108. DECLARATIONS OF INTEREST**

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

No interests were declared under this item.

**109. MINUTES AND MATTERS ARISING**

The Minutes of the previous meeting held on 25 October 2016 were confirmed as a correct record and signed by the Chairman.

**110. DEPUTATIONS**

No deputation requests had been received for this meeting.

**111. CHAIRMAN'S ANNOUNCEMENTS**

The Chairman thanked Committee Members and Officers for their hard work in contributing to the Committee noting this would be the last Performance Review and Scrutiny Committee before the County Council elections in May

2017 and the subsequent implementation of a new governance structure for the Fire Authority.

## 112. PERFORMANCE REPORT

The Committee considered a report from the Chief Officer (Item 6 in the Minute Book), which provided an update on how the Authority performed against its key performance indicators in the financial year 2015/16 (April to March) as set out in Appendix A to the report.

Members were taken through the report and appendix which detailed the key performance indicators of the Service. The Committee's attention was drawn to the number of Fire Casualties and Fire Fatalities and it was heard that a reduction in these had been seen. There had been an 8% reduction in fire casualties compared to the same period last year and this remained low compared to the national and Family Group 4 (FG4) figures. Increasing awareness of the need for smoke alarms could be attributed to have helped this reduction. It was heard that the number of fire fatalities also remained below average compared to national and FG4 figures.

Attention was also drawn to the number of people seriously injured or killed in road traffic collisions (RTCs), with an increase of 12% in the number of people killed in RTCs from October 2015 to September 2016 compared to the previous year. An increase was also seen in people seriously injured in RTCs. An analysis of these figures would be undertaken by the Service's Knowledge Management unit, as well as working with partner agencies to look to reduce this figure. A discussion around road safety ensued and the multi-agency work involved in educating people on this issue was highlighted.

Officers highlighted the increase in the number of special service people rescues which had seen an increase of 13% compared to the previous year. Members heard that changes in public behaviour and their understanding of risk could explain the rising figure, and analysis work with partner agencies was ongoing. The Committee was updated on other Key Performance Indicators such as Building Fires and Response Standards, and in relation to retained/non-retained response time, Officers would look into examining these separately in future.

The Committee thanked Officers for their continuing hard work in analysing Key Performance Indicators.

RESOLVED:

That the Committee reviews the performance report and our progress to date.

**113. HFRS/IWFRS – DDIP (DELIVERING DIFFERENTLY IN PARTNERSHIP) – STRATEGIC PARTNERSHIP**

The Committee considered a report from the Chief Officer (Item 7 in the Minute Book) providing a summary update as to the progress of the Delivering Differently in Partnership implementation project.

The report was introduced to the Committee and the background to the project was outlined. Members noted the progress on some of the project 'products', and it was highlighted that the Strategic Leadership 'product' was now complete. It was confirmed that the Data and Knowledge Management and Fire Control Transfer was progressing and due to be in place by April 2017, and the benefits of this element were highlighted. The Committee noted that other 'products' such as Fleet Management and Health and Safety were on track.

RESOLVED:

That the Performance Review and Scrutiny Committee recognises the progress to date of the Delivering Differently in Partnership implementation project.

**114. UPDATE ON PEER REVIEW ACTION PLAN**

The Committee received a report providing an update on the Peer Review Action Plan (Item 8 in the Minute Book).

Officers outlined the background to the Peer Review Action Plan in relation to the LGA Peer Challenge Review, and the Committee's role in monitoring progress in addressing the findings of the Review. The Committee noted that a visit from two members of the Peer Review team to HFRS would take place on the 25 January 2017 to review progress and Members would be informed of the outcomes of the visit.

Members attention was drawn to Appendix A of the report which detailed the specific actions and the delivery dates for these. Members discussed the issue of Temporary Positions as highlighted in the appendix, and it was heard that the delivery date had been extended to enable a review of Temporary Positions to take place, to be completed by March 2017. The budgetary position relating to temporary positions was outlined and the likely impact of future reductions in the number of temporary promotions was noted.

RESOLVED:

That the Committee notes the progress being made against the Peer Review Action Plan.

**115. BLUE LIGHT COLLABORATION**

The Committee considered a report regarding plans to collaborate with Blue Light Services in Hampshire (Item 9 in the Minute Book).

The report was presented to the Committee, and the background to the report was outlined. Members noted the progress of existing joint working, and how this would be built on at an operational working level. Blue Light collaboration work was highlighted as having a positive impact on helping the most socially isolated and also the most vulnerable people in the community, with both health and fire safety issues.

It was explained that HFRS had established a post of Temporary Assistant Chief Officer to develop the operational structure, and he would report on progress towards the end of the initial six month appointment.

RESOLVED:

That the Committee considers the work and plans for collaboration with the Blue Light services in Hampshire.

That the Committee notes that further updates on collaboration will be presented to HFRA Members via the Activity Report within the agenda of the full Authority meetings.

**116. SERVICE DELIVERY REDESIGN UPDATE**

The Committee considered a report from the Chief Officer (Item 10 in the Minute Book) regarding the progress to date on the Service Delivery Redesign Programme. The report was outlined and it was noted that as a result of the Risk Review Project, changes were being implemented in order to realise the £4.1 million savings by Service Delivery over the next four financial years.

Members noted the implementation of the five 'proof of concept' Intermediate capabilities (IC) on the run across the County, as well as the First Response capability (FRC) on the run at Alton. Members' attention was drawn to paragraph 7.1 of the report which detailed the Cumulative Budget Reductions required up to and including 2020/21.

RESOLVED:

That the Performance Review and Scrutiny Committee note the contents of the report and the progress made to date.



**117. UPDATE ON THE FIRE AS A HEALTH ASSET PROJECT**

The Committee received a report from the Chief Officer updating the Committee on the Fire as a Health Asset project (Item 11 in the Minute Book).

The background to the project was outlined and it was heard that the project aimed to create an operational capability to attend additional medical emergencies and to support the wider Public Health and Wellbeing agenda. Attention was drawn to the addition of Immediate Emergency Care Equipment (IEC) on all vehicles to enable them to additionally attend medical emergencies, as well as IEC training for all frontline Firefighters.

Members noted the ill health prevention work which included identifying risks to older people in relation to their mobility and frailty, as well as emphasising fire safety. The collaborative work with the Clinical Commissioning Groups (CCG's) and Public Health England (PHE) was also outlined. The importance of education was discussed, and officers highlighted positive outcomes of the Safety Through Education Exercise and Resilience (STEER) Courses. It was noted that there was a 24% reduction on falls risk as a result of older persons' attendance on these courses, and GP's were recognising the value of these courses and referring individuals who would benefit.

Members discussed how the various strands of the project could potentially assist in lessening the financial burden on the Health Service in the future, and heard that ongoing work to evaluate this was being undertaken by Professor Rob Crouch from University Hospital Southampton HNS Foundation Trust and PhD students from the University of Southampton.

The Committee thanked Officers for their hard work on the project and agreed that this should be brought to the Authority's attention at the next Full Authority Meeting.

**RESOLVED:**

That the Committee considers and recognises the progress made to date in reference to Fire as a Health Asset and supports the work of the project going forward.

That the Committee **RECOMMENDS** that the Full Authority receive and note the report setting out progress on the Fire as a Health Asset project.

This page is intentionally left blank

**24 January 2017**

**Update on the Fire as a Health Asset project**

**Report by the Chief Officer**

Contact: Area Manager Rob Cole

## **1 Summary**

- 1.1 This report summarises progress of the Fire as a Health Asset work stream and how it has developed. The project aim was two fold. Firstly, to create an operational capability (trained staff alerted with the right equipment and vehicles) to attend additional medical emergencies. Secondly, to broaden the role of the Service's prevention activity to support the wider Public Health and Wellbeing agenda whilst securing funding arrangements to make both areas sustainable.
- 1.2 Our work in both broad areas is now nationally and internationally recognised. This has been achieved through collaboration with our health and social care partners so to be commissioned; we have identified opportunities for medical call types that HFRS can respond to. Achieving these outcomes has brought benefits of effective use of HFRS resources, reduced demand on Health Services, giving huge benefits to society and fire becoming a true Health Asset.

## **2 Recommendations**

- 2.1 That the committee considers and recognises the progress made to date in reference to Fire as a Health Asset and would urge the continued support of the work.

## **3 Introduction and background**

- 3.1 In June 2014 we submitted a bid and were successful for the DCLG Transformation Grant funding of £1.4m to assist in the development of new capabilities in response and prevention with a particular emphasis on new technologies, medical response and a wider public health and well being role.
- 3.2 Work has progressed significantly over the past two years with Hampshire Fire and Rescue being seen as leading the Fire as Health Asset area within Fire and Rescue services and more importantly by our Health colleagues in Hampshire and across the country.
- 3.3 We continue on a full cost recovery, the Co Responding crewing model. We are developing new medical response models in assisting South Central Ambulance Service (SCAS) and the community with fire appliances attending Cardiac Arrest calls and non injury mechanical falls, again with financial recognition attached from SCAS.

3.4 We have gained commissioned work (within the prevention field). We have obtained, in Year 16/17, £56k placed into the transformation fund. We have the commitment of commission work in years 17/18 of £189K to date from Health to deliver the products on prevention. This financial income will be placed back into service transformation fund.

### 3.5 Original aims and objectives

- Use new mobilising technology to instigate new call out arrangements so that we 'alert' the right number of staff, with the right skills to match the emergency call;
- Equip our vehicles to enable them to additionally attend medical emergencies, a continuation of our sector-leading Co-Responder scheme;
- Work with health partners to identify other medical call types, where HFRS can respond;
- Grow our successful fire prevention initiatives, delivering with on call staff, together with a collaborated focus on Health and Wellbeing, to further help reduce demand on health services.

## 4 Progress and Performance (for further detail please see Appendix A)

### 4.1 Medical Response

4.1.1 Building on our success with Co-Responding, we have fully implemented an enhanced medical response capability across all front line personnel and appliances; Immediate Emergency Care (IEC). The IEC aligns equipment (which includes a defibrillator, Entonox, haemorrhage control and monitoring devices), skill base, and clinical governance that ensure an effective model.

4.1.2 The intention is that this capability will include attending confirmed Cardiac Arrest Calls and non-injury Mechanical fall's by front line appliances. This is through a formal agreement with the Ambulance Service with financial recognition built into it, to make it sustainable for HFRS.

4.1.3 Recent conversations with South Central Ambulance Service (SCAS) have been positive, however slow, in progressing the actual mobilising of appliances. It is planned to trial both types of new response using our red fleet commencing in January 2017. This will allow for a new Medical Response MOU to take shape and be put in place by Summer 2017.

### 4.2 Co Responder crewing model performance

- 4.2.1
- Average SCAS Red 1 and 2 performance (8 min response time) improvement of 4.8% over 6 years.
  - Average cost over 6 years £363,000 (per year)
  - Calls increase from ~9,000 to 13,000 over 6 years
  - The introduction of the HFRS IEC will see a cost reduction for SCAS of approx. £27,500 a year (for direct training cost excluding capacity of a SCAS trainer)

### **4.3 III Health Prevention**

4.3.1 In collaboration with Clinical Commissioning Groups (CCG's) and Public Health England (PHE), HFRS has developed and implemented a holistic prevention strategy to encompass the local health and wellbeing priorities. The commitment within Hampshire has gathered pace in the last couple of months against the national FRS trend. Jacquie White the Deputy Director of Public Health England is an advocate of our work and advises us on national issues and financial picture. Her advice is to keep working in the areas that we are, as further financial commitment opportunities will fall out of the NHS Sustainability and Transformation Plans (STP) and 5 year forward plan from 2018.

4.3.2 Our focus on youth and the elderly with long term health conditions has proven sound. Our intention is to achieve a delivery model utilising front line crews at stations, not setting up a stand alone department, to combine an integration of upstream prevention and intervention through modular based educational programs and an enhanced home fire safety visit that becomes an all-encompassing "Safe and Well" visit. The overarching objective of this approach is to reduce Health demand, improve public health and wellbeing and consequently have a positive effect on public service resources.

4.3.3 To date we have developed, trialled and delivered 14 Safety Through Education Exercise and Resilience (STEER) Course, 12 A Better Me" Healthy Body / Healthy Mind Course, 8 Falls Champion" Courses.

4.3.4 Following the year's successes, over the coming year we have planned with our partners to deliver, 24 STEER courses, 20 Falls Champion Courses, 24 A Better Me courses and a new Quit and Get Fit courses aimed at people wanting to give up smoking across Hampshire, all financially recognised from Health partners.

4.3.5 Within year 16/17 we have evaluated our work using Professor Rob Crouch from University Hospital Southampton NHS Foundation Trust and Faculty of Health Sciences, University of Southampton. We have a number of PhD students working with us to develop an all encompassing independent evaluation and research paper. This will be supported by the work of our Knowledge Management function.

### **4.4 Selective Alerting**

4.4.1 Work into the background engineering and front-end operational implementation of selective alerting has been ongoing. By engineering a solution for selective alerting by "appliance required" with personnel attached to the appliance(s) to receive the alert, we will be able to move away from team A/B selective alerting concept previously envisaged.

## **5 Supporting our corporate aims and objectives**

5.1 This work underpins our Risk Review proposals and fully supports our Service Delivery Priorities as set out in the Service Plan 2015 - 2020

## **6 Risk analysis**

6.1 This work underpins our Risk Review proposals and fully supports our Service Delivery Priorities as set out in the Service Plan 2015 – 2020

- 6.2 We do recognise that risks exist; to limit these we will work in 6 month increments and build in safe guards in all of our Agreements to deliver services over this period.

## **7 People Impact Assessment**

- 7.1 The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.
- 7.2 The original PIA will be reviewed as we move into the next phase of work and further develop proof of concept trials and implement new capabilities. These will relate to other work in the Service Delivery Redesign.

## **8 Future developments**

- 8.1 HFRS have successfully delivered the project outcomes through to implementation, the amount of commissioned work is dictated by the pace at which we can clearly demonstrate to CCG's, PH and other Health organisations that our work is worthwhile and actually benefits the people we are all trying to reach. We are progressing to become a trusted partner in the Health arena, we are also beginning to realise all the benefits of this project can bring to HFRS and the community.
- 8.2 We could reduce the resources away from this work in March as the project is due to close with all areas of the project being implemented as planned. However, our view is this would be entirely the wrong timing to completely remove the dedicated capacity. Having delivered the relevant trials and capabilities, implemented these new products we are attracting buy in across all Health organisations from the 7 CCG's and local authorities. We have been so successful that the commitment from Health is growing with a financial total promised of £189k for next year.
- 8.3 Funding and resourcing a "business readiness" phase would enable the products to be delivered as per commissioned work over the next two years whilst continuing the familiarisation and training of our front line crews in all areas of health asset work. This approach will provide greater evaluation to prove our work adds value to health and social care and the wider public purse.
- 8.4 It is envisaged that we will see success of this work play out over the next two years, the financial commitment of HFRS will reduce but the financial recognition of our work increasing and stabilise as projected below.

## **9 Conclusion**

- 9.1 A large number of project work packages have delivered on time and in budget whilst retaining high quality products. The project team's approach of learning what is needed from Health, preparing our capability to meet this need, and then being ready to take advantage of opportunities when they arise, has benefitted our work.
- 9.2 We are not underestimating the complexity of Health and the NHS and the journey that they must go through to fully understand that preventive work is much more cost effective than response. We must stay focused and driven whilst guiding Health, both in forms of prevention and response, to meet the future needs of the people of Hampshire.

- 9.3 We should move to this new phase and continue to fund (F&GP paper to be presented) and support this work in a tapered approach over the next 2 years to achieve successful delivery of products and benefits that can be delivered by crews at fire stations without the need for a dedicated delivery team.

## **10 Background papers**

The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

DCLG Transformation Grant Funding Bid Oct 2014

SDTP Mandate May 2015

SD Redesign - Fire as Health Asset Work-stream Business Case Jan 2016

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.

### **Immediate Emergency Care Capability**

FHA has fitted all of our front line appliances with Immediate Emergency Care (IEC) equipment which includes a defibrillator, Entonox, haemorrhage control and monitoring devices. Medical response is an area in which we are currently increasing our activity as part of our Service Delivery Redesign Programme and we are implementing the different ways in which we can further support our colleagues in South Central Ambulance Service (SCAS) and the communities of Hampshire.

- All stations, HFRS personnel and front-line appliances are now equipped with IEC capability
- Our own clinical governance arrangements are in place and puts doctors in the centre of our work

HFRS personnel will be trained and assessed in line with the MOC Scheme at regular intervals to ensure they are competent in performing their IEC role. Knowledge and skills of staff will be developed to ensure they are current and relevant with the recent addition of Medical Scenario Training Cards for each station. We have produced these Medical Scenario Training Cards as a result of feedback from personnel to further support training to increase “confidence” in IEC once they are “competent” in IEC. The cards include life saving, trauma, medical and immersion scenarios alongside Patient Report Form (PRF) examples.

### **Non-injury Mechanical Falls using front line appliances**

Over the next month we will begin a non-injury mechanical falls response trial at Wickham Fire Station. Falls response uses the IEC capability of firefighters with the addition of falls-specific training and equipment to ensure a patient focussed approach to this specific category of call.

HFRS and SCAS have agreed to further develop our partnership and will collaborate in the provision of a response to calls received by SCAS that are triaged as ‘green – non-injury falls’ – fallers who are not injured but cannot for a possible number of reasons get back up off the floor.

SCAS’s Clinical Coordination Centre will triage calls utilising a clinician in addition to their usual call handling process. Incidents that are deemed suitable will be passed to HFRS control, who will mobilise the appliance from Wickham. Access to a qualified clinician via the phone and/or a video link will be available. Our personnel treat accordingly as the ‘eyes and ears’ for the SCAS clinician.



HFRS personnel at Wickham have been trained and assessed to ensure they are competent in performing their Falls Response role. Knowledge and skills of staff will be developed to ensure they are current and relevant.

The trial will be at a very concise level within a small radius from the station and at particular times of the day. Wickham personnel, GM, SM, representative bodies and SCAS have all been involved throughout the process to ensure the safety of patients and staff as well as the mutual benefit to HFRS and SCAS; they are also part of the continuous review during the trial. Any reduction in appliance availability will be closely monitored.

Responding to these calls will generate high quality Safe and Well visits meaning we can reach individuals most at risk at the earliest opportunity.

### **Confirmed Cardiac Arrest Response using front line appliances**

Our crews are trained and equipped to respond to confirmed cardiac arrest incidents with the introduction of our IEC capability. Work is ongoing to allow the locations of HFRS vehicles to be seen by SCAS Control as this is a critical success factor. We are mapping this demand at present ready to go to a trialling stage. We are awaiting further information from SCAS where this response would be most beneficial to enable meaningful trial locations. A demand of 500 confirmed Cardiac Arrest calls per year across Hampshire has been detailed based on Confirmed Cardiac Arrest calls over the past two years, within 6 minutes of a WDS station and 4 minutes of a RDS station. However these figures would be significantly reduced due to Co Responder activity already operating at stations together with SCAS resources available in the area at time of call. Therefore a call demand of one call per day across Hampshire is a figure that we are working to at present without the further data. Representative bodies and SCAS have all been involved throughout the process to ensure the safety of patients and staff as well as the mutual benefit to HFRS and SCAS, they are also part of the continuous review during the trial. Any reduction in appliance availability will be closely monitored.

### **A Better Me**

We are committed to continue providing a health message to children and young people of Hampshire. This is on behalf of Public Health England (PHE) and the local Clinical Commissioning Groups (CCG) - supporting the local health issues and priorities as well as ongoing seasonal campaigns.

'A Better Me' has been developed, co-designed and evaluated through a partnership arrangement between HFRS, PHE and CCGs in Hampshire.

The programme is directed at improving two aspects of a candidate's lifestyle; promoting a Healthy Body and a Healthy Mind.

The events are held at fire stations and reinforce the benefit of healthy eating, nutrition and an exercise programme whilst emphasising the importance of a daily routine in creating a positive habit.

All candidates are nominated by local school nurses and/or GP's and are currently in Year 8 (aged 12-13 years).

Activities under the 'A Better Me' programme were designed under the broad guideline of 'eat right/move more'; encouraging all candidates to participate in a long term healthy lifestyle.

### What health issues does the course address?

Health professionals have identified that the main health issues affecting youth within Hampshire are:

#### Healthy Body

- Obesity – either overweight or considered to have the propensity to become overweight
- Long term medical conditions
  - Asthma
  - Type 2 diabetes
  - Eczema
  - Epilepsy

#### Healthy Mind

- Low Level Self Harm (either personal physical harm or eating disorders)

Each week has a dedicated focus topic on the 'A Better Me' programme. These are individually tailored to suit the candidates, the local fire station and/or the nearby facilities.

The success of the programme is determined by evaluation from Public Health England and the local CCG's - as well as the University of Southampton (Faculty of Life Sciences). The evaluation process encourages input from school, parents, as well as self reporting analysis by candidates attending the course.

Phase One of the delivery of the programme has been undertaken in six stations (Andover, Gosport, Bordon, Rushmoor, Havant and St Marys). The initial six week programme has been completed at all of these stations and the follow up sessions at set frequency is underway. The success of these events was a 93% attendance rate by the candidates. Independent evaluation and analysis is being completed by the University of Southampton and these results are expected by early December.

A further 5 programmes are commencing in November at Eastleigh, Havant, Gosport, Rushmoor and Hartley Whitney as Phase 2. A number of these stations will be trialling this programme as "business as usual" whereas others will still be receiving appropriate support from Fire as a Health Asset team.

Initial discussions have also taken place between HFRS and the Jamie Oliver Food Foundation. The aim being that a healthy range of menus will be supplied by and endorsed by Jamie Oliver for the programme. It is also hoped that the 'A Better Me' could be included in a forthcoming programme about healthy eating for teenagers however discussions are at a very early stage at the moment.

HFRS has also received notification by 5 Hampshire CCG's that funding of £52 000 has been allocated for delivery of 'A Better Me' as a measure of their commitment to the programme. A further meeting with regards this funding offer and evaluation of the programme is taking place in November.

### **Quit and Get Fit**

The Fire as a Health Asset team was approached by Quit4Life (smoking cessation programme) to work together to produce a 'Quit and Get Fit' smoking cessation and exercise programme. The concept is there will be a series of 12 sessions for up to 12 attendees conducted at a number of fire stations. The objective is to support members of the public to stop smoking and increase their fitness levels. The sessions will be conducted jointly by Quit4Life personnel and two HFRS personnel (one will be a PTI). There will be 30 minutes of stop smoking support followed by 60 minutes of exercise and nutrition advice from HFRS personnel.

Funding of £4000 per programme is being confirmed and HFRS will be commissioned to conduct 3 of these as a trial. The initial programme will be commenced at Rushmoor station with the second being considered at Havant station for commencement two months later. Alternatives have been offered by Quit4Life for the third delivery however a decision has not been made as yet.

### **STEER (Safety Through Education and Exercise for Resilience)**

The course consists of twelve, two hour sessions for +65's which target the 12 elements of frailty identified by the British Geriatric Society (BGS) publication; 'Fit for Frailty'.

Exercises are low to moderate level that are based on daily activities and can be continued in the home environment. This innovative approach aims to help older people to be happy, healthy and remain in their home safely. It builds confidence, reduces the risk of a fall occurring, and increases engagement in community activities.

The transformational course has been produced in consultation with geriatricians, GPs, BGS and other medical and exercise professionals. Existing signposting and safeguarding policies are in place to ensure the individual receives the most appropriate assistance throughout the course.

We have been successful in being commissioned to deliver 12 STEER Courses and eight Falls Prevention Champion and Friends courses to the sum of £43K from North East Hampshire and Farnham CCG (Vanguard project).

We are currently running courses at Rushmoor, Andover, Grayshott, Winchester and Fleet, building on our 5 completed courses to date.

We will continue to deliver further STEER courses across Hampshire, building on our academic research to prove our work whilst continuing to be commissioned in other parts of the county. Early external evaluation shows an average of 24% reduction in the chances of falling together with other benefits surround social isolation and community resilience.

We are in advanced discussions with Portsmouth City Public Health and Portsmouth CCG to build a commissioned package for the delivery of targeted STEER and falls champions course, together with early positive discussions with South West Hampshire CCG for a commitment to continue delivery of STEER in Winchester, Andover and possibly the New Forest.

### Falls Prevention Champion and Friends

Hampshire Fire and Rescue Service (HFRS), Hampshire County Council (HCC) and Southern Health NHS Foundation Trust (SHFT) have initiated a falls champion programme which will increase awareness of the reasons why people fall. The three organisations are working together to reduce the number of older people falling in Hampshire by raising awareness.

The three hour interactive sessions for the Falls Prevention Champion seminar will bring together health professionals, members of the public and volunteers who come into contact with the elderly to increase knowledge and confidence in how they can help others to prevent falls.

The Falls Prevention Champions will then disseminate this knowledge to Falls Prevention Friends within their locality to increase the number of people looking at the issues of elderly people falling.

Falls Prevention Champions and Friends will then be able to signpost the elderly to the appropriate help such as HFRS STEER course, HCC Steady and Strong or SHFT rehabilitation courses.

The project in Rushmoor has attracted national interest from The Royal Society for the Prevention of Accidents' (ROSPA) 'Stand Up, Stay Up' with three year funding of £5k a year.

Portsmouth City council adult services are discussing with HFRS the possibility of putting all employed and contracted carers on the Falls Champions course.

### South East Fire as a Health Asset Collaboration Group

We will work together to use our collective capabilities and resources more effectively to enhance health and wellbeing in the South East region. We will support and encourage our local networks to do the same in their communities. By following CFOA's Consensus Statement and the Fire as a Health Asset Summit Group's guidance we will support local action and flexibility, encouraging local organisations and their networks to work together in partnership.

The South East Fire as a Health Asset Collaboration Group has been established to provide support and guidance to the South East region and will assist with strategic Health work. Its objectives and work should be set within the remit and influence of CFOA, Public Health and the NHS in accordance with strategic aims.

All South East Fire and Rescue Services, Public Health, the NHS and Age UK strategic leads on prevention can access and inform the groups of work.

The group will engage and influence key stakeholders to build and maintain the profile of the effective and efficient preventative agenda around Health, so that FRS's can be a useful delivery partner to support improvements in public health and demand in local communities.

The group is jointly chaired by a Public Health England and South East FRS representative (currently AM Steve Foye). They will update national Strategic Health Group and provide regular updates to South East partners through the SharePoint site set up by the group.

### **Selective Alerting**

To date we have changed all of our RDS alerters to the new type with its added future proofed functionality Phase 1. This is an ongoing joint work stream with Information Services where the phase 2 will be a replacement programme for all remaining pagers in other teams such as FDS, USAR, ICU etc.

Selective alerting testing has produced some favourable results, and we have now proved the principle of end to end functionality. Further testing will now need to take place to ensure that quality is maintained in such a critical area, and that all component parts work seamlessly across the whole NFCSP partnership.

We will be exploring on station trials as soon as we can, particularly where RDS stations have special and/or multiple appliances. This should assist the service in only alerting the required staff for specific appliances or incident types, such as medical calls and animal rescue teams, without disturbing those personnel that are not available due to qualifications or other reasons for that vehicle.

Work into the background engineering and front-end operational implementation of selective alerting has been ongoing. By engineering a solution for selective alerting by "appliance required" with personnel attached to the appliance(s) to receive the alert, we will be able to move away from team A/B selective alerting concept previously envisaged.

*Phase 1:* A rollout plan to upgrade the firefighter RDS pagers to allow future concepts has now been fully completed throughout the service.

*Phase 2:* The procurement for replacement pagers for the remaining RDS departments has been completed and will be issued by IS in the coming months.

*Phase 3:* A Selective Alerting vehicle strategy pilot has been postponed due to Control/NFCSP interface work needing completion. This issue will be resolved in the coming weeks. This will not be using a Team A, Team B, Team C approach for the pilot but the

new selective alerting by “appliance required” with personnel attached to the appliance(s) to receive the alert.

## Events

### Recent Past events

- **South East Fire as a Health Asset Conference**

Steve Apter, Steve Foye, Stew Adamson and Rob Cole attending facilitating and presenting on behalf of HFRS.

### Upcoming events

- **British Geriatric Society Conference – Glasgow 23 and 24 November**

Rob Cole and Paul Burton will be presenting HFRS Fire as a Health assets on Day 1 and running a number of workshops on Day 2

- **Long Term Conditions 2017** – London 19 January 2017

Showcasing all aspects of our health prevention work with a stand and conference presentation alongside the Deputy Director of Long Term Health Conditions PHE.

Aimed at the NHS, CCGs, Local and Central Government, Public Health England, Care Quality Commission, NICE and NHS England.

**At a meeting of the HAMPSHIRE FIRE AND RESCUE AUTHORITY HUMAN RESOURCES COMMITTEE held at Hampshire Fire and Rescue Service Headquarters, Eastleigh on 26 January 2017**

The Chairman announced that the press and members of the public were permitted to film and broadcast the meeting. Those remaining at the meeting were consenting to being filmed and recorded, and to the possible use of those images and recording for broadcasting purposes.

**PRESENT:**

Councillors:

p	Ann Briggs	p	Jonathan Glen
p	Roz Chadd	a	Andy Moore
p	Hannah Coombs	p	John Wall
p	Mark Cooper	a	Matthew Winnington
p	Liz Fairhurst		

**157. APOLOGIES**

Apologies were received from Councillors Moore and Winnington.

**158. DISCLOSURES OF INTEREST**

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

There were no declarations of interest received for the meeting.

**159. MINUTES AND MATTERS ARISING**

The Minutes from the meeting on the 22 November 2016 were agreed to be correct and signed by the Chairman.

**160. DEPUTATIONS**

There were no deputations received for the meeting.

**161. CHAIRMAN'S ANNOUNCEMENTS**

The Chairman updated the Committee on the success of the HFRS People Workshop held on 29 November 2016, noting that 107 employees attended and that feedback collected at the event was overwhelmingly positive.

## **162. THOMAS REVIEW PUBLICATION – RECOMMENDATIONS, ACTIVITY STATUS UPDATE AND COMMENTARY**

The Committee received a report from the Chief Fire Officer and the Director of Human Resources regarding the Thomas Review Publication (Item 6 in the Minute Book).

The background to the review was set out and the Committee heard that HFRA was well placed with regards its recommendations, which fitted with the approach of the People Strategy.

It was noted that there was no register of employees with additional employment and confirmed that a policy to avoid conflict of interest was in place. This would be reviewed to ensure consistency and adherence to working time directives, although a full register may not be the best solution. It was confirmed that there was no evidence that additional employment caused any increase in sickness or inability to work.

Other elements of the report were discussed, in particular the role of development programmes within the Service. The extent of bullying within the workforce was questioned and it was confirmed that there was no indication of there being an issue in Hampshire. However it was acknowledged that more could possibly be done to fully generate a culture of trust and respect between different roles.

RESOLVED:

That the contents of the report and attached Thomas recommendations, activity status update and commentary matrix are noted.

## **163. PUBLISHING EQUALITY INFORMATION**

The Committee received a report from the Chief Fire Officer regarding the publication of HFRS equality information (Item 7 in the Minute Book).

The background to the requirement to publish equalities information and the nature of the updates required were presented to the Committee. The information at appendix 1 was highlighted and Members discussed a number of the key statistics. It was noted in particular that Hampshire was below the national average in terms of ethnic diversity and gender balance, although the level of ethnic diversity was more reflective of the Hampshire population. Opportunities to improve the situation were discussed with reference to the outcomes and experience of a recent recruitment exercise. Strategies for identifying and developing future potential leaders of the Fire Service were also discussed.

RESOLVED:

That the HR Committee:



- a. Approves the publication of the information at Appendix 1 to refresh the publication on HFRS' website in order to meet the duty to publish information under the Equality Act 2010.
- b. Supports the review of equality information to identify what additional equality information could be published.
- c. Supports the development of future equality objectives underpinned by an equality action plan.

#### **164. ANALYSIS OF SICKNESS DATA**

The Committee received a report from the Director of Human Resources regarding absence data (Item 8 in the Minute Book).

The report and the data within it was presented to the Committee, with specific comparison to previous reporting periods and national data. It was noted that muscular-skeletal conditions continued to be the primary reason for absence. However the high rate of non-disclosure of a reason for absence was highlighted as a priority concern and it was confirmed that support was being offered to managers to control rates of frequent, short term absenteeism. It was agreed to monitor for any particular spikes in absence and that future reviews would provide evidence as to whether the flexible crewing patterns reduce absence rates.

The concept and purpose of the proposed attendance management group was set out and supported by the Committee.

RESOLVED:

That the HR Committee:

- a. Receives and notes the report.
- b. Supports the development of an Attendance Management Group to identify and drive opportunities to improve absence management and reduce absence rates across the Service.

#### **165. HFRS PAY POLICY STATEMENT (2017/2018)**

The Committee received a report from the Director of Human Resources setting out the HFRS Pay Policy Statement for 2017/2018. (Item 9 in the Minute Book).

The Committee heard that it was a statutory requirement for the Authority to agree and publish a Pay Policy Statement on an annual basis. It was confirmed that there were only minor changes in the proposed Statement from the previous edition as there had been no significant changes made to the pay or conditions of service in the past 12 months.

RESOLVED:

That the HR Committee **RECOMMENDS** to the Hampshire Fire and Rescue Authority (HFRA) that the Pay Policy Statement be approved.

#### **166. ESTABLISHMENT REPORT**

The Committee received a report from the Director of Human Resources regarding the authorised and actual establishment, as of 31 October 2016. (Item 10 in the Minute Book).

Key establishment data was outlined to the Committee, in particular a drop in the number of temporary promotions was highlighted, although it was confirmed that a good number would remain where they were the most appropriate mechanism for staffing Service redesign.

RESOLVED:

That HR Committee:

- a. Endorse the position against the establishment contained within the report made under the Chief Officer's delegated powers.
- b. Recognise the limited changes in headline figures over a single quarter and agree to receive bi-annual updates in the future.

## Hampshire Fire and Rescue Authority

### Human Resources Committee

26 January 2017

Item: 9

### HFRS Pay Policy Statement (2017/2018)

#### Report of the Lead HR Business Partner

Contact: Sandy Gregory

email: [sandy.gregory@hants.gov.uk](mailto:sandy.gregory@hants.gov.uk)

## 1. Summary

- 1.1 Relevant authorities are required by section 31(1) of the Localism Act 2011 (openness and accountability in local pay) to prepare a Pay Policy Statement. Hampshire Fire and Rescue Service (HFRS) falls within the definition of a relevant authority and as such is required to prepare and publish a Pay Policy Statement.
- 1.2 Under the terms of the Localism Act, the Pay Policy Statement must be considered at a full meeting of the Hampshire Fire and Rescue Authority (HFRA) and cannot be delegated to any sub-committee. Therefore, if supported by the HR Committee, the paper and attached pages will be presented at the next available HFRA meeting in order to meet statutory requirements in the coming financial year.
- 1.3 The Pay Policy Statement attached at Appendix A is correct at the time of writing for the 2017/18 financial year. It will need to be updated throughout the financial year if there is a pay review/award as this will change the details of the financial content and the corresponding assessment of multiples.

## 2. Recommendation

- 2.1 The HR Committee **RECOMMENDS** to the Hampshire Fire and Rescue Authority (HFRA) that the Pay Policy Statement be approved.

## 3. Background and Introduction

- 3.1 Increased transparency about how taxpayers money is used, including in the pay and reward of public sector staff, is now a legislated requirement.
- 3.2 A Pay Policy Statement for a financial year must set out the authority's policies for the financial year relating to:
  - the remuneration of its chief officers
  - remuneration of chief officers on recruitment
  - the remuneration of its lowest-paid employees, and the relationship between the remuneration of its chief officers, and the remuneration of its employees who are not chief officers
  - increases and additions to remuneration for each chief officer
  - the use of performance-related pay for chief officers
  - the use of bonuses for chief officers

- the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority, and the publication of and access to information relating to remuneration of chief officers
- the definition of “lowest paid employees” adopted by the authority for the purposes of the statement, and the authority’s reasons for adopting that definition.

3.3 For information the definition of ‘Chief Officers’ as set out in the Localism Act, is not limited to Heads of Paid Service or statutory Chief Officers. It also includes those who report directly to them, such as the Deputy Chief Fire Officer and Director of Professional Services.

3.4 The Act sets out the minimum information authorities are required to include in the Pay Policy Statements. Authorities can consider extending this pending their own structure. Therefore Hampshire Fire and Rescue Services (HFRS) has extended its Pay Policy Statement to include all those roles at Director level.

3.5 Approved Pay Policy Statements must be published on Hampshire Fire and Rescue Service’s website as soon as is reasonably practicable after they are approved or amended.

#### **4. People Impact Assessment**

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

#### **5. Resource Implications**

5.1 There is staff time to prepare figures and reports but no significant resource implications are identified.

#### **6. Back ground papers**

6.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of this report:

“None”

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.

## **APPENDIX A**

### **Hampshire Fire and Rescue Service**

#### **Pay Policy Statement 2017/18**

##### **1. Introduction**

The purpose of this Pay Policy Statement is to set out Hampshire Fire and Rescue Service's pay policies relating to its workforce for the financial year 2017/18, including the remuneration of its Chief Officers and lowest paid employees.

Under the terms of the Localism Act 2011, the Pay Policy Statement must be considered at a full meeting of the Hampshire Fire and Rescue Authority (HFRA) and cannot be delegated to any sub-committee.

##### **2. Pay Framework**

Pay for all employees of HFRS is determined by the Local Government Employers with the Employers' Sides of the National Joint Council for Local Authority Fire and Rescue Services, the Middle Managers' Negotiating Body, and the NJC for Brigade Managers of Local Authority Fire and Rescue Services, the Hampshire Fire & Rescue Authority locally and representative bodies nationally. Terms and conditions of employment for HFRS employees are set nationally with any variations negotiated and agreed locally.

The HFRS pay framework for non-operational support staff was implemented in March 2002 in line with National guidance, with the grade for each role being determined by a consistent job evaluation process. Pay awards for non-uniformed support employees are determined by the outcome of Local Government Employers' negotiations with the Trade Unions and are applied from April each year.

The HFRS pay framework for operational uniformed staff was implemented in December 2003 following a rank-to-role exercise in line with National guidance, with the grade for each role being determined by a consistent job evaluation process. Pay awards for uniformed operational employees are determined by the outcome of Local Government Employers' negotiations with the Trade Unions and are applied from July each year.

##### **3. Chief Officer Remuneration**

With respect to Chief Officers' pay, this is agreed by the Hampshire Fire & Rescue Authority (HFRA). Taking into account relevant available information, including the salaries of Chief Officers in other comparable Fire & Rescue Services nationally, Chief Officer pay awards are based on NJC recommendations, together with an evaluation of their performance in role as determined locally with the HFRA. To support the annual review, information may be provided on inflation, earnings growth and any significant considerations from elsewhere in the public sector. The details of HFRS' Chief Officers pay is outlined in Appendix B.

The definition of Chief Officers (as set out in section 43(2)) is not limited to Heads of Paid Service or statutory Chief Officers. It also includes those who report directly to them, such as the Deputy Chief Fire Officer and Director of Professional Services. Senior employees at Director level and above receive remuneration based on direct percentage proportions of the Chief Officer's pay and hence any agreed Chief Officer pay award (as described above) will be reflected in the remuneration of these employees. Therefore, all roles at Director level in

HFRS are covered by the Pay Policy Statement and details of their pay is also outlined in Appendix 1.

Chief Officer pay may be varied during a financial year (e.g. if the incumbent post holder were to leave and a replacement be recruited). Any changes to remuneration, (whether increases or decreases), in this situation, (or for any other legitimate reason) must be approved by the HFRA. The effects of any changes cascading from any change to other existing Director level staff and above would also require review and HFRA approval at that time.

#### **4. Remuneration of the lowest paid employee**

HFRS define the “lowest paid employee” as that post holder receiving the lowest (FTE) annual salary (inclusive of employer pension contributions if applicable). This definition has been chosen as the most representative and equitable method for comparison with Chief Officer remuneration.

The lowest paid employees receive payment at Grade A of the HFRS pay framework. The salary at this grade is £13,871pa equivalent to £7.00 per hour. This is less than the NLW of £7.20 per hour which is introduced from 1 April 2016 for workers aged 25 and over. However, the only roles that are paid at Grade A are apprentices, all of whom are under 25 and therefore are not eligible to receive the NLW.

The average salary of an HFRS non-operational fte post is £30,385. This includes all non-operational support posts (37 hours per week) but incident command unit employees whose earnings vary considerably based on levels of operational activity and the volume of incidents to which they respond.

The average salary of an HFRS operational fte post is £38,156. This includes all operational posts and Control (42 hours per week) but excludes retained firefighters whose earning vary considerably based on levels of operational activity and the volume of incidents to which they respond. The employer pension contribution for grey book salary is based on membership of the 2015 Firefighters Pension Scheme with employer contributions of 14.3%.

#### **5. Relationship between remuneration of Chief Officers and lowest paid employees**

The combined salaries for Director level roles represents 1.79% total pay bill. The combined salaries of the lowest paid employees represents 0.0009% the HFRS total pay bill.

The remuneration of the Chief Officer represents a multiple of 10.51 of the salary at Grade A which is the lowest paid employees' salary. The relationship to average non operational staff salary is a multiple of 7 and to average operational staff is a multiple of 5. HFRS relies on the transparency and equality of application in the operational and non-operational job evaluation processes to achieve equitable pay rates for all roles. As such, there is no specific policy to set or achieve a particular pay multiple in relation to Chief Officer remuneration completed to the pay levels of other staff.

#### **6. Policies relating to remuneration (including pensions)**

Pension scheme employer contributions are detailed on Appendix 1 as part of Director level salary costs. There are no special arrangements for Chief Officers in relation to pensions. All

staff have the option to join the pension scheme relevant to their role and benefits under each scheme are based on contributions, final salary and length of time in the scheme.

Operational employees joining HFRS are eligible to join the New Firefighters Pension Scheme (NFPS). Existing operational employees, including Chief Officers may be members of the previously available Firefighters Pensions Scheme (FPS) or the NFPS. Non-operational employees are eligible to join the Local Government Pension Scheme (LGPS) as are some more senior operational employees who have taken re-employment after retiring from the FPS.

HFRS does not award any employees or Chief Officers with additional payments based on their performance or pay any bonuses. Similarly, no special arrangements are routinely made to employees or Chief Officers on leaving HFRS. The management of redundancy in HFRS is detailed in Service Order 1/33 - Redundancy Procedure.

HFRS does not permit the automatic re-engagement of staff after retirement. This policy is reviewed every two years and will next be reconsidered in the autumn of 2017.

## **APPENDIX B**

### **Hampshire Fire and Rescue Service - Pay Policy Statement 2017/18**

#### **Salary details of Director level roles in Hampshire Fire and Rescue Service**

<b>Role</b>	<b>Salary at 1.4.17</b>	<b>Pension contribution*</b>	<b>Total Remuneration including pension contributions</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Chief Officer</b>	<b>£153,696.60</b>	<b>£33,352.16</b>	<b>£187,048.76</b>
<b>Director of Service Delivery (Deputy Chief Officer)</b>	<b>£122,957.40</b>	<b>£17,582.91</b>	<b>£140,540.31</b>
<b>Head of Response (Assistant Chief Officer)</b>	<b>£115,272.48</b>	<b>£25,014.13</b>	<b>£140,286.61</b>
<b>Head of Community Safety (Assistant Chief Officer)</b>	<b>£115,272.00</b>	<b>£15,100.63</b>	<b>£130,372.63</b>
<b>Director of Professional Services</b>	<b>£107,587.68</b>	<b>£14,093.99</b>	<b>£121,681.67</b>
<b>Director of Blue Light Collaboration (Assistant Chief Officer)</b>	<b>£115,272.48</b>	<b>£16,483.96</b>	<b>£131,756.44</b>
<b>Officer seconded to London</b>	<b>£153,696.60</b>	<b>£33,352.16</b>	<b>£187,048.76</b>

\*Figures based on actual employers pension cost for each based on the officers actual membership of a particular scheme – including 1992 Fire Scheme employers cost of 21.7%/Fire CARE scheme employers cost of 14.3%/LGPS employer cost of 13.1%.



At a meeting of the HAMPSHIRE FIRE AND RESCUE AUTHORITY FINANCE AND GENERAL PURPOSES COMMITTEE held at Hampshire Fire and Rescue Service Headquarters, Eastleigh on 1 February 2017.

**PRESENT:**

Councillors:

p	John Bennison	p	Fiona Mather
p	Graham Burgess (Vice Chairman)	p	Sharon Mintoff
p	Chris Carter	p	Roger Price
a	David Fuller	p	David Simpson
p	Geoff Hockley	p	Luke Stubbs (Chairman)

The Chairman announced that the press and members of the public were permitted to film and broadcast the meeting. Those remaining at the meeting were consenting to being filmed and recorded, and to the possible use of those images and recordings for broadcasting purposes.

**178 APOLOGIES**

Apologies were received from David Fuller.

**179 DISCLOSURES OF INTEREST**

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

There were no declarations of interest received for the meeting.

**180 MINUTES AND MATTERS ARISING**

The minutes from the meeting on the 1 November 2016 were agreed to be correct and signed by the Chairman.

**181 DEPUTATIONS**

There were no deputations received for the meeting.

**182 CHAIRMAN'S ANNOUNCEMENTS**

There were no Chairman's Announcements.

**183 REVISED 2016/17 BUDGET AND DRAFT BUDGET 2017/18**

The Committee considered a report from the Treasurer and Chief Officer (Item 6 in the Minute Book) which presented Members with an update as to the budget

and a draft budget for 2017/18.

It was confirmed that there was an anticipated underspend of £1.8 million in the current year, which was going to be added to the Transformation Reserve. This was mainly due to staff savings, and vacancies were still being held and temporarily back-filled, which would enable future planned reductions in staffing, which are part of the Service Delivery Redesign, to be achieved without the need to resort to making redundancies. The levy for Apprentices was a standard amount and the project regarding Apprentices was currently being looked into, along with the most effective use for levy.

For the 2017/18 budget it was outlined that the previous expected deficit of £909,000 was now expected to be a surplus of £2.117million as set out in paragraph 5.2.

Appendix C showed a reduction in reserves from £40 million to £10 million up to 2020. It was confirmed that the general balance would need to maintain at a particular level which was proportional to and appropriate for the size of the business. Consequently, it was unlikely that this would fall any lower than the amount stated under that column.

**RESOLVED:**

The Finance and General Purposes Committee:

- a) Noted the latest 2016/17 budget position (Appendix A) and the changes to the capital programme (Appendix D).
- b) Approved the proposal to transfer the 2016/17 year end underspend and the 2017/18 budget surplus to the transformation reserve.
- c) Approved the proposed Phase 3 efficiencies programme (Appendix B).
- d) Approved the proposed use of reserves (Appendix C).
- e) Approved the use of £0.838m of Transformation Reserve funding for the ICT Transformation Programme as detailed in section 7.3 of this report.
- f) Approved the transfer of ICT savings to a specific reserve to provide for future replacement requirements, as explained in section 7.4 of this report.
- g) Adopted the principles for allocating funding sources for the capital programme as outlined in section 8 of this report.
- h) Delegated authority to the Chief Financial Officer in consultation with the Chief Officer to make amendments to the final budget to be presented to the Authority to take account of late changes in the figures, in particular those notified by Government and Local Councils.
- i) **RECOMMEND** to the Authority that council tax is increased by 1.98%

(equivalent to £1.24 for average Band D households) for 2017/18.

- j) **RECOMMEND** to the Authority the draft budget for 2017/18 (summarised at Appendix F).
- k) **RECOMMEND** to the Authority the updates to the capital programme and the proposed financing of it (Appendix G & H).
- l) **RECOMMEND** to the Authority the Treasury Management Strategy (Appendix I) and approve that the:  
Treasury Management Strategy and Annual Investment Strategy for 2017/18, (and the remainder of 2016/17) including:
  - Prudential Indicators for 2017/18, 2018/19 and 2019/20 – Annex C
  - Minimum Revenue Provision (MRP) Statement – Annex D
  - That authority is delegated to the Treasurer to manage the Fire & Rescue Authority's investments according to the risk assessment process in the Investment Strategy as appropriate.

#### **184 AN UPDATE ON THE AUTHORITY RISK PROTECTION AND INSURANCE ARRANGEMENTS**

The Committee received a report from the Chief Officer (Item 7 in the Minute Book) which provided an update on the arrangements for providing risk protection and insurance cover to the Authority which have been in place since November.

It was explained that the Authority was in a consortium with eight other Fire Authorities, who all paid contributions and worked collaboratively to cover risks. It was proving to be a great opportunity to share best practice and going forward there were plans for premiums to be proportionate to the claims of each Authority. Paragraph 6.3.1 in the report detailed the ambition for claims to be reduced through the use of CCTV in cases where the Authority were not liable.

**RESOLVED:**

The Finance and General Purposes Committee noted the contents of the report and supported the approach taken by the Service to deliver further improvements to reduce risk and drive claims down in order to help reduce costs.

#### **185 PERSONAL PROTECTIVE EQUIPMENT (PPE) FUNDING**

The Committee received a report from the Chief Officer (Item 8 in the Minute Book) which looked at Personal Protective Equipment (PPE) in the Service going forward. A layered approach had been proposed, which meant that officers were able to have a range of PPE available depending on what

they required at the time. This would mean that they always had the best available kit to utilise and that the higher value items were not worn more than necessary, prolonging their life. Various options had been considered, with Option 2 being put forward as the most cost effective, as well as offering immediate operational benefits.

There was a collaborative procurement exercise in progress that the Service had belatedly become involved with. Whilst it was acknowledged that the kit was currently being tested by 22 other Authorities and not Hampshire, it was accepted that the testing being done was more extensive than what could have been done in house. Unions had been consulted as a part of this collaborative procurement exercise which was being led by Kent FRS and were content with the approach. It was concluded that the testing done would be reliable. The full range of PPE would be kept in responding emergency vehicles to ensure that officers always had the right clothing and equipment to hand. It was clarified that the Service maintained an emergency stock which would always be available should extra PPE be needed.

RESOLVED:

The Finance and General Purposes Committee:

- a) **RECOMMEND** that Full Authority approve £1.71 million (Option 2) from the Service Transformation Review for the purchase of firefighting PPE.
- b) **RECOMMEND** that Full Authority approve to allocate the revenue budget surplus for the remaining years of the product life to be transferred to a specific reserve to fund the next PPE replacement in 10 years time.
- c) Noted the options for the route to market.

## 186 FIRE AS A HEALTH ASSET

The Committee received a report from the Chief Officer (Item 9 in the Minute Book) regarding the Fire as a Health Asset project.

This was a project which had benefited from £1.4 million of national funding. The name and concept had been adopted more widely and was now being used nationally. The aspects of the initiative included increasing the medical response capability, working closer with young people and a focus on falls response. This last aspect results in people being assisted sooner should they have a fall but were not injured which provided significant knock on benefits to both the individual and the wider public service agencies who may otherwise be required. The training had been completed and this project was being rolled out. It was confirmed that all front-line staff were now trained in Immediate Emergency Medical (IEC) techniques and vehicles were equipped to respond to

medical emergencies if required.

The officers were thanked for their work on such a successful project, which had been well received.

RESOLVED:

The Finance and General Purposes Committee:

- a) Supported the direction to move the Fire as a Health Asset work-stream from Service Delivery Redesign implementation to a fully integrated way into the organisation.
- b) Agreed to fund the work over a two year period to a sum of £522,227 capital support from the Service Transformation Fund, which will be used on a planned tapered approach to deliver the prevention courses/products and to continue the Medical Response transformation work into business as usual.
- c) Noted that the anticipated net draw from the transformation reserve over the two year period could be as low as £146,000 based on current income predictions from delivery the work.

#### **187 EXCLUSION OF PRESS AND PUBLIC**

RESOLVED:

The public were excluded from the meeting during the following item of business, as it was 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 that item there would have been disclosure to them of exempt information within Paragraph 3 of Part I 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 outweighed the public interest in disclosing the information, for the reasons set out in the report.

#### **188 EXEMPT MINUTES**

The exempt minutes from the meeting on the 1 November 2016 were agreed to be correct and signed by the Chairman.

This page is intentionally left blank

## Hampshire Fire and Rescue Authority

Finance and General Purposes Committee

Item: 8

1 February 2017

Personal Protective Equipment (PPE) funding

Report of the Chief Officer

Contact: Kevin Evenett – Area Manager: Service Delivery Redesign  
Iain Hardcastle – Head of Service: Physical Assets

### 1 Summary

- 1.1 Hampshire Fire and Rescue Service (HFRS) has a proud history of providing technologically advanced personal protective equipment (PPE) to firefighters to ensure that they are suitably equipped to carry out their role.
- 1.2 The role of the firefighter has evolved significantly during recent years and continues to do so. As the firefighters role evolves, the equipment and resources that firefighters use to carry out their role need to evolve too. This means having PPE that suits the type of incident that firefighters attend, rather than having one type of PPE for every incident.
- 1.3 This paper outlines the need and the rationale for a new approach to PPE which reflects the diverse role firefighters undertake. This new approach to PPE is a smarter and better use of resources providing the right tools for the job.
- 1.4 The Service is in the process of implementing new innovative firefighting tactics and equipment under the Service Delivery Redesign. Updating the PPE provision ensures that firefighters will have the appropriate resources to deal effectively with the incidents that they attend.

### 2 Recommendations

- 2.1 That the Finance and General Purposes Committee **RECOMMENDS** that the Hampshire Fire and Rescue Authority approve £1.71m from the Service Transformation Reserve for the purchase of firefighting PPE.
- 2.2 That the Finance and General Purposes Committee **RECOMMENDS** that the Hampshire Fire and Rescue Authority approve to allocate the revenue budget surplus for the remaining years of the product life be transferred to a specific reserve to fund the next PPE replacement in 10 years time.
- 2.3 That the Finance and General Purposes Committee note the options for the route to market.

### 3 Introduction and background

- 3.1 HFRS strive to provide firefighters with the most technologically advanced PPE available to enable them to carry out their duties safely, efficiently and to the highest standard. Introducing new PPE will help to ensure that HFRS firefighters use the most relevant PPE to suit the incident type, which will help to further improve firefighter safety at incidents.
- 3.2 Any future PPE that HFRS procures will need to address a number of issues that have been highlighted by our firefighters. These include concerns around comfort and freedom of movement. It is important that any future PPE purchased addresses these concerns whilst continuing to provide fire protection in accordance with or exceeding the European EN 469 standard. This is the European Standard that specifies minimum levels of performance requirements for protective clothing to be worn during firefighting operations and associated activities.
- 3.3 Currently firefighters are issued with structural PPE which is designed to protect wearers from compartment fires. This PPE is also worn to every other incident type that the HFRS attends, whether this is a road traffic collision, medical call, wildfire or structural fire. Matching PPE to the type of incident that firefighters attend will improve health and safety of firefighters and ultimately help to improve firefighter safety.
- 3.4 A different approach to firefighter PPE is now required that maintains the protection for structural fires and allows the comfort, freedom of movement and flexibility required for other fire and non-fire related incidents.
- 3.5 Updating firefighting PPE to match the needs of a firefighter is essential to maintain the high level of service that HFRS provides the communities of Hampshire.
- 3.6 From consultation with other fire and rescue services, there are a number who are seeking to introduce layered PPE to replace the traditional single layer structural firefighting PPE.
- 3.7 Greater Manchester FRS has recently implemented a layered approach to PPE, combining an inner jacket with a moisture barrier, suitable for RTC's and medical emergencies with an outer jacket. When used together these meet the European Standard EN469:2005 Level 2 for compartment firefighting.

#### **4 Route to market**

- 4.1 Kent and Medway FRS are currently going through a collaborative procurement exercise for the purchase of structural PPE. There are currently over 20 fire and rescue services that are showing an interest in procuring collaboratively. This collaboration is designed to replace the current South East fire and rescue services PPE framework, which HFRS currently use and expires within the next 12 months.
- 4.2 HFRS are keen supporters of collaborative working with other fire and rescue services and are exploring all options that are available for the purchase of new PPE. The Service will seek to collaborate on the procurement of PPE if the



Services requirements are fully included in the procurement process. Should the collaborative procurement not meet the needs of the Service a different route to market will be sort, either via a different suitable framework or by HFRS going to market independently.

- 4.3 The projected timeframes for a collaborative procurement are similar to what HFRS would achieve if the Service was to go to tender by itself. The contract for the collaborative procurement award is expected to be made in Summer 2017.

## **5 Financial considerations and options considered**

- 5.1 Each HFRS firefighter role is currently issued with two full sets of PPE and one helmet. PPE is currently expected to last for nine years.

- 5.1.1 A review of the PPE issued to firefighters has identified that there can be a reduction in number of sets required to be issued. The future issuing of PPE will be as follows:

- 5.1.2
- Wholetime Duty System (WDS) - two leggings, two structural tunics and two rescue jackets.
  - Retained Duty System (RDS) - two leggings, two structural tunics and two rescue jackets.
  - WDS/RDS on same station - two leggings, two structural tunics and two rescue jackets
  - WDS/RDS on different stations - three leggings, three structural tunics and three rescue jackets
  - Flexible Duty System Officers (FDS) – two leggings, one structural tunic and one rescue jacket

- 5.2 The current annual budget for PPE (including helmets, gloves and repair and maintenance) is £381,000, which is £3.81m over a 10 year period.

- 5.3 The Service has explored four options for the issuing of new PPE. Each of these options makes the assumption that the PPE will last for 10 years. An increased life expectancy is shown because firefighters will be able to wear appropriate PPE for each incident type, rather than wearing the same PPE for each incident that they attend. These are as follows:

- 5.3.1
1. Issue firefighters replacement PPE on a needs basis when current kits come to the end of life or when they are damaged beyond repair.
  2. Issue all firefighters two new sets of PPE in year one
  3. Issue all firefighters one set of kit in year one, and replace second kit as per option one.
  4. Fully Managed Service – includes, but not limited to
    - Issuing firefighters with new PPE
    - Washing PPE
    - Stock management
    - Replacements
    - Asset management and tracking

- 5.3.2 Appendix one gives an overview of the financial options considered.

- 5.3.3 Option two is recommended, as this would provide new PPE to all firefighters over the same short period of time, which will mean that all firefighters will have the same kit in the same situations. Health and safety of firefighters is the highest priority and by not issuing all firefighters with the same kit could be considered to disadvantage some firefighters.
- 5.3.4 Option two would be more cost effective over the ten year life span of the PPE compared to option four, which is likely to cost significantly more. This takes in account the evolving role of the firefighter and acknowledges that the PPE would be suitable to be deployed at a variety of fire and non-fire related incidents.
- 5.3.5 Options one and three would result in the Service having different sets of kits issued to firefighters across the county and would mean that structural PPE would be worn to every incident that a firefighter attends. As described previously in this paper, firefighters are increasingly attending medical emergencies and other non-fire related incidents, so it is key that the Service has PPE that reflects the varying nature of a firefighter's role.
- 5.4 Option two would require £1.71m to be allocated from reserves in order to purchase the PPE. The cost over the 10 year lifespan would be £3.92m, which is £11,000 per annum more than the current baseline budget; or £110,000 over the lifespan of the PPE.
- 5.5 Option two offers immediate benefits compared to option three, and over the total life of the PPE works out £100,000 less expensive.
- 5.6 If approved, there will need to be £1.71m contributing to the front loading of the cost of purchasing new PPE; this will result in a reduced annual budget requirement for the years three (£137,000) to ten (£207,000). It is recommended that the difference in the budget is put into reserves to fund the future purchase of PPE in 10 years time. This is predicted to be £1.6m.

## **6 Disposal of existing PPE**

- 6.1 HFRS seeks to dispose of all items in an environmentally friendly and ethical way, whilst seeking the best value for the Service.
- 6.2 There are a number of options HFRS could use for the disposal of PPE. This could be by the Service choosing to dispose of the items or whether the disposal of old PPE is part of any future contracts for the supply of new PPE.

## **7 Supporting our corporate aims and objectives**

- 7.1 Providing assets that are fit for purpose will enable our firefighters to provide the best level of service to the communities of Hampshire.

## **8 Risk analysis**

- 8.1 Providing a multi layered PPE strategy is designed to increase comfort, reduce the risk of injury to our people and reflect the wide range of activities they carry out.

- 8.2 Advances in PPE technology have typically come about every four to six years. It is possible that during the 10 year life of the PPE, more advanced PPE will be developed, although this is not guaranteed. There is not a financial provision that has been made should this be the case. If the recommendations are accepted, HFRS will be committing to utilising the PPE purchased for a ten year period.
- 8.3 The costs provided have made a number of assumptions around the life span (10 years), wear and tear of the new kit and the cost of repair and maintenance. If these assumptions are wrong, there could be an increase in the annual revenue costs, which would result in a decreased amount that would be able to be put in reserves, which is currently estimated at circa £1.6m. If the life span of the PPE is shorter than 10 years, this would have a significant impact on the HFRS budget. An increase in spending would be required sooner than is currently being planned for, and the whole life cost of the PPE would increase. HFRS can mitigate against these risks by ensuring that the tender process makes provisions for PPE that should have a 10 year life. There are pieces of kit in the Service currently that are over 10 years old and still comply to EN469:2005 Level 2. With a layered approach to kit, which will see specific PPE worn for specific incidents, HFRS expect that the PPE will last for 10 years, but this can not be guaranteed.
- 8.4 Option four would mitigate against the risks highlighted in section 8.3, but would require a significant increase in spending of £330,000 per annum or £3.33m over the 10 year period. These costs are considered to be too high and therefore option four was discounted.

## **9 People Impact Assessment**

- 9.1 The proposals in this report are considered compatible with the provisions of the equality and human rights legislation.
- 9.2 PPE should not be a barrier to entry or retention for under represented groups within the fire and rescue service and any new PPE should provide increased comfort for female and male firefighters.

## **10 Resource implications**

### **10.1 Human Resources**

- 10.1.1 A PPE working group has been established to manage this piece of work. The working group consists of the following
- Sponsor – Head of Service: Physical Assets
  - Senior User – Area Manager Service Delivery Redesign
  - Procurement lead – Senior Category Manager
  - Financial lead – Senior Finance Business Partner
  - Technical Service Ops and Delivery Manager
  - Station Manager Equipment
- 10.1.2 This paper identifies HFRS need for structural PPE and the associated costs. Work-wear and uniform is out of scope and will be considered by the Strategic Vehicle and Equipment Board.

## 10.2 Physical Resources

All requirements will be contained within current resources.

## 10.3 Information and Communications Technology Resources

All requirements will be contained within current resources.

## 10.4 Financial Implications

10.4.1 The whole life cost of purchasing two new sets of PPE for each firefighter is £110,000 more than the current baseline budget. This is the equivalent of £11,000 per year, over 10 years.

10.4.2 Additional funding is required to frontload the cost of the PPE purchase and is estimated to be a total of £1.71m which would be required from the Transformation Reserve. Utilising this money from reserves would reduce the total reserves, and would mean this funding wasn't available for any other significant purchases or to fund other one off activities.

10.4.3 It is estimated that at the end of year 10 there would be circa £1.6m put in reserves to fund future PPE replacement.

10.4.4 The predicted costs are based on historical spend data and incorporate the helmet replacement programme.

10.4.5 Appendix A provides a full breakdown of the proposed costs.

## 11 Consultation

11.1 Staff have been involved in the development of the PPE user requirements, and will be engaged in any testing that is required where appropriate.

## 12 Conclusion

12.1 The role of the firefighter is evolving and the Service needs to ensure that firefighter PPE is suitable to be deployed at a variety of fire and non-fire related incidents. The proposal provides a recommended approach to help ensure that HFRS continue to provide safe systems of work for its operational staff.

## 13 Background papers

13.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report:

None

**PPE FINANCIAL COSTINGS**

	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £	Year 6 £	Year 7 £	Year 8 £	Year 9 £	Year 10 £	Total £	Average £
<b><u>Baseline Position</u></b>												
Shoes and Boots	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	720,000	72,000
Shirts, tee shirts, trousers	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	670,000	67,000
Medals, role markings, hi viz etc	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	240,000	24,000
	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>1,630,000</b>	<b>163,000</b>
Helmets	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	350,000	35,000
Gloves	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	450,000	45,000
Tunics and Leggings	114,000	114,000	114,000	114,000	114,000	114,000	114,000	114,000	114,000	114,000	1,140,000	114,000
Cleaning and Repair	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	187,000	1,870,000	187,000
	<b>381,000</b>	<b>381,000</b>	<b>381,000</b>	<b>381,000</b>	<b>381,000</b>	<b>381,000</b>	<b>381,000</b>	<b>381,000</b>	<b>381,000</b>	<b>381,000</b>	<b>3,810,000</b>	<b>381,000</b>
<b>Total</b>	<b>544,000</b>	<b>544,000</b>	<b>544,000</b>	<b>544,000</b>	<b>544,000</b>	<b>544,000</b>	<b>544,000</b>	<b>544,000</b>	<b>544,000</b>	<b>544,000</b>	<b>5,440,000</b>	<b>544,000</b>

<b><u>Option 1 - Annual Replacement</u></b>												
Shoes and Boots	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	720,000	72,000
Shirts, tee shirts, trousers	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	670,000	67,000
Medals, role markings, hi viz etc	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	240,000	24,000
	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>1,630,000</b>	<b>163,000</b>
Helmets	195,000	975	975	975	975	975	975	975	975	975	203,775	20,378
Gloves	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	300,000	30,000
Tunics and Leggings	267,254	267,254	101,813	101,813	101,813	101,813	101,813	101,813	101,813	101,813	1,349,013	134,901
Cleaning and Repair	197,377	197,377	197,377	197,377	197,377	197,377	197,377	197,377	197,377	197,377	1,973,770	197,377
	<b>689,631</b>	<b>495,606</b>	<b>330,165</b>	<b>330,165</b>	<b>330,165</b>	<b>330,165</b>	<b>330,165</b>	<b>330,165</b>	<b>330,165</b>	<b>330,165</b>	<b>3,826,558</b>	<b>382,656</b>
<b>Total</b>	<b>852,631</b>	<b>658,606</b>	<b>493,165</b>	<b>493,165</b>	<b>493,165</b>	<b>493,165</b>	<b>493,165</b>	<b>493,165</b>	<b>493,165</b>	<b>493,165</b>	<b>5,456,558</b>	<b>545,656</b>

**Additional 2 Year Investment**  
**Average Annual (Saving) / Cost**

**423,237**

**1,656**

**Option 2 - 2 New Full Kits**

Shoes and Boots	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	720,000	72,000
Shirts, tee shirts, trousers	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	670,000	67,000
Medals, role markings, hi viz etc	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	240,000	24,000
	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>1,630,000</b>	<b>163,000</b>
Helmets	195,000	975	975	975	975	975	975	975	975	975	975	203,775	20,378
Gloves	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	300,000	30,000
Tunics, Rescue Jacket and Leggings	1,204,000	855,078	3,035	3,035	3,035	3,035	3,035	3,035	3,035	3,035	3,035	2,083,358	208,336
Cleaning and Repair	98,688	56,000	103,524	133,524	133,524	153,524	153,524	153,524	173,524	173,524	173,524	1,332,880	133,288
	<b>1,527,688</b>	<b>942,053</b>	<b>137,534</b>	<b>167,534</b>	<b>167,534</b>	<b>187,534</b>	<b>187,534</b>	<b>187,534</b>	<b>207,534</b>	<b>207,534</b>	<b>207,534</b>	<b>3,920,013</b>	<b>392,001</b>
<b>Total</b>	<b>1,690,688</b>	<b>1,105,053</b>	<b>300,534</b>	<b>330,534</b>	<b>330,534</b>	<b>350,534</b>	<b>350,534</b>	<b>350,534</b>	<b>370,534</b>	<b>370,534</b>	<b>370,534</b>	<b>5,550,013</b>	<b>555,001</b>

**Additional 2 Year Investment  
Average Annual (Saving) / Cost**

**1,707,741**

**11,001**

**Option 3 - 1 New Full Kit**

Shoes and Boots	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	72,000	720,000	72,000
Shirts, tee shirts, trousers	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	670,000	67,000
Medals, role markings, hi viz etc	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	240,000	24,000
	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>163,000</b>	<b>1,630,000</b>	<b>163,000</b>
Helmets	195,000	975	975	975	975	975	975	975	975	975	975	203,775	20,378
Gloves	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	300,000	30,000
Tunic, Rescue Jacket and Leggings	1,204,000	139,320	142,355	142,355	142,355	142,355	142,355	3,895	3,895	3,895	3,895	2,066,780	206,678
Cleaning and Repair	98,688	125,988	138,922	137,845	146,769	150,000	150,000	153,524	173,524	173,524	173,524	1,448,784	144,878
	<b>1,527,688</b>	<b>296,283</b>	<b>312,252</b>	<b>311,175</b>	<b>320,099</b>	<b>323,330</b>	<b>323,330</b>	<b>188,394</b>	<b>208,394</b>	<b>208,394</b>	<b>208,394</b>	<b>4,019,339</b>	<b>401,934</b>
<b>Total</b>	<b>1,690,688</b>	<b>459,283</b>	<b>475,252</b>	<b>474,175</b>	<b>483,099</b>	<b>486,330</b>	<b>486,330</b>	<b>351,394</b>	<b>371,394</b>	<b>371,394</b>	<b>371,394</b>	<b>5,649,339</b>	<b>564,934</b>

**Additional 2 Year Investment  
Average Annual (Saving) / Cost**

**1,061,971**

**20,934**

**Option 4 - Managed Kit**

Shoes and Boots	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	330,000	33,000
Shirts, tee shirts, trousers	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	670,000	67,000
Medals, role markings, hi viz etc	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	240,000	24,000
	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>1,240,000</b>	<b>124,000</b>
Helmets											0	0
Tunics and Leggings											0	0
Gloves											0	0
Cleaning and Repair											0	0
Managed Service	959,300	959,300	959,300	959,300	959,300	959,300	959,300	1,007,000	1,007,000	1,007,000	9,736,100	973,610
Less: Running cost of stores	(220,250)	(220,250)	(220,250)	(220,250)	(220,250)	(220,250)	(220,250)	(220,250)	(220,250)	(220,250)	(2,202,500)	(220,250)
	<b>739,050</b>	<b>739,050</b>	<b>739,050</b>	<b>739,050</b>	<b>739,050</b>	<b>739,050</b>	<b>739,050</b>	<b>786,750</b>	<b>786,750</b>	<b>786,750</b>	<b>7,533,600</b>	<b>753,360</b>
<b>Total</b>	<b>863,050</b>	<b>863,050</b>	<b>863,050</b>	<b>863,050</b>	<b>863,050</b>	<b>863,050</b>	<b>863,050</b>	<b>910,750</b>	<b>910,750</b>	<b>910,750</b>	<b>8,773,600</b>	<b>877,360</b>

638,100

**Average Annual (Saving) / Cost**

**333,360**

This page is intentionally left blank