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Friday, 9 February 2024

(1) MEMBERS OF THE AVON FIRE AUTHORITY

Councillors B Massey, B Nutland, L Brennan, R Eddy, P Goggin, R Hardie, P Hulme, P May, Y Mohamud, R Moss, R Payne, M Riddle, O Saini, S Smith, J Stansfield, D Thomas, R Tucker, A Varney, D Wilcox and M Williams
Police and Crime Commissioner: M Shelford
Independent Person: J Mason

(2) APPROPRIATE OFFICERS

(3) PRESS AND PUBLIC

Dear Member

You are invited to attend a meeting of the **Avon Fire Authority** to be held on **Monday, 19 February 2024** commencing at **10:00 hrs.**

The meeting will be held at **Brook Way Activity Centre, Brook Way, Bradley Stoke, Bristol, BS32 9DA.** Parking is available on site.

In order to ensure COVID-19 guidance is adhered to risk assessments have been undertaken for live meetings to identify and put in place, the measures required ensuring that meetings take place safely. Further information is available on our website Avon Fire Authority.

Please note that this meeting will be video recorded and published on our YouTube channel (see the Notes on the next page).

Yours sincerely

Amanda Brown
Clerk to the Fire Authority

PROVIDING AVON FIRE & RESCUE SERVICE

Clerk to Avon Fire Authority
PO Box 37, Police and Fire HQ, Valley Road, Portishead, Bristol BS20 8JJ
Telephone 0117 926 2061 Extension 231 the.clerk@avonfire.gov.uk

Notes

Attendance Register – Attendance will be recorded by the Democratic Services Assistant and recorded within the Minutes of the Meeting.

Code of Conduct – Declaration of Interests: any Member in attendance who has a personal interest in any matter to be considered at this meeting must disclose the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent. A Member having a prejudicial interest must withdraw from the meeting room or meeting whilst the matter is considered.

Contact: for any queries about the Meeting please contact Democratic Services on 0117 926 2061 ext. 231; or by e mail at the.clerk@avonfire.gov.uk; or in person at Police and Fire HQ, Valley Road, Portishead, Bristol, BS20 8JJ (by appointment during normal office hours only).

Emergency Evacuation Procedures: these will be advised at the start of the Meeting if appropriate.

Exempt Items: Members are reminded that any Exempt Reports as circulated with this Agenda contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Clerk at the conclusion of the Meeting for disposal.

Inspection of Papers: any person wishing to inspect Minutes, Reports, or a list of the background papers relating to any item on this Agenda should contact Democratic Services as above.

Public Access: under Standing Order 21 and providing 2 clear working days' notice has been given to the Clerk (the.clerk@avonfire.gov.uk) any resident or representative of a business or voluntary organisation operating in Bristol, South Gloucestershire, Bath and North East Somerset or North Somerset Council may address the Fire Authority or one of its Committees (for no more than 5 minutes) by submitting a written petition or statement. If preferred, the Chair or Clerk can read out a written statement on the individual's behalf. There is a time limit of 30 minutes for all Public Access statements.

Reports: reports are identified by the relevant agenda item number.

Substitutes (for Committees only): notification of substitutes should have been received from Group Leaders by the Clerk prior to the meeting.

A G E N D A - Avon Fire Authority
Monday, 19 February 2024 10:00

AVON FIRE AUTHORITY MINUTES

4 OCTOBER 2023

Present: Councillors L Brennan, R Eddy, R Hardie, B Massey, P May, Y Mohamud, B Nutland, R Payne, M Riddle, S Smith, J Stansfield, D Thomas, R Tucker, A Varney, K Walker and D Wilcox.

The meeting began at 14.00hrs.

18. APOLOGIES FOR ABSENCE

Apologies were received from Cllrs P Goggin, P Hulme, O Saini and M Williams, James Mason, Independent Person and Mark Shelford, Police and Crime Commissioner.

19. EMERGENCY EVACUATION PROCEDURE

Members were advised by the Chief Fire Officer (CFO) that in the event of an emergency, to exit the main building and congregate in the car park below Reception.

20. DECLARATION OF INTERESTS

In respect of Item 8, recommendation B, Cllr Nutland declared an interest as a resident and Councillor of Yate.

21. PUBLIC ACCESS

None received.

22. CHAIR'S BUSINESS

The Chair welcomed Members, guests and visitors to the meeting and drew attention to the following:

1. The Chair confirmed that the meeting was taking place at Headquarters, Portishead. The meeting was being recorded for the public to view.
2. Members and Officers introduced themselves.
3. The Clerk advised that there was a Police exercise taking place today at Headquarters and there may be some noise disturbance.
4. The Clerk reminded Members that they had been invited to complete an Equality and Dignity in the Workplace E-Learning and a link was sent by email

on 17 August. This was a voluntary training, but if Members did complete it, to please inform Emma and provide any feedback on the contents.

5. The CFO updated Members on the recent ITV coverage and read the following statement:
   On 11 September, ITV hosted a segment on their regular news programme, which investigated claims of bullying and harassment in Avon Fire & Rescue Service. The programme included testimonies from former Assistant Chief Fire Officer Rob Davis, and anonymously a former member of staff and a current member of staff, who also shared their concerns about a culture of bullying and harassment within the Service. A comment was provided by the Chief Fire Officer, as was requested by ITV.

   The response was clear that there is no place for discrimination, bullying or harassment within the Service, and that most staff are excellent ambassadors for the Service and treat each other and the public with kindness, dignity and respect. To support this position, over the past few months the Service have introduced a Zero Tolerance Statement, launched a new Dignity and Respect toolkit, and communicated a whole host of support services. All of which has been regularly communicated to staff via the intranet and/or The Shout, on posters displayed at stations and workplaces across the Service, via the Chief Fire Officer's video blogs and through Microsoft Teams utilising the SharePoint publication facilitates.

   More recently, the Service have established a new, independent, external, and confidential reporting line 'Speak Up', to provide staff a safe space for them to raise concerns if they consider something is not right within the workplace and don't feel they can raise this through other available channels. The system, which is hosted by an external body Crimestoppers to ensure anonymity, has to date received three reports. Of the three reports received, two have included sufficient information, for the Service to take action and instigate an investigation. One report does not have sufficient information for us to take forward. Those investigations being taken forward have seen the suspension of one individual in each case and they will each also be independently investigated by external investigators.
6. The Chair explained the voting system for the meeting, i.e., votes against a motion would be recorded first, followed by abstentions, then votes in favour.
7. The CFO advised Members that a team of 10 firefighters from the Service recently cycled over 400km, in just 3 days, from Bath fire station to Paris, and in doing so had to date raised over £5,500 for Cancer Research UK. The achievement received a round of applause from Members.
8. The CFO advised that on the weekend of the 15 September, some of our rope rescue, water rescue and extrication teams took part in the UKRO Festival of Rescue competition, in Lincoln. Our teams displayed their outstanding skills, and were successful in their efforts winning awards in the following categories:
   - First place in the Heavy Rescue Challenge: Avon worked alongside Tyne and Wear demonstrating exceptional skills and teamwork.
   - Kirsty Nelms was awarded second place for best water rescue medic, showcasing her commitment to life-saving techniques.
   - Lee Rogers was awarded second place in the incident commander category, highlighting our expertise in vehicle extrication.

Well done to everyone who took part in the competition and congratulations to those who picked up awards. The Chair asked for the CFO to pass on Members' congratulations.

23. MINUTES OF THE ORDINARY MEETING OF AVON FIRE AUTHORITY HELD ON 21 JUNE 2023

The minutes were moved by Cllr Massey and seconded by Cllr Varney.

It was RESOLVED that the minutes of the ordinary meeting of the Avon Fire Authority held on 21 June 2023 be signed by the Chair as an accurate record of the meeting.

24. MINUTES OF COMMITTEE MEETINGS

7.1 Minutes of the Ordinary Meeting of the Local Pension Board held on 15 February 2023.

7.2 Minutes of the Ordinary Meeting of the People & Culture Committee held on 3 March 2023.

7.3 Minutes of the Ordinary Meeting of the Audit, Governance and Ethics Committee held on 22 March 2023.

7.4 Minutes of the Ordinary Meeting of the Performance, Review and Scrutiny Meeting held on 20 April 2023

13.1 Confidential minutes of the Ordinary People and Culture Committee Meeting held on 3 March 2023.

13.2 Confidential minutes of the Ordinary Audit, Governance and Ethics Committee held on 22 March 2023

The Committee minutes noted above, already approved by the Committees, were noted by the Fire Authority.

25. BUDGET SHORTFALL OPTIONS

The CFO introduced a paper to Members which outlined a number of options and recommendations to consider. In February 2023, the Head of Finance and interim Treasurer presented the Medium-Term Financial Plan. It was identified that there would be a balanced budget for 2022/23 but that there would be a deficit from 2024/25 onwards. Funding pressures had become known following the confirmation of the Grey Book pay award and uncertain future funding settlements for 2024/25 onwards.

The Head of Efficiency Savings then presented the report to Members and advised that in May 2023, the CFO had commissioned a project to identify savings to maintain a balanced budget, which was a statutory duty. The objective of the project was to maintain a service delivery model without losing firefighters or closing stations.

The Efficiency project had identified a potential £2m annual and recurrent savings within the Service by 2026/27. This had been identified through natural retirements but would not be realised until future years.

For the 2023/24 financial year the Service had been able to present a balanced budget due to the £5 Council Tax precept settlement. For future years there would be uncertainty around the funding settlements and therefore a conservative assumption of a 1.99% increase per annum was modelled. The uniformed Grey Book pay award of 7% for 2022/23 and 5% for 2023/24 had contributed to the shortfalls outlined in paragraphs 3.1 of the report.

Members' attention was drawn to paragraph 3.6, which outlined that the Service had explored other models across the country. Seven other Services had introduced the same efficiencies, which had not resulted in detrimental effect on response standards.

Member's attention was drawn to Paragraph 4.4, Table 1 and they were advised that the wholetime workforce would be reduced by 40 posts realising an annual savings of £2m by 2026/27. It was crucial that the Service matched resource to risk, ensuring service delivery to our communities.

It was confirmed that the next steps, if the AFA approved the proposals, was to continue engagement with the representative bodies which had already started. In addition, to engage with the wider workforce.

A statement was read by the Fire Brigades Union (FBU) Representative

Chair, members of the fire authority,

I'm Amanda Mills, elected FBU representative for the firefighters across Avon.

I am here today to make a collective representation against the cuts to frontline. firefighter posts being proposed. The reduction of 40 firefighters amounts to just over 10% of whole-time front-line staff. Should your constituents that we serve across Bristol, Bath and Northeast somerset, North Somerset and South Gloucestershire accept these dangerous cuts?

Currently in AFRS, standard crewing on pump ladders is set at 5 personnel, this enables us to resolve the majority of 1 pump incidents safely and effectively in our commitment to the public we serve. It is a sombre fact, that even with optimum crewing levels set at 5, daily, we struggle to achieve this, and must ride with crews of 4 all too often. The effects of this are far reaching in a house fire the 5th person is a crucial safety measure who monitors our air supply and sends vital messages back to our incident commanders. Or at the scene of a road traffic collision where all 5 of the crew play a vital role in our procedures, procedures put in place to ensure the effective release of the casualty, paramount when an ambulance is not yet on scene.

Not to mention the psychological demand on incident commanders who are eager for resources to carry out lifesaving intervention, to resolve or to prevent escalation of an incident.

In our CRMP developed, approved, and promoted by AFRS, environmental considerations were documented highlighting the increase of wildfires and flooding. Combined with the year-on-year population increases across all 4 counties of Avon, can we really be expected to do more with less.

It is noted that advances in technology have assisted the FRS within my generation but ultimately, when a member of the public dials 999 and requests a fire engine, there is an expectation that we will arrive with sufficient crew to be able to resolve the incident. Firefighters join to help people in their hour of need, not to be bystanders waiting for additional resources to arrive so they can carry out their duty in a safe manner.

Just last month, Scottish firefighters were forced to stand and watch a historic hotel burn to the ground due to a lack of available resources brought about by deadly cuts within the SFRS.

The FBU safe systems of work and critical attendance standards call for 9 firefighters at the scene of a house fire. If this crewing model is agreed a third additional appliance will have to be mobilised leaving towns and villages with no timely fire cover. Should a fire occur in these now uncovered towns and villages, resources will have to attend from considerably further afield. When waiting times for a fire engine increase so do the ferocity and size of a fire, giving less chance of survival should anyone need rescuing and putting firefighters in a position of greater risk.

These cuts, if endorsed, will endanger both the residents and visitors throughout Avon, and place preventable, unreasonable demands on our members. A modern fire and rescue service which claims to match resource to risk needs appropriate funding, we will not stay silent while Avon Fire and Rescue 'make do' with inadequate funding. These proposals represent casualisation, not modernisation.

The FBU is committed to fighting for better funding for the UK fire service now is the time for urgent investment. The FBU will campaign against any threat to public and firefighter safety every step of the way, we ask you to stand with us.

A Member asked for clarification on how the proposed changes at Yate fire station would save four posts. The Head of Efficiency Savings advised that Yate had both day crewing contingency and on call. During the day, there were two watches of seven, riding five on each appliance. The proposal was to move to crewing of four, and blend the two watches into one, who could self-roster and plan three months ahead.

It was advised that the blended vehicle option would save eight posts, two per watch across four watches. The Head of Efficiency Savings advised that this was a dynamic model concept where there was a standard crew of seven on station who would be flexible depending on the type of call received. For a non-life critical call, the blended vehicle could be mobilised with two or three crew with four available on the appliance if required. Therefore, a total of nine crew would become seven.

A Member referred to paragraph 4.4 which projected 40 retirements over the next three years. If these did not take place, would the money be found elsewhere. Secondly, the Member raised the loss of experience in not filling these posts. The CFO advised we would have to balance the recruitment of new firefighters, who take two years to fully train. It was advised that on average, the Service had two retirements per month. If this prediction was not met, there was some element of flexibility within the budget in terms of a working reserve for a short period of time. With regards to the loss of skills, this was the same balance for any experienced colleague who left the Service.

A Member advised that their understanding was that other Fire and Rescue Services (FRS) had experimented and implemented these changes and asked whether we had further information about their assessment and experiences. The Head of Efficiency Savings advised that many FRSs had evaluated their crew model and at least seven had implemented the proposed crew model.

A Member asked about the view of His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). The CFO advised that they do not form a view in relation to staffing models but would focus on how the Service utilised their resources along with the efficient and effective use of public funds.

A Member asked whether the Service Leadership Board (SLB) had any observations about the FBU's concerns around safety. The CFO confirmed that he would not compromise Firefighter safety.

A Member questioned that if the implementation of the report did not go ahead with the proposed changes, would the Service be required to close fire stations and reduce the number of appliances? A question was also asked about which stations would be likely to be affected and the impact to our communities. The CFO advised that this would be determined by our Community Risk Management Plan and available data. This would give us an indication where reduction could take place, and this would be measured against any impact on our attendance standards. However, this paper did not propose the closure of any fire stations or reduce the number of appliances.

A Member referred to paragraph 6.4 and early collaboration with Representative Bodies and asked how these discussions were going and was there any possible compromise? The statement today from the FBU had described dangerous cuts. The Head of Saving Efficiency advised that the Service had engaged at the earliest opportunity, had an open relationship, and there was acknowledgement of the situation the Service was in, but we needed to have a balanced budget.

A Member referred to the proposal of small response vehicles. In their ward there were narrow streets with access issues for larger appliances. This appeared to be a good step forward in terms of risk assessment and access issues. The Head of Efficiency Savings confirmed that the vehicles would have full firefighting capabilities but have a smaller capability and carry less water.

A Member asked about the number of crew on the blended vehicle, and would the vehicle be electric? The Head of Efficiency Savings confirmed that the Service was working towards achieving net zero and the vehicle would either be electric or dual fuelled. There would be a dynamic crew of seven with four/five on the main appliance and two/three on the blended vehicle. The CFO advised that this approach would be introduced within a three-year period.

A Member commented that when we talked about efficiencies this meant cuts and the Service could only make so many before impact. Along with the work that SLB had completed, they hoped that the Authority could send a message to Government, as they could only delay funding for so long. By law the AFA had to have a balanced budget and the message to Government should be that the AFA needed more than a one-year settlement and required proper funding.

A Member commented that they were pleased that the positive message received was that the Service was not cutting stations or appliances. The safety and effectiveness of the Service moving forward was important and they were delighted that a follow up report would be received at the Policy & Resources Committee (PRC) in December. The CFO added that the Service was committed to working with the trade unions to make sure our Firefighters were safe, matching resources to risk.

A Member advised that the key to these changes would be assurance that the changes did not affect the Service provided and if they went ahead the AFA would need to monitor. The CFO advised that our performance standards were that the first appliance must arrive within 8 minutes, and that would be a Key Performance Indicator. The regular performance report would continue to be presented to the Audit, Governance and Oversight Committee (AGOC).

A Member asked that if the forecasted funding was increased, could the AFA delay or reverse these savings or put these savings into capital. The CFO advised that it was always prudent to review our financial situation when known, and to work with the AFA and trade unions. Any changes would be an AFA decision, and a report would be taken to the PRC in December which would include an indication of our budget at that time.

A Member agreed that the AFA were asked to make a very difficult decision. It was asked whether this would affect retained stations. It was confirmed that this decision would only affect wholetime stations, who would also receive the smaller blended vehicles. The Head of Efficiency Saving advised that this proposal would match resources to risk.

A Member thanked the FBU for attending the meeting. They had concerns about how the work of five Firefighters would be completed by four and how would oxygen levels be monitored. The Head of Efficiency Savings advised that trials would be carried out later this month with the FBU, in line with other FRSs. It was advised that there were other options that could be deployed to ensure safety at all times.

A Member advised that when they had visited fire stations there often was a reduced crew on shift. If the AFA was to reduce staffing levels, was there a risk that the Service could end up without sufficient crew on station and appliances off the run. The Head of Efficiency Savings advised that the Service had a crewing factor of 1.37. If five crew are required on duty (5 x 1.37= 6.9). Therefore, seven crew would be required to maintain cover on station.

A Member commented that Members had to make a tough decision, and these were challenging times, were there any alternative options? The Head of Efficiency Savings advised that in his research for the project, he had contacted the majority of FRSs and reviewed their implemented models. An example considered was the turntable ladder, where 2 crew were permanently allocated but this was discounted as a high risk.

A Member stated that they took great pride in what AFA and Firefighters had achieved in safeguarding our residents. However, the AFA did have a statutory duty to maintain a balanced budget. It was added that reluctantly it seemed that these recommendations were the least 'worse option', in that no fire stations would be closed, and no appliances taken off the road. Liaison needed to continue with the FBU and Representative bodies.

The CFO closed by adding that in May 2023, he commissioned the team to find cost savings to achieve a balanced budget. The recommendations would achieve savings from 2024/25 onwards and the years ahead. The CFO added that he was dedicated to Firefighter safety and the wellbeing of residents. The efficiency savings would not reduce the number of appliances or close fire stations and Firefighter safety would not be compromised. Discussions would also continue with Representative Bodies.

The Chair thanked the FBU for attending the meeting.

The recommendations were moved by Cllr Massey and seconded by Cllr Smith.

It was RESOLVED that the Fire Authority:

a) **Approved the continued development and implementation of a crewing model that reflects 4 personnel on every pumping appliance at wholetime stations. Crewing to be maintained on 5 at Hicks Gate where we have Key Point Indicators (KPIs) for National Resilience, subject to any unforeseen risks to service delivery to the public or firefighters and subject to changes in the funding position, with progress on development and implementation to be reported to the Policy and Resources Committee meeting in December.**
b) **Approved the ongoing research and development of a flexible crewing model for Yate wholetime personnel whilst ensuring 4 personnel on the wholetime appliance to maintain on a day crewed model.**

c) **Approved the reinvestment and introduction of an Alarm Response Vehicle (blended fleet) to create capacity for wholetime crews to be more productive in protection and prevention activities.**
d) **Approved the research and potential implementation of a smaller response vehicle for lower category, non-life critical incidents. This was a blended fleet option for a multi pump station to be defined by risk analysis and data.**
e) **Returned to the Policy and Resources Committee (PRC) a report outlining progress on the implementation of these recommendations to their meeting in December.**

26. ADOPTION OF LGA CLLR MODEL CODE OF CONDUCT

Members received a report from the Clerk who updated that the AFA had commissioned an Independent Governance Review and considered the final report at an extraordinary meeting on 25 April 2023. The Fire Authority accepted all 12 recommendations, which included Recommendation 8 that the current Members' Code of Conduct should be updated to fully reflect the Local Government Association (LGA) Model Councillor Code of Conduct and associated Guidance. The Clerk made enquiries with the local Unitary Authorities (UA), who all apart from Bristol had adopted the LGA Code.

The LGA encouraged training on the Model Councillor Code of Conduct. As Members had already adopted Recommendation 8 of the Independent Governance Review, it was anticipated that the Code would be recommended for adoption to the Fire Authority. Therefore, training had been provisionally booked in conjunction with B&NES (to share costs) on three dates: Monday 30 October (in person), Friday 10 November (in person). and Wednesday 15 November (on-line), to accommodate all Members. Members were asked to indicate which session they would be attending; they were not expected to attend all sessions.

The Clerk drew Members attention to paragraph 5.1, which explained that the LGA had issued a new code of conduct which had been updated twice, the latest being on 17 May. The code is a template for UAs to adopt, with additional sections added if required.

Following, approval at the AGOC Committee on 20 September 2023, the AFA Code had been amended to include Clause 8b – which asked Members to consider any advice given to them by the Statutory Officers (the Statutory Finance Officer and the Clerk/Monitoring Officer).

The Clerk explained that the Fire Authority's existing code included arrangements for dealing with complaints, however, the new Code required separate 'Arrangements' and a new separate document had been created. A Sub-committee would be formed to consider any code of conduct matters which arose.

It was RESOLVED that Avon Fire Authority:
a) Adopted as Avon Fire Authority's new 'Members' Code of Conduct' the LGA Model Councillor Code of Conduct, with a minor addition, at Appendix 1.
b) Adopted as Avon Fire Authority's new 'Arrangements for dealing with complaints' at Appendix 2 with two annexes, a complaint form and Procedure for hearing of the AGOC sub-committee.
c) Noted the Code of Conduct training already arranged in conjunction with Bath & North East Somerset (B&NES) on three dates: Monday 30 October (in person), Friday 10 November (in person) and Wednesday 15 November (on-line), to accommodate all Members.

27. EXTENSION OF INDEPENDENT PERSON APPOINTMENT

The Clerk presented the report to the AFA and advised that the Fire Authority's Independent Person (IP), Mr James Mason, was appointed following interview for a term of 3 years from 1 January 2021. That appointment was due to come to an end on 31 December 2023.

During that time James had attended IP training and Fire Authority meetings. Fortunately, his input had not been required as there had not been any Member Code of Conduct complaints during his tenure. James has confirmed that he was willing to continue his appointment as IP to the Fire Authority for another term.

Under the Localism Act 2011 every Authority is required to appoint at least one IP to be consulted on Member Code of Conduct cases. The Localism Act is silent about terms of office and the Local Government Association were therefore consulted about 'best practice'. The LGA have confirmed that there is no official 'best practice' for length of tenure, which varied among local authorities, however, they confirmed that the proposal to extend our IP's term by one further term appeared reasonable.

A Member asked whether there was any possibility for sharing an IP with another FRS. The Clerk advised that the Localism act applied to every UA and the wording was that the AFA had at least one IP, so that would not be possible. However, the Clerk could choose not to appoint another IP and share that resource if needed. The Clerk advised that the IP had completed the LGA training but would be sent on further training once his position was reconfirmed.

The recommendations were moved by Cllr Massey and seconded by Cllr Payne.

It was RESOLVED that the Avon Fire Authority:
a) Extended the term of the current Independent Person by 3 years, until 31 December 2026.

28. DATE OF NEXT MEETING

It was RESOLVED that Avon Fire Authority noted the date of the next meeting on 16 February 2024 at 10.30hrs.

The meeting closed at 15.30 hrs.

…………………………………………..
Chair

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EXTRAORDINARY AVON FIRE AUTHORITY MINUTES

13 DECEMBER 2023

Present: Councillors L Brennan, R Hardie, P Hulme, B Massey, Y Mohamud, B Nutland, O Saini, S Smith, J Stansfield, R Tucker, D Wilcox and M Williams
Mark Shelford, Police and Crime Commissioner

The meeting began at 14.00hrs.

29. APOLOGIES FOR ABSENCE

Apologies were received from Cllrs R Eddy, P Goggin, P May, R Payne, M Riddle, D Thomas, A Varney and K Walker and James Mason, Independent Person

30. EMERGENCY EVACUATION PROCEDURE

Members were advised by the Chief Fire Officer/Chief Executive (CFO) that in the event of an emergency, to exit the room and meet in the rear yard.

31. DECLARATION OF INTERESTS

None advised.

32. PUBLIC ACCESS

None received.

33. CHAIR'S BUSINESS

The Chair welcomed Members, guests and visitors to the meeting and drew attention to the following:

1. The Chair outlined that the meeting was taking place at Severn Park Training Centre. The meeting would also be recorded and uploaded to the Avon Fire Authority (AFA) YouTube channel.
2. Members and Officers introduced themselves.
3. The Chair explained the voting system for the meeting, i.e., votes against a motion would be recorded first, followed by abstentions, then votes in favour.
4. The Excellence in Fire & Emergency Awards 2023 took place on 1 December and the Head of Finance, Claire Bentley was nominated under the Unsung Hero category. Although Claire didn't win on this occasion, the Service was proud that she was shortlisted. Members sent their congratulations to Claire.

34. HMICFRS ROUND 3 INSPECTION REPORT

The CFO introduced the report to Members with a statement:

Members, the paper presented to you today includes the HMICFRS round 3 inspection report published on the 22 November following their inspection visit in the summer of this year.

The recommendations within the report are for Members to note the content of this paper and the HMICFRS report and note the work currently in progress to address the formal recommendations from the HMICFRS.

There is no doubt that the report makes for some uncomfortable reading and that I am deeply saddened by the findings of the inspectorate despite the efforts of many staff across the Service. Members will know that significant work was already underway to respond to the recommendations of round 2 inspection reports but it is clear that whilst work and plans have been ongoing the pace has not met the expectations of the HMICFRS.

Immediately following the inspection, the HMICFRS issued two accelerated causes of concern on the 16 August and since that date I have prioritised work activity and resources to accelerate delivery against the action plans submitted to the HMICFRS.

Members are invited to scrutinise the action plans in Appendix 3 which show that a significant amount of activity has taken place to address these concerns and in fact in relation to the mobilising system all actions have now been completed. Whilst there is still some additional work to follow all effort has been focused on technological fixes to solve the problems identified by working with our suppliers and staff.

Work continues to be prioritised to focus on the capture of risk information however Members will note that the time scales for completion are slightly longer given the amount of activity and Service wide activity that is required, including the procurement of IT hardware (MDT's), training and their installation. It is important to note that the focus has been on an acceleration of work that was already ongoing in relation to the risk information and more resources have been allocated to support this acceleration.

During week commencing the 4 December a HMICFRS inspection team revisited the service to scrutinise our progress against the two accelerated causes of concern and I will receive their feedback this Friday and expect to receive written confirmation of their feedback during the month of January. Given the work and effort put into the Accelerated cause of concern regarding the mobilisation system I am hopeful that the HMICFRS will look positively on discharging this cause of concern as being addressed.

Following the publication of the report, two further causes of concern were identified in protection and for culture and 31 areas of improvement and action plans are currently being finalised to respond to these findings. The Culture cause of concern is particularly disappointing and frustrating as much work has been undertaken since Round 2 inspections such as Zero Tolerance position, *policy changes, independent reporting and confidential reporting lines. This also includes delivering almost all of the recommendations within the sector wide spotlight report on culture published by the HMICFRS in March of this year.*

During my leadership I have been clear on my commitment to cultural improvement where staff are able to be the best version of themselves, I have also been clear in that culture cannot be solved overnight and it requires a persistent and consistent commitment to establish and maintain a healthy workplace. Since the release of my zero-tolerance position, I have utilised external Legal HR investigators resulting in discipline sanctions including dismissals from the service on the basis of behaviour.

Sadly, with the publication of 4 causes of concern, I was notified by the HMICFRS that the service will move into the engaged phase of enhanced monitoring and support. We will be one of four services who are currently in the engaged phases and wrap around support to ensure progress is maintained. This will be provided by the fire performance and oversight group (FPOG) made up of representatives from the Home Office, Local Government Association, NFCC and HMICFRS and chaired by the Chief HMI Andy Cooke.

The Chair and myself have been invited to the first FPOG meeting on the 7 February and invited to present our improvement plans.

Since the publication of the report, I have taken decisive action by establishing an improved governance structure referenced on page 9 of your papers taking overall leadership and ownership of improvements alongside SLB members. I have established and realigned resources for a dedicated team to support the delivery and oversight of actions including the management of actions through a structured continuous improvement framework aligned to best practice.

I have realigned all improvement themes as well as the HMICFRS actions through one governance structure and established an improvement board to consist of external stakeholders, such as peer support from NFCC, external Chief Executive scrutiny from one of our local authorities and voluntary sector support from established partners.

I have met with the NFCC chair and utilised the services of the NFCC implementation and improvement team to undertake a gap analysis of NFCC tools and guidance to support improvement plans. I have also engaged with other Services already in the engaged phase of monitoring to capture learning and share best practice.

I have engaged with all areas of the Service to keep them informed and provide direction on my priorities in the coming months.

Members, we must not underestimate the amount of work that is needed and that for sustainable change to occur and prevent the Service from reacting to various recommendations and inspections, this will be a journey to demonstrate incremental improvements on the backdrop of budget restrictions and resource pressures. Investment will be needed to achieve the goal of sustainable improvements. I invite Members for questions.

A Member confirmed that the report was ‘difficult reading’ but added that he believed that Members ‘were behind’ the CFO and the Service Leadership Board (SLB). Regular updates were requested so that Members could provide oversight and scrutiny. The Member asked for a summary of commitments be provided with dated outcomes rather than actions, so that they are able to hold the CFO and SLB to account. The CFO confirmed that he would report into the AFA and the Policy and Resources Committee with regular updates and ambitious delivery dates. The key focus for the next 12 months would be to move out of the ‘engaged phase’ and to give HMICFRS and Members confidence that the Service was moving in the right direction. However, the CFO had not yet been informed of the benchmarking required from FPOG and at what stage this would begin. There was only 18 months between inspections, and the CFO felt that he needed to be realistic with Members, as there was much work to do. It was important for Members to hold to account the incremental improvements and milestones made by the Service. Focus on statutory duties was one of the CFO’s main priorities as well as concluding the engaged phase. IT remained a key focus of investment within the Service along with ongoing commitment towards cultural improvements.

The Member agreed and requested SMART (Specific, Measurable, Achievable, Relevant and Time-based) results in terms of outcomes, which would result in the delivery of a better report outcome next time around. The Assistant Chief Fire Officer, Service Delivery clarified that the inspection had taken place in early summer and a large amount of work had been completed since then.

A Member asked about the Chief’s strategy and time plans over the next 12 months to achieve the targets. The CFO responded that his key targets were the causes of concern, and to move out of engaged monitoring as well as the challenge of how the Service would measure improvements in Culture within a Fire & Rescue Service (FRS). Responses and interventions we had put in place may take some time to come to fruition. The Service could set our own milestones internally which would be tested at the next HMICFRS inspection. He would be having regular ‘touchpoints’ with HMICFRS leading up to the next inspection.

A Member had noticed that HMICFRS had commented on the Service’s response to incidents, however there was a proposal to reduce the number of firefighters. How would an improved response be achieved? The CFO advised that this referred to the mobilising system where individual consols had frozen. It was confirmed that the Service had never failed to mobilise an appliance during this time. It was clarified that the structural changes proposed would operate with the same number of appliances and stations.

A Member raised a question about the best use of resources, in particular the comments raised by HMICFRS in terms of overtime. Had any feedback been received about the cost savings and crewing changes approved by the AFA. The CFO confirmed that no feedback had been received from HMICFRS, but he would not expect them to. Their considerations were around how we use the resources that we currently have. The Member clarified that the HMICFRS would not have an opinion on whether the correct number of people are crewing vehicles. The CFO clarified that they would provide an opinion on whether we are managing risk in relation to our Integrated Risk Management Plan, in terms of productivity. They would not provide a view on how we manage placement of resources against the risk profile of the organisation.

The Police & Crime Commissioner advised that he was fully supportive of the plans which would improve the situation. He asked whether there would be benefit in sharing Police technical resources to escalate the process. He agreed that the Service needed to promote the correct values and cultures, but that this would not be a quick change. A route map was mentioned and that it would be helpful for internal and external audiences to show the achievements made. He mentioned that the Gloucestershire police force was one of the fastest organisations to come out of engaged phase, and it may be worth talking to them on how this was achieved. Communications were very important, and suggested the CFO spoke to the Police Communications team. The CFO advised that he had met recently with the Chief Constable to identify opportunities, in particular around their development activity. With regards to the effectiveness of the management of risk, there appears to be double counting in the report which referenced the same area of improvement several times. The CFO was working with our media team to develop a Communications plan both internally and externally. Regular visits were taking place to each workplace by the CFO and SLB colleagues. The CFO had also met with all middle managers and provided a Service wide briefing soon after the report was released. The CFO was continuing engagement with staff as the report had impacted them despite the hard work carried out across the Service.

A Member stated that they fully supported the CFO and SLB. The report was extremely disappointing, and the content was not the Service that he recognised. He pointed out that there were incredible people working for the Service, who served the public whether operational or office based. Since the Baker report we had made massive jumps, so the report was disappointing. It was confirmed that Members would scrutinise the CFO to make sure improvements were made. Although there was not a short-term fix, Members wanted to see progression through a concise plan, which would be challenged by Members as it progressed.

In respect of the rating for Culture, the CFO would meet with the inspectorate in January to understand the evidence available to them to make this conclusion, as much work had been put in across the organisation. The CFO wanted to know how this outcome had occurred, to move from a good to inadequate rating with a Cause of Concern, and whether any of the incidents were inaccurate. He added that this was not a true reflection of the Service, but we needed to respond positively.

A Member shared the disappointment and suggested that small groups from all levels of staff met once a month, so input was received from all levels. The CFO responded that the Service did hold working groups but there was the potential to expand and engage further.

A Member enquired about the capability of incident command accreditation where some training was out of date. The CFO had spoken to HMICFRS who had evidenced two personnel who had both declared their intention to retire. The HMICFRS visit was in between the declaration to retire and the retirement date. A risk-based approach was taken around the resource benefits and the operational activities of the individuals. This was three to four weeks prior to retirement and a judgement was made as to whether the Service could manage the risk appropriately. The HMICFRS view was that this approach was not laid down in our policy despite the risk-based approach taken. The CFO confirmed that all Incident Commanders had two yearly assessments.

A Member added that having been away from the AFA after four years, they could see improvements made and that the AFA was more open and a more positive place to be in. They felt that previously this report would have been 'buried' but after having confirmation that the issues would be dealt with, the CFO had their full support.

A Member mentioned that there had been a lot of underinvestment in IT, how could this be fixed. The Director of Corporate Services advised that austerity had led to underinvestment in our IT. A technology roadmap had resulted in £1.5m investment to improve our infrastructure, and work had commenced on the next technology roadmap and affordability. Unfortunately, IT had to compete with other areas, but we would collaborate with other FRS especially Hampshire and IOW. The CFO reminded that the funding shortfall of £3m over the next 3 years would be a big challenge.

The Chair added that she would like to thank the CFO and Officers, and all those involved, who were working on this. There was a lot of work still to do, but she was confident that Members could assist and make Avon the best place to work.

It was RESOLVED that the Fire Authority:
a) Noted the content of this paper and HMICFRS' Round 3 inspection report provided at Appendix 1; and
b) Noted the work currently in progress to develop the Round 3 inspection action plan to address the formal recommendations from HMICFRS in compliance with the Fire and Rescue National Framework for England.

35. DATE OF NEXT MEETING

It was RESOLVED that Avon Fire Authority noted the date of the next meeting on 16 February 2024 at 10.30hrs.

…………………………………………..
Chair

The meeting closed at 14.50 hrs.

AVON FIRE AUTHORITY
AUDIT, GOVERNANCE & OVERSIGHT COMMITTEE (AGOC) MINUTES

27 JUNE 2023

MINUTES OF MEETING

PRESENT: Cllrs Goggin, Mohamud, Nutland (Chair), Tucker, Varney and Williams

The meeting started at 10.35hrs.

CHAIR OF THE AUDIT, GOVERNANCE AND OVERSIGHT COMMITTEE FOR THE MUNICIPAL YEAR

At the Avon Fire Authority AGM on 21 June 2023, Cllr Ben Nutland was voted the Vice-Chair of the Fire Authority. He would, therefore, in accordance with the Terms of Reference for the Audit, Governance and Oversight Committee automatically become the Chair of this Committee.

ELECTION OF VICE-CHAIR OF THE AUDIT, GOVERNANCE AND OVERSIGHT COMMITTEE FOR THE MUNICIPAL YEAR

It was proposed by Cllr Nutland and seconded by Cllr Tucker that Cllr Goggin be elected Vice Chair of the Audit, Governance and Oversight Committee for the 2023-2024 Municipal Year. There was a vote and it was:

RESOLVED – that Cllr Goggin be elected Vice Chair of the Audit, Governance and Oversight Committee for the 2023-2024 Municipal year.

The Clerk advised Members that Assistant Chief Fire Officer (ACFO) Steve Imrie was the Lead Director for the Audit, Governance and Oversight Committee (AGOC). Any queries outside of the meeting should be directed to the Clerk or ACFO Imrie.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs Riddle, Stansfield and Wilcox.

2. EMERGENCY EVACUATION PROCEDURES

Officers confirmed the emergency evacuation procedure for the venue.

3. DECLARATION OF INTERESTS

None received.

4. PUBLIC ACCESS

None received.

5. CHAIR'S BUSINESS

The Chair confirmed that Members were looking forward to working with Officers over the next year.

1. Members and Officers introduced themselves and the Chair outlined that the meeting was taking place at Police & Fire Headquarters. The meeting would also be recorded and uploaded to the Avon Fire Authority (AFA) YouTube channel.
2. ACFO Imrie advised attendees of the sad news of Iain Hughes, a Crew Manager in the West Midlands Fire Service. Iain had gone missing whilst taking on a charity swim across the English Channel. Our thoughts were with Iain's family and colleagues.
3. The Chair explained the voting system for the meeting, i.e., votes against a motion would be recorded first, followed by abstentions, then votes in favour.

6. MINUTES OF THE AUDIT, GOVERNANCE & ETHICS COMMITTEE HELD ON 22 MARCH 2023

The open and confidential minutes (Items 6 and 15) of the Audit, Governance & Ethics Committee were also moved by Cllr Goggin and seconded by Cllr Tucker.

It was RESOLVED -
That the minutes of 22 March 2023 be approved as a correct record and signed by the Chair.

7. 2022/23 DRAFT ANNUAL GOVERNANCE STATEMENT

The Committee received the report from the Head of Corporate Assurance, Continuous Improvement and Planning. The Annual Governance Statement (AGS) 2022/23 sets out a framework by which the AFA internal systems and processes were directed and controlled. It enabled the AFA to gain assurance that services were being delivered in accordance with the prevailing legislation, regulations, and Government guidance.

A health check of the AFA's annual governance framework was carried out in April and May 2023. Results of the completed annual review of effectiveness and action plan 2022/23 provided details of proposed enhancements to the governance framework to ensure it remained adequate and effective.

It was advised that the AGS provided a clear assessment of how the Governance Framework had operated over the past financial year. Following the Governance review by Vale Consultancy, the AGS had been restructured with a short executive summary upfront and the CIPFA Principals used to structure the main body of the report. There had also been an increased use of links to relevant documents within the report.

Member's attention was drawn to Section 13 on p34. It was confirmed that this section would be updated with the External Auditors opinion once work for the 2022/23 financial year had been completed.

The Head of Corporate Assurance reminded Members that the Internal Auditors carried out an audit review of Financial Controls on our Purchase to Pay Financial Framework and had awarded a reasonable assurance rating.

Once approved, the AGS would be signed by the Chair, the Chief Fire Office and both Statutory Officers.

A Member enquired whether the AGS should mention that the Audit, Governance and Ethics Committee had now been replaced by AGOC. The Clerk confirmed that this was referenced in paragraph 5.13 on p27.

The Head of Corporate Assurance and her team were thanked for providing a concise report in plain English.

The recommendations were moved by Cllr Williams and seconded by Cllr Mohamud.

It was resolved that the Committee -

a) **Approved the content of the draft AGS for publication, subject to paragraphs 13.1 and 13.2 being updated with the Head of External Audit Opinion and commentary on Value for Money, when published.**
b) **Authorised the Chief Fire Officer/Chief Executive, the Chair of Avon Fire Authority and Statutory Officers to sign the approved statement.**
c) **Approved the publication of the AGS 2022/23 alongside the final Statement of Accounts when the External Audit process was completed.**

8. 2022/23 DRAFT STATEMENT OF ACCOUNTS AND NARRATIVE REPORT

The Statutory Finance Officer presented Members with the draft 2022/2023 Statement of Accounts and Narrative Report, together with a copy of the draft Public Notice requirement.

The national deadline for the AFA final audited Statement of Accounts is the end of September 2023. Provisional audit dates provided by Deloitte suggested that we would be unable to publish audited accounts by this date (paragraph 6.2 provided further detail). A public statement will be published if this deadline is not met. The audit is currently expected to commence in the last week of October, with planned sign off by the end of December 2023.

The production of the Statement of Accounts is a highly complex and technical process, which takes a significant amount of time for finance to undertake. This process was led by Bristol City Council (BCC), under the Financial Service Level Agreement, working closely with our internal Finance team.

The key points raised were that the accounts were an annual requirement for the year ending March 2023. They should have been published by 30 May for 2023 for a period of inspection but this deadline was missed due to the pension details being delayed. The period of inspection is for a period of 30 working days and are in a draft and unaudited form.

Members were reminded that there were ongoing fee discussions taking place with Deloitte in respect of the accounts for year ending March 2022. The fee scale is agreed by Public Sector Audit Appointments (PSAA) and were expected to be £35,170, however Deloitte are proposing a fee of over £100k. Ongoing discussions were taking place with Deloitte to resolve the issue. However, if no agreement was reached, PSAA would become involved to determine an appropriate fee.

A Member recognised that External Audit work had become more complex which had resulted in fee increases, was there anything that could be done? The Statutory Finance Officer advised that Deloitte were next on the agenda and could provide an update regarding the pressures they were under.

Following a Member's question, it was confirmed that the outstanding information from Avon Pension Fund had now been received. Property valuations also had to be repeated last year which had not been expected.

The recommendations were moved by Cllr Mohamud and seconded by Cllr Tucker.

It was RESOLVED that the Committee:

a) Reviewed and approved the draft 2022/2023 Statement of Accounts and Narrative Report, to enable Avon Fire Authority (AFA) to meet its Public Notice requirement.

b) Noted the delay in the receipt of the Local Government Pension Scheme IAS19 Pension Scheme Accounting Figures as at 31 March 2023 and 31 March 2022 and the need to include this information in the draft Statement of Accounts for both financial years.

c) Approved the draft Statement of Accounts for publication immediately on the AFA website.

9. CORPORATE RISK REGISTER EXCEPTION REPORT

The Committee received a report from the Head of Corporate Assurance, Continuous Improvement and Planning who advised that a function of the Audit, Governance & Oversight Committee (AGOC) was to keep the Corporate Risk Register (CRR) under review and to seek assurance of appropriate management action. The CRR was a key tool in the effective identification and management of organisational risk.

The full CRR was reported to the AGOC twice-yearly, and by exception at other Committee meetings, following the recent approval of Governance review recommendations.

It was confirmed that table 5.1 on p178, summarised the key changes since the last AGEC meeting in March. There had been no new risks emerged, none removed, and none currently rated as red.

A Member enquired about the national shortage of Personal Protection Equipment (PPE). The Health, Safety, Welfare, Wellbeing & Fitness Manager advised there had been a recent conference concerning PPE and she would provide an update to Members.

The ACFO advised that due to the shortage, the Procurement team were ensuring that we had larger degrees of stock on shelves as it could not be replaced as quickly as previously.

A Member asked why the Health, Safety and Wellbeing rating had increased from 18 and 20 in the space of 3 months. It was advised that risks are regularly reviewed monthly at the Service Leadership Team (SLT), but only reported to this Committee quarterly. As a result of the SLT review, this risk had now been flagged, the impact considered which had resulted in action being required and consequently, this had increased the score.

It was resolved that the Committee –
a) Noted key changes to the CRR captured in this exception report.

10. EXTERNAL AUDIT PLAN 2023/24

This report was presented after item 8.

The Committee received a report from Deloitte, their External Auditor who confirmed that the pension update from March 2022 had been completed and there was an increase in Pension Liability of £3.2m, which was material. Deloitte have had to rely on information provided by pension scheme auditors.

With regards to the March 2023 audit, it was confirmed that Deloitte had reviewed their Local Government portfolio which showed that a number of March 2022 audits were still outstanding; some had not been signed off and some not even started. A revised plan had been produced following re-assignment of resources which should ensure that the audits were finished, with the Fire Authority audit due to be completed by March 2024, ready to hand over to the new Auditors.

The Clerk reminded Members that we had expected the detailed audit plan to be available for this meeting, but that would now be presented at the September meeting. Deloitte gave their assurance about this.

Deloitte advised that it was hoped that the audit would be completed and accounts available by the end of December, or failing that, January. The Clerk advised that an extraordinary meeting could be required to review the auditor's report and audited accounts, as they would not be in time for the next AGOC meeting in September 2023.

The Chair asked the Deloitte representative if she had attended the last meeting, and it was confirmed she did. Looking at the minutes of the last meeting, it was recorded that a Member raised a concern that the accounts were running a year late, and the question was asked how confident were Deloitte that they would be on time in future years. Deloitte confirmed at that meeting that in terms of the 2022/23 audit, resource had been confirmed over the summer to allow completion in a timely manner. The Deloitte representative clarified, that although this was correct at the time, they were not currently on track as resources had been moved from Avon Fire to those in a worse position.

In respect of fees, Deloitte confirmed that they had completed a detailed review of their audit work and were due to respond to the Statutory Finance Officer with some more information to explain the additional fees they wished to charge. Deloitte pointed out that that the amount of work required had increased significantly over the past 5 years, whereas fees had not increased in this time. Deloitte pointed out that the scale with the new Auditor from 2024 had increased by £24k.

The Clerk clarified with Deloitte whether the issue over increased fees should go to PSAA for deliberation. Deloitte responded that they had not had this situation before and hoped the situation could be resolved by reaching an agreement over fees. A member enquired about the PSAA process to make a decision regarding fees, Deloitte were unsure but would try to avoid that.

It was resolved that the Committee –
a) Noted the report.

11. INTERNAL AUDIT REPORTS AND ANNUAL REPORT 2022/23 AND PROGRESS REPORT 2023/24

The Committee received a report from RSM UK Risk Assurance Services LLP (RSM) who were the AFA's Internal Auditors (IA). Audit Reports were presented to the Committee for consideration, assurance, and review of management action plans.

The key points emphasised were –

Health and Safety (H & S) – Injury Management Control

- This audit was part of the three-year rolling internal audit strategy as a core assurance review to look at the control framework in place around reporting, investigating and learning from H&S incidents resulting in injury.
- Due to personnel changes in the Health, Safety and Wellbeing team around the time of the audit, it was found that there was missing information and data around H&S training, and incident reports recorded on the Service's Online Health and Safety Reporting System, OSHENS, was not always fully completed.
- The IA concluded with a partial assurance opinion and agreed one high, five medium and two low priority management actions are taken forward by the team.

RSM advised that the HMICFRS report issued in December 2021, had noted the Service's approach to Health and Safety. The RSM report concluded that there was a framework and appropriate reporting in place, but a number of issues had resulted in a partial assurance opinion. Eight actions had been identified with one high priority and had been agreed by the Service. The high priority action concerned some incident reporting, investigations which had not been completed in a timely manner, and some outstanding actions.

Members noted that there were concerns around the scheduling of training, were external trainers used? The Head of Health Safety, Welfare, Wellbeing and Fitness Manager advised that the Service did not use external trainers, the Service provided its own training resource and that the schedule of training would be closely monitored going forward.

Members requested some further information regarding Management Action, HS04, which had been rated high priority, and the proposed plan to reduce the score. The Health, Safety, Welfare, Wellbeing & Fitness Manager advised that last week was the first time that she had had a full allocation of staff.

The task of OSHENs had been allocated to a team member to follow up and close old issues. She would report progress made to the Health, Safety and Welfare Strategic Committee taking place on 12 July 2023.

Annual report 2022/23

The report summarised the work completed by Internal Audit during 2022/23 and set out their opinion for the year on Avon Fire & Rescue Service's framework for risk management, governance, and internal controls.

RSM advised that the Annual Report fed into the AGS as part of the assurance framework. It was a positive second opinion and had identified some management actions. The auditor was conscious that some Members would have not seen the individual audit reports which the report had been based on over the year. RSM had tracked the implementation of actions by the Service and were comfortable with the level of implementation applied.

Progress Report 2023/24

- The report summarised the timetable for delivery of the 2023/24 Internal Audit Plan.
- The Committee were asked to approve the timing changes of the Prevention audit, with the Cyber Security audit being brought forward to July 2023.

RSM advised that this report was brought to every meeting, with delivery for 2022/23 now completed, it focused on the 2023/24 plan including audits and agreed dates. The first reports will be presented to the September meeting. There was a change in timing of the Prevention audit to January and therefore the cyber security audit would be brought forward in its place. The Director of Corporate Services advised that although the Service was usually transparent with audit reports issued, for security reasons, the cyber security report may need to be presented in an exempt session.

A Member enquired about what is meant by 'Prevention'; it was confirmed that this was the Service's statutory responsibility to educate our communities e.g., by Home Fire Safety Visits, engagement with schools and community events.

It was resolved that the Committee –

a) Considered the internal audit reports, the findings and agreed management actions for the Health & Safety (H&S) – Injury Management audit (Appendix 1)

b) Considered the Annual Report 2022/23 (Appendix 2)

c) Considered the Progress Report and approved the changes to audit timings (Appendix 3)

12. UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

The Committee received a report from the Head of Corporate Assurance Continuous Improvement and Planning, which updated Members on progress with the completion of the Internal Audit recommendations and management actions, as approved by the SLT on 31 May 2023.

As agreed previously, recommendations (or their part actions) are reported by exception only. Therefore, the report set out actions which are outstanding only. For outstanding actions, the report set out whether they were on track or beyond their planned completion dates, with the latter having extension dates agreed by SLT.

A Member asked about the fleet audit on p237, and the increased resource required to increase the use of latest software systems. It was confirmed that the Service currently had a manager vacancy and once filled the role holder would be responsible for this action. This had caused a delay in getting this action completed.

It was resolved that the Committee –

a) Noted the progress made against the Internal Audit recommendations and management actions.

13. DATE OF NEXT MEETING

RESOLVED – that the date of the next meeting be held on Wednesday 20 September 2023 at 10.30am.

Chair

The meeting ended at 11.40rs.

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AVON FIRE AUTHORITY

POLICY & RESOURCES COMMITTEE (PRC) MINUTES

27 JULY 2023

MINUTES OF MEETING

PRESENT: Cllrs Eddy, Hardie, Hulme, Massey (Chair), Saini, Smith, Thomas and Walker

The meeting started at 10.37hrs.

Members were advised that Shahzia Daya, the Deputy Clerk, would be standing in for the Clerk who was unwell.

CHAIR OF THE POLICY AND RESOURCES COMMITTEE FOR THE MUNICIPAL YEAR

At the Avon Fire Authority AGM on 21 June 2023, Cllr Brenda Massey was voted the Chair of the Fire Authority. She would, therefore, in accordance with the Terms of Reference for the Policy and Resources Committee automatically become the Chair of this Committee.

1. ELECTION OF VICE-CHAIR OF THE POLICY AND RESOURCES COMMITTEE FOR THE MUNICIPAL YEAR

It was proposed by Cllr Massey and seconded by Cllr Eddy that Cllr Smith be elected Vice Chair of the Policy and Resources Committee for the 2023-2024 Municipal Year. There was a vote and it was:

RESOLVED – that Cllr Smith be elected Vice Chair of the Policy and Resources Committee for the 2023-2024 Municipal year.

The Clerk advised Members that the Director of Corporate Services (DoCS) was the Lead Director for the Policy & Resources Committee (PRC). Any queries outside of the meeting should be directed to the Clerk or DoCS.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs Brennan, May and Payne.

3. EMERGENCY EVACUATION PROCEDURES

Officers confirmed the emergency evacuation procedure for the venue.

4. DECLARATION OF INTERESTS

All members of the Service Leadership Board (SLB) i.e., Chief Fire Officer/Chief Executive (CFO), 2 x Assistant Chief Fire Officers, Director of Corporate Services, the Clerk, and the Statutory Finance Officer had an interest in paper 15 which was the commissioning of the Independent Review of Senior Officer Salaries.

5. PUBLIC ACCESS

None received.

6. CHAIR'S BUSINESS

The Chair welcomed attendees to the first meeting of the PRC and confirmed that Members were looking forward to working with Officers over the next year.

1. The Chief Fire Officer advised Members of the sad news that Firefighter Ollie Hatfield had passed away following a valiant battle with cancer. Ollie served as an On Call Fire Fighter at Portishead Fire Station. A minute's silence was held.
2. Members and Officers introduced themselves and the Chair outlined that the meeting was taking place at Police & Fire Headquarters. The meeting would also be recorded and uploaded to the Avon Fire Authority (AFA) YouTube channel.
3. The Chair explained the voting system for the meeting, i.e., votes against a motion would be recorded first, followed by abstentions, then votes in favour.

7. MINUTES OF THE PEOPLE & CULTURE COMMITTEE HELD ON 3 MARCH 2023

The open and confidential minutes (Items 7 and 20) of the People & Culture Committee were moved by Cllr Massey and seconded by Cllr Eddy.

It was RESOLVED -
That the open and confidential minutes of the People & Culture Committee held on 3 March 2023 be approved as a correct record and signed by the Chair.

8. MINUTES OF THE MEETING OF THE PERFORMANCE, REVIEW & SCRUTINY COMMITTEE HELD ON 20 APRIL 2023

The minutes of the Performance, Review & Scrutiny Committee were moved by Cllr Massey and seconded by Cllr Eddy.

It was RESOLVED -
That the minutes of the Performance, Review & Scrutiny Committee held on 20 April 2023 be approved as a correct record and signed by the Chair.

9. HMICFRS LATEST REPORT AND ACTION PLAN

The Committee received a report of the Service Liaison Officer (SLO) which provided an update on the HMICFRS (HMI) Inspection Action Plan. The second 'round 2' HMI inspection report was formally tabled following its publication on 15 December 2021. The overall action plan last approved by Service Leadership Team (SLT) team on 26 July 2023 was 37% completed, 55% in progress and 8% not yet started.

The SLO advised that the Round 3 inspection was well underway. Next steps would include the post-inspection debrief on 8 August 2023, drafting of the report by the HMICFRS inspection team followed by pre-publication checks, and publication which was expected towards the end of the calendar year. An action plan would be developed.

Members noted that the Home Secretary had commissioned an additional thematic inspection on the handling of misconduct cases in Fire and Rescue Services (FRS). All 44 Fire and Rescue Services would receive a staff survey, there would be some additional questions added to the Autumn data request whilst 10 FRSs would be selected for an on-site review. The results would be published by June 2024.

A Member asked whether the current action points would be merged into those raised within the Round 3 inspection. The SLO confirmed that any outstanding actions would be carried onto the new action plan, unless the actions in Round 3 superseded any actions from Round 2.

A question was asked about Return-to-Work Welfare conversations and that it appeared that the software had been developed but was not being consistently used and in a timely way. The SLO advised that this was discussed at SLT yesterday and that work was ongoing to increase completion of these conversations and the online form. The Spotlight Project Lead advised this was due to a combination of factors. In addition, with confidential matters, staff would sometimes only want to have a conversation with their own Line Manager and not others. However, if the Line Manager was on leave, this would not be possible and could cause delays.

It was resolved that the Committee –
a) Noted the progress made against the most recently approved version of Avon Fire & Rescue Service's (AF&RS) HMICFRS inspection action plan (Appendix 1), discussed its contents and made any recommendations or suggestions it saw fit; and b) noted the current HMICFRS inspection activity.

10. DESKTOP REVIEW OF EMPLOYMENT CASES FOR AVON FIRE AND RESCUE SERVICE – EXECUTIVE SUMMARY

The CFO provided an introduction to the report and reminded Members that a staff survey was commissioned in 2018. That feedback triggered a range of actions and provided a sense check on the Service's direction of travel. The CFO restated that the cultural journey was one of his priorities including how we continue to make AF&RS a better place to work. Changing culture was not an 'overnight change' and was an ongoing journey of improvement.

Following on from this, actions taken included to set up a Staff Engagement Network (SEN), introduced a Leadership Charter, refreshed the Service's Values and introduced a behavioural framework, published 'Making Avon Fire a better place to work', 'The Best You Can Be', and a 'Zero Tolerance Statement', refreshed the 'Dignity and Respect' policy and introduced a toolkit for Managers.

Earlier this year, the London Fire Brigade Cultural Report had been published along with the Spotlight report by HMI on Round 2 Inspections. Prior to the release of these reports, the CFO had the foresight to commission a desktop review of past incidents related to behaviour-based allegations of gross misconduct. The Service wanted to learn lessons of the past and as part of ongoing work with culture change. An external team of lawyers, One Legal, were commissioned to independently review the evidence and paper reports and provide any recommendations.

One Legal introduced themselves and advised that the review had been carried out by Specialists in Employment Law. It was recognised that instructing the review prior to the publishing of the Spotlight Review was a proactive step and meant that the Service was well placed prior to the upcoming Round 3 inspection. One Legal had reviewed behaviour based disciplinary cases from the past two years and provided recommendations for the Service to consider.

When asked to undertake the review, One Legal explained that they had worked with the Head of HR and initially identified those cases that should be focused on. This was narrowed down to 11 cases, and they were provided with paperwork, statements and recordings to review. One Legal did not conduct any interviews.

It was added that it was always easier to review a case with the benefit of hindsight and to be able to look at the process from start to finish. There were 5 cases where the conclusion was that the Service did not adopt best practice in terms of undertaking the investigation and disciplinary process. One Legal were not concluding that the outcome would have been different but by not getting it right in terms of the practice, it was difficult for One Legal to consider whether the finding was correct. One Legal reviewed the cases in line with the decision a tribunal would have taken and looking at whether the processes were correct.

One Legal added that the recommendations were part of AFRS's improvement journey, and the findings of this review would improve confidence in the disciplinary processes for the Service.

A Member pointed out that the review did not have the usual cover report and asked whether the CFO was requesting Members to formally receive the report or endorse the recommendation. The CFO replied that the review was formally presented to Members to give them reassurance that steps were being taken to accelerate our cultural journey.

It was asked whether in One Legal's experience, would they say that the number of cases was relative to the size of the organisation. One Legal responded that compared to a Local Authority, AF&RS' cases were slightly higher but compared to other FRSs the case numbers were not particularly high.

A Member referred to Recommendation 3 which mentioned where appropriate engaging independent persons to investigate cases. It was asked, what proportion of the cases reviewed did One Legal think that this would have been appropriate to refer and at what cost to the AFA. One Legal advised that 2 or 3 cases would have benefited from an independent person reviewing them. Due to the complexity of this cases, it was not possible to predict the cost.

A Member asked for further information in respect of Recommendation 12. The CFO advised that a couple of areas crossed over with the Spotlight report. In regards of reaching back into the Service, the CFO advised that there were a couple of areas that had been under consideration including reporting the outcome of discipline cases back into the workforce whilst recognising confidentiality and regular touch points surveys to obtain a sense check from the organisation. The SEN meet monthly, and the chair is also a member of SLT. SLB and SLT regularly undertook staff visits which provided avenues for confidential feedback.

A Member commented on the Complaint and Investigation handling section of the report and also Recommendation 13. They would like to see an ongoing review to ensure effectiveness of the actions taken on the back of these recommendations. The CFO advised that he reported back regularly to the Committee and would provide updates against the Spotlight Report and the One Legal recommendations.

Members agreed unanimously to accept the Review.

11. PROGRESS REPORT ON RECOMMENDATIONS IN THE HMICFRS SPOTLIGHT REPORT AND INDEPENDENT DESKTOP REVIEW OF EMPLOYMENT CASES

Members received a report from the Project Lead which provided an update on progress made against the HMICFRS (HMI) Values & Culture report (which was released to all Fire & Rescue Services on 30 March 2023), and the Service's response to the One Legal Independent Desktop Review of Historical Employment Cases.

HMICFRS are responsible for inspecting all 44 FRSs. The recommendations contained within the Values & Culture report were based on evidence gathered though inspections conducted since 2018. The report collated issues which had been seen across more than half the Fire & Rescue Services.

The Project Lead added that they welcomed the decision made by the CFO to commission the independent desktop review. The proactive commissioning of One Legal showed that the Service wanted to learn lessons and to continue to improve.

The HMI report referenced inappropriate behaviour taking place within general society and not just in FRSs. The Project Lead believed the occurrence of such incidents within the Service to be rare.

The Spotlight report received at the end of March was considered by the SLB, Diversity, Inclusion and Cohesion and Equality (DICE) and HR teams. Progress had already been made on some actions. Many departments within the Service were working together towards our cultural journey including Corporate Communications, the DICE team and the Fire Brigades' Union (FBU).

The HMI report provided some challenging deadlines. The Service was constantly reviewing our actions and how we can do better.

The Service welcomed the recommendations raised in the Desktop report from One Legal. One recommendation was the need to embed training of staff including ACAS and foundation level training. It was raised that engagement with management especially throughout the Service was being enhanced, along with ongoing coaching and mentoring, and visits on station. Work was in progress to review what the current training provision looked like and what training was required to make a difference.

The Project Lead advised that there was a role for everybody in the Service to play, including Elected Members in the culture change journey. The recent Pride March and St Pauls Carnival were all documented on social media and were positive examples of community engagement.

The Project Lead was encouraged by the work that the Fire Brigades Union (FBU) wanted to carry out with the Service. Visits had taken place recently on stations to discuss the Spotlight report which led to interesting conversations about what was working well but also where there were difficulties.

Members were advised that a new confidential reporting line to raise concerns was being launched on 28 August with Crimestoppers. The line would be available as an external confidential reporting mechanism in addition to existing processes for raising concerns.

Members were advised that the Project Lead attended every other SLB to provide an update on the Spotlight report. In addition, development sessions were undertaken in SLT meetings with real cases. Attendees were split into groups and asked to outline what their actions would have been in the case and what guidance the policies and procedures outlined. It is hoped that this would give Managers more confidence to deal with such cases.

The CFO confirmed that the Service was working through the recommendations from the Spotlight and One Legal reports. Some actions related to CFOs, some to the Police and others to the National Fire Chiefs Council (NFCC) with key dates which we had to report back on. Members were recommended to approve the recommendations.

A Member added that it would be helpful if Members were provided with an action plan similar to the one provided with the HMICFRS update. This could be updated, and progress tracked at each meeting. The Project Lead advised that the HMI produced their own tracking plan. She had tried to condense the plan provided with the report (Appendix 1), but if Members preferred to see the full version, she was happy to share.

The DoCS advised Members that for the next round of HMI inspection, the Service would take the opportunity to review how progress would be reported to Members.

It was suggested that One Legal were invited to come back in future to evaluate the Service's performance.

It was also mentioned that the Service shared Headquarters with the Police and was there any scope to share skills with them. The Project Lead advised that there was regular dialogue with the Police, and we were linking in with their Professional Standards team to learn any lessons. There could also be some lessons we could learn from a training perspective for investigators.

A Member asked what preventive measure would look like on the ground for a trainee firefighter. The Project Lead advised that she and the Culture and Inclusion Manager attended the induction course to give training on what is and not acceptable within the workplace and provide contact points.

A Member asked whether there were regular assessments of managers who were conducting the investigations. It was advised that for potential serious gross misconduct cases, HR and a Senior Point of Contact (SPOC) were appointed to monitor the procedures applied, and speed and quality of the investigation. Once the case was competed, feedback would be given to investigators with any lessons learnt used for future cases.

It was resolved that the Committee –

a) **Approved the progress made against the HMICFRS Spotlight Report recommendations and the plans to address the recommendations in the One Legal review of historic employment cases.**

The meeting adjourned for a short break.

12. CONSIDER PROCUREMENT FORWARD PLAN £250K-£1M (SNAPSHOT 13.07.2023)

Members received a report from the Head of Procurement who confirmed that the Fire Authority authorised changes to Contract Procedure Rules (CPR) on 25 April 2023 as part of the Governance review changes. CPR 3.3 stipulated that a procurement plan would be considered by this committee (PRC) on a quarterly basis. The plan would show ongoing and potential procurements with a contract value above £250k giving Members an indication of forthcoming higher value procurements, noting those estimate contracts value of over £1m which require a business case to PRC.

As this was the first time that the procurement plan had been presented to the PRC, the format of the plan may change as it becomes more embedded in our procurement and governance processes. The items highlighted in yellow on the plan were procurements that may require a business case to be presented to PRC in the future. Feedback was welcomed from Members.

A Member asked for an update on the purchase of the Hovercraft and trailer. The Assistant Chief Fire Officer (Service Delivery Support) advised that the Service had previously budgeted approx. £800k maximum. A user group was in progress and were reviewing availability within the market. The current preferred model is considerably less than predicted.

A Member commented that the Appendix supplied was ideal. They were not sure if an update would be required at every meeting but suggested that a contract value heading be added.

It was agreed that a cover report would not be required going forward. The Head of Procurement would be available for questions at each meeting.

A Member enquired whether procurement purchased supplies locally. The Head of Procurement advised that the Service tried to purchase locally which helped to meet our social value commitment.

It was resolved that the Committee –
a) Considered the procurement plan.
b)Agreed no cover report needed going forward and standalone procurement plan to be submitted in advance with other PRC papers. Head of Procurement (or deputy) would be in attendance at PRC meetings to go through the plan.
c) Reviewed and agreed content of the plan for future meetings.

13. GENDER PAY GAP AND ETHNIC PAY GAP REPORTING (SNAPSHOT DATE OF 31 MARCH 2023)

The Culture and Inclusion Manager presented a report to Members which provided an update on the Gender Pay Gap and Ethnicity Pay Gap as of 31 March 2023.

The gender pay gap showed the difference in the average pay between men and women in a workforce. It compared hourly rates of pay and any bonuses staff may receive by gender, highlighting any areas of imbalance.

The ethnicity pay gap was calculated as the difference between the average hourly earnings of White British ethnicity group and other ethnic groups as a proportion of average hourly earnings of White British earnings.

Members were advised that the gender pay gap had widened slightly this year due to the differential in levels of pay awards between corporate and operational staff. The AF&RS gender pay gap remained significantly lower than the national average. However, the Service remained committed to reducing the pay gap including the use of programmes such as Springboard, Stepping Up etc.

There was no legal requirement to publish the Ethnicity pay gap but AF&RS felt that it was important to remain transparent. Representation of staff from ethnic minorities was low which made capture of data difficult. Any movement of staff within the workforce, can lead to noticeable changes in the results. Members were advised that the ethnicity pay gap had narrowed this year,

A Member added that it was disappointing to see a slippage in gender pay gap and considered a one-year comparison was quite a short period. They felt that the ‘direction of travel’ was more important and requested that next year the comparison figures were shown over 3 years.

The DoCS reminded Members that the data provided included Green and Grey book staff. Senior Officer salaries were not included within the calculations as they were Gold book. This was a disappointing increase in our gender pay gap but it was emphasised that this did equate to a difference in hourly rate of pay of 60 pence. Members were advised that it would be difficult to predict the pay gap next year as the Green book was mainly female and a pay offer had been turned down for 4% for 2023/24. Data was reported on an annual basis in line with legislation but it would be possible to include the figures over a 3 year period.

A Member asked if it would be possible to provide a breakdown for uniformed staff by rank, as a seniority gap going forward. The CFO advised it may be possible to add an appendix to the report to include data over a three-year period.

It was resolved that the Committee –
a) Noted and approved the content of the Gender Pay Gap and Ethnicity Pay Gap Report and to approve the publication of the Report.

14. TRANSFORMATION PROGRAMME UPDATE

The Committee received a report from the Head of Transformation Manager who confirmed that the programme would come to an end on 31 March 2024.

There had been movements in team resources since the last report due to promotion, reassignment, and a leaver which had been managed. It is a known risk that, as programmes start to draw to a close, team members seek their next employment. Therefore, plans were in place to manage and mitigate this as far as possible to ensure delivery. Alternative approaches had also been put in place to manage the difficulty with digital recruitment (including use of apprenticeships and how we utilise existing expertise in the Service) to start to accelerate any delayed progress in this aspect of the programme and reduce risk.

The need to find a replacement Firewatch Project Manager (recruitment now made) and the loss of a Project Delivery Officer would potentially impact on programme delivery in the 2023/24 financial year. The risk rating would be reviewed in July 2023 by the Transformation Programme Management Team and any proposed change would be considered at the July SLT meeting.

Members were advised that at the recent SLT, there was commitment to complete the work of the programme and the necessary funding. There was still work to do around prioritisation and cost benefits.

A Member mentioned that the budget was approved in 2021, with the current changes to economic conditions, asked if this would affect upcoming projects. The Head of Transformation advised generally not and that the biggest spend area was around SmartScreen technology. There would be some element of inflation included but would still be well within the capital budget of the programme. In addition, there should be some residual budget that would be unspent at the end of the project.

In response to a question, the Head of Transformation confirmed that the Service was using third parties to help find the right talent. The Service was working with Weston College to source Digital apprentices and obtaining quotes from our IT Contractor for work packages. In the longer term we hoped to fill digital expertise by growing talent internally, staff within the Service who have digital capability who may be able to transfer or provide support as part of their current role.

A Member added that the Service was competing against private companies – what were we doing to retain staff. It was advised that it was difficult in a very competitive marketplace especially with Office365. The CFO added that attracting staff was the biggest challenge, and our retention had improved through opportunities and development provided.

Cllr Philippa Hulme left the meeting at 12.50hrs/Cllr Karen Walker left at 12.55hrs.

It was resolved that the Committee –
Noted the report, scrutinised its contents, and made any recommendations or suggestions it saw fit.

15. INDEPENDENT REVIEW OF SENIOR OFFICER SALARIES

This paper was moved to the first item of the agenda.

The Clerk presented the report to Members drawing their attention to the Avon Fire Authority Annual General Meeting on 21 June 2023, where the Fire Authority considered a report on the Annual Review of Remuneration of the CFO/CE. The Fire Authority decided to refer senior officers pay to the PRC to consider approving an independent review. This Committee was asked to commission that review.

All Members of the SLB i.e., the two Assistant Chief Fire Officers, the Director of Corporate Services and Statutory Officers were currently paid a percentage of the CFO/CEs salary.

The Clerk approached three organisations for assistance with this independent review, one organisation declined the opportunity to quote for the work and one failed to respond. A proposal was received from South West Councils, which was at Appendix 3. South West Councils had experience undertaking such reviews and had previously assisted the Authority with a review of Member Allowances. It was therefore recommended that South West Councils were instructed to undertake the review, with a view to their report being presented to the next PRC meeting on 29 September 2023.

The Clerk drew Members attention to Appendix 2 – NJC For Brigade Managers Pay Survey Report 2021 and 2022. The document was not available at the recent AGM and would be considered by the Independent experts as part of their review.

The Clerk recommended that the Committee commissioned South West Councils to undertake the review. Confirmation had been received that the report should be available for the next PRC meeting.

A Member pointed out that South West Councils had previously undertaken a review of Members allowance and was there any value in commissioning those two pieces of work together. The Clerk replied that there would be no real benefit, however, Members had agreed at the AGM to review how the new committee structure worked and then commission another further review during the remainder of this Municipal Year.

The recommendation was moved by Cllr Eddy and seconded by Cllr Massey.

It was resolved that the Committee –
a) Commissioned Southwest Councils to conduct an independent review of senior officer salaries.

16. ANNUAL REPORT OF THE LOCAL PENSION BOARD 2022-23

On behalf of the Local Pension Board Independent Chair, the DoCS presented the report to Members advising that the draft Annual Report of the Local Pension Board 2022-23 had been approved by the Local Pension Board at their meeting on 10 July 2023.

It was reported to the PRC, as the Committee with delegated authority from Avon Fire Authority to discharge the Authority's responsibilities as Scheme Manager and Scheme Employer for the Firefighters' and Local Government Pension Schemes (Terms of Reference - PRC9).

It was resolved that the Committee –
a) Considered the report and approved its publication on the Avon Fire Authority website.

17. PROPOSED NEW LOCAL PENSION BOARD TERMS OF REFERENCE

This paper was moved to the second item of the agenda.

The Clerk presented the report to Members and advised that following the recent Independent Governance Review, the Local Pension Board (LPB) meeting on 10 July 2023 considered a report which made recommendations regarding the future arrangements for the LPB.

The re-drafted Terms of Reference aimed to simplify previously ambiguous processes. The report recommended the adoption of revised Terms of Reference for the Board to align to the new governance arrangements, and, to add clarity to those Terms of Reference.

The LPB had recommended that the PRC formally adopt the new LPB Terms of Reference appended to this report. Cllr Smith confirmed that the new Terms of Reference had been considered at LPB and the suggested changes added clarity.

It was resolved that the Committee –
a) Approved the new Local Pension Board Terms of Reference (Appendix 1).

18. DATE OF NEXT MEETING

RESOLVED – that the date of the next meeting be held on Friday 29 September 2023 at 10.30am.

Chair

The meeting ended at 13.05hrs.

AVON FIRE AUTHORITY
AUDIT, GOVERNANCE & OVERSIGHT COMMITTEE (AGOC) MINUTES

20 SEPTEMBER 2023

MINUTES OF MEETING

PRESENT: Cllrs Mohamud (joined the meeting at 10.37hrs), Nutland (Chair), Riddle, Tucker, and Varney.

The meeting started at 10.30hrs.

14. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs Goggin, Stansfield, Wilcox and Williams.

15. EMERGENCY EVACUATION PROCEDURES

Officers confirmed the emergency evacuation procedure for the venue.

16. DECLARATION OF INTERESTS

None received.

17. PUBLIC ACCESS

None received.

18. CHAIR'S BUSINESS

The Chair welcomed everyone to the meeting and drew attention to the following:

1. Members and Officers introduced themselves and the Chair outlined that the meeting was taking place at Police & Fire Headquarters. The meeting would also be recorded and uploaded to the Avon Fire Authority (AFA) YouTube channel.
2. The Chair advised that AGOC's Vice Chair, Cllr Paul Goggin who was Bristol City Council's Lord Mayor, had been unwell and in hospital. Members sent Paul their best wishes and hoped that he made a speedy recovery.
3. The Assistant Chief Fire Officer (ACFO) provided an update to Members regarding an action taken from the AGOC meeting on 27 June 2023, regarding

a Personal Protection Equipment (PPE) shortage, which had now been resolved.

4. Members were reminded that they had been sent a link to the Equality and Dignity in the Workplace E-Learning. This was a voluntary training and if completed, Members were asked to please advise the Democratic Services Assistant and provide any feedback on the contents.
5. The Chair explained the voting system for the meeting, i.e., votes against a motion would be recorded first, followed by abstentions, then votes in favour.

19. MINUTES OF THE AUDIT, GOVERNANCE & OVERSIGHT COMMITTEE HELD ON 27 JUNE 2023

The open minutes of the Audit, Governance & Oversight Committee were moved by Cllr Nutland and seconded by Cllr Varney.

It was RESOLVED -
That the minutes of 27 June 2023 be approved as a correct record and signed by the Chair.

20. ADJUSTMENTS TO FINAL STATEMENT OF ACCOUNTS 2021/22 AND EXTERNAL AUDIT PLAN FOR 2022/23

The Statutory Finance Officer presented the report to Members which provided details on the current position concerning both the 2021/22 and 2022/23 Statement of Accounts.

At the last meeting of this Committee, the 2022/23 Draft Statement of Accounts were approved to be published on the Avon Fire Authority (AFA) Website. The Statements were published on 28 June 2023, marking the start of the statutory 30 working days of public inspection, which came to a close on the 8 August 2023.

Several queries were received, which had been addressed and responses provided. A number of these questions related to the Property, Plant and Equipment figures within the accounts. Further investigation into these questions, had highlighted some adjustments relating to earlier periods, that would be reflected within the 2021/22 Statement of Accounts.

The 2021/22 Statement of Accounts had not yet been signed and published due to delays in the LGPS IAS19 valuation numbers. This would allow for the adjustments mentioned in the 2021/22 Statement of Accounts prior to them being finalised. The accounts continued to be unsigned at the date of this meeting as the audit work on the LGPS pension valuation remained incomplete. Once this work was complete and the adjustments previously mentioned were reflected, the statements could be finalised, signed and published.

Members were advised that the Statutory Finance Officer had now completed work on the adjustments and the accounts had now been passed to Deloitte for review.

The Statutory Finance Officer confirmed that it had been a lengthy process to investigate these issues. A backup of the Real Asset Management (RAM) system was completed and was then restored from a number of previous years. Each transaction since the backup was then rekeyed. Depreciation had been processed incorrectly in a prior year, creating a bug in the system which could not be corrected any other way.

The Statutory Finance Officer confirmed that the external audit of the 2022/23 draft Statement of Accounts was due to start on 30 October. However, as the accounts were due to be published by 30 September, the Authority would be required to publish a statutory notice regarding delay.

Member's attention was drawn to Paragraph 4.2 and were advised that as the AFA and Deloitte had not reached an agreement regarding the 2021/22 external audit fees the matter had been referred to the Public Sector Audit Appointments (PSAA) to go through the fee determination process. A decision should be received by late September or early October.

Deloitte drew Member's attention to the Letter of Representation, which referred to Avon Fire and Rescue Authority but should be Avon Fire Authority and would be amended.

It was confirmed that Deloitte were awaiting information from Mercer (Pension Actuary of the Pension Fund). Once received they could then review the changes made in relation to assets and be able to sign off the 2021/22 Statement of Accounts.

Deloitte could then progress onto the 2022/23 Statement of Accounts. Whilst Deloitte understood Members' frustration, it was confirmed that along with other Fire & Rescue Services, there were delays in completing Accounts going back to 2019/20. The National Audit Office was trying to find a solution. Deloitte reassured Members that there was nothing unusual about the delay and the AFA were well ahead of some Fire and Rescue Services (FRS).

Deloitte referred to the Audit plan, which outlined the work they would undertake. Significant audit risks were set out, which meant these were the areas Deloitte would concentrate on, as most likely to identify an error or misstatement in the accounts. Deloitte explained that the 'significant audit risks' identified of capital expenditure and management override of controls are the same in every audit they undertake in the private and public sector.

Members were advised that Capital Expenditure was a complex area and would be focused on going forward. Two areas of audit focus had been identified around property valuations and pension liability valuations, which could vary by a huge amount with assumptions around i.e., mortality rates (including COVID-19) and inflation/interest rates.

Deloitte mentioned ‘materiality’ which had been calculated at £1.6m. This looked at the overall numbers in the accounts and expenditure levels. Deloitte had set a ‘trivial level’ of £80.3K which means that any misstatements above that would be reported to AGOC, and below would be discussed with management.

Members were referred to p33 of the pack which covered key areas of Deloitte’s audit, namely, financial statements and the value for money statement. The Annual Governance Statement would also be audited.

Deloitte mentioned the fee estimate charged for the previous year including the part in discussion with PSAA. The fees for the current year had been set out, which included some adjustments for new accounting and auditing standards, which would require more work.

Deloitte pointed out their responsibility in relation to fraud, and guidance when completing the audit, which is a standard procedure.

Following questions from Members the following points were made/clarified –

1. The Statutory Finance Officer confirmed that the decision made by the PSAA regarding fee payments was binding and that the AFA would accept this decision and pay the agreed fees.
2. The Statutory Finance Officer confirmed that the ‘bugs’ found within RAM had now been permanently fixed, the data had been re-run and processed accurately.
3. Valuation of property assets – it was confirmed that the AFA followed the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, and property was valued every 5 years unless there was a material change. In the Interim years a ‘desktop’ exercise would be completed. The Head of Corporate Assurance advised that she thought the AFA were required under insurance purposes to carry out rebuild valuations every three years. She would check the position and confirm to the Member.
4. In respect of 5.1 (d), it was confirmed that there may now not be an adjustment required at Nova Way following further investigation. With the corrections now processed in RAM, the cost and revaluation reserve associated with this property are now as expected around £2m, so no adjustment would be required.
5. The Chair asked a question to Deloitte regarding the asset valuation of Avonmouth Fire Station and how this passed through the audit process. The Statutory Finance Officer explained that the AFA had revalued an asset under construction which was incorrect and should have been held at cost. When this was corrected, the revaluation was not reversed and was moved into Land and Buildings incorrectly. Deloitte were unaware of the details but advised that they had not completed the final sign off checks or finalised the audit and that this issue would have been picked up at this point. It was suggested that this was a timing issue rather than a failure to spot the error.

The Clerk and Chair thanked the member of the public for finding and reporting the accounting errors.

It was RESOLVED that the Committee:
a) Noted the work currently being completed in response to the points raised as part of the public inspection period for the 2022/23 Statement of Accounts, and to note the potential impact on the Statement of Accounts for both 2021/22 and 2022/23.
b) Recommended that the final 2021/22 Statement of Accounts, once amended for any required adjustments, be presented to the Fire Authority Chair and Chair of AGOC for approval and signing.
c) Approved the 2021/22 Letter of Representation, Appendix 1, to be signed in conjunction with the 2021/22 Statement of Accounts, once the final pension audit work is complete.
d) Approved the External Audit Plan, Appendix 2, for the audit of the 2022/23 Draft Statement of Accounts.
e) Approved the Draft Statutory Notice, Appendix 3, for publication to communicate the delay in publishing audited accounts in time for the statutory deadline on the 30 September 2023.

21. INTERNAL AUDIT PROGRESS REPORT

The Committee received a report from RSM UK Risk Assurance Services LLP (RSM) who were the AFA's Internal Auditors (IA). Audit Reports were presented to the Committee for consideration, assurance, and review of management action plans.

It was noted that since the last AGOC meeting, two draft reports had been issued: IT Cyber Risk Review and Health and Safety – Contaminants/Equipment. These would be finalised and be presented at the next AGOC meeting in December. It was confirmed that Human Resources (Absence Management) and Prevention reports would be presented at the March 2024 meeting.

RSM mentioned Appendix 1, the Emergency Services News Briefing, which Members were invited to read. Member's attention was drawn to the Fire Section on p78 and the evidence-based risk assessments.

As part of the 2023/24 internal audit plan, it had been agreed that instead of an annual follow up audit, internal audit would validate the implementation of actions on an ongoing basis to ensure that reporting to each AGOC meeting is accurate.

RSM confirmed to Members that they collated information from Fire and Rescue Services across the country to provide benchmarking data.

A Member asked if much information was realised from the benchmarking with other Services. RSM advised that the information does generate conversations as the Fire sector can sometimes be behind other sectors, but Avon were often ahead of other Services, which is positive.

It was RESOLVED that the Committee:
a) Noted the Internal Audit Progress Report.

22. CORPORATE RISK REGISTER

The Committee received a report from the Head of Corporate Assurance, Continuous Improvement and Planning who advised that a function of the Committee was to keep the Corporate Risk Register (CRR) under review and to seek assurance of appropriate management action. The CRR was a key tool in the effective identification and management of organisational risk.

The full CRR was reported to the AGOC twice-yearly, and by exception at other Committee meetings, following the recent approval of Governance review recommendations.

The CRR was subject to regular review by the Service Leadership Team (SLT) for a detailed challenge and also by the Risk Owner. The Service Leadership Board (SLB) also reviewed any newly emerging risks, and the Statutory Finance Officer reviewed the Corporate Financial Risk to provide additional assurance.

A Member asked whether there was a proposed date to reach the ‘planned score’ The Head of Corporate Assurance advised that there was no date allocated. However, adding this date was something to consider. It was advised that the risk strategy was to be reviewed within the next few months, and this question would be included.

A Member noted that CR06 (Control and Mobilising) had increased from 18 to 20 and asked how the recruitment of an IT Manager was progressing. The ACFO advised that this was an ongoing issue. The Director of Corporate Services was currently working on the Job Description, advert and terms and conditions to fill that position. Specific to this risk, we currently had contact points in other Services who had those specialist skills who could assist us in the interim.

A Member commented that they were disappointed that the planned score was unchanged for CF15 (Pensions). It was thought that the Government remedy would have reduced the score. The Clerk advised that the new legislation would come into force on 1 October. The Policy and Resources Committee (PRC) was the scheme manager, and a verbal update would be provided to the July meeting. A formal report would be presented at the December PRC meeting to include how the legislation was progressing and how many Immediate Detriment cases had been processed. It was confirmed that SLT had carried out a ‘deep dive’ of this risk in August 2023.

Officers were congratulated on the reduction in risk of CR12/13. However, a word of caution was given, as Cyber Attacks were still extremely common. It was confirmed that the Cyber Security Audit would be presented at the December AGOC meeting.

A Member asked if the threat thresholds were set by AFA or nationally. The Head of Corporate Assurance advised that it was a Service decision which thresholds to adopt, and this would be reviewed as part of our Strategy Review.

In respect of CR06, a Member asked about the timescale to recruit an IT Manager. The ACFO advised that the timescales were becoming more important, and the longer we operated without this specialism, the more concerning it became. There was an increased importance as there was a deadline of 2025 in relation of the transition across from ISDN over to a new digital system. If progress was not made within the next quarter, the Service could access assistance through collaboration with other Services.

It was RESOLVED that the Committee –
a) Reviewed the CRR in respect of the risks in this report and consider the controls and mitigations in place to manage these risks.
b) Considered whether the Committee needs any further information to be assured of the appropriate management of these corporate risks.

23. ADOPTION OF LGA MODEL COUNCILLOR CODE OF CONDUCT

Members received a report from the Clerk who reminded Members that Avon Fire Authority had commissioned an Independent Governance Review and considered the final report at an extraordinary meeting on 25 April 2023. The Fire Authority accepted all 12 recommendations, which included Recommendation 8 the current Members' Code of Conduct should be updated to fully reflect the Local Government Association (LGA) Model Councillor Code of Conduct and associated Guidance. The Clerk made enquiries with the local Unitary Authorities (UA), who all apart from Bristol had adopted the LGA code.

The LGA encouraged training on the Model Councillor Code of Conduct. As Members had already adopted Recommendation 8, it was anticipated that the Code would be recommended for adoption to the Fire Authority. Therefore, training had been provisionally booked in conjunction with B&NES (to share costs) on three dates: Monday 30 October (in person), Friday 10 November (in person). and Wednesday 15 November (on-line), to accommodate all Members. Members were asked to indicate which session they would be attending; they were not expected to attend all sessions.

The Clerk drew Members attention to paragraph 5.1, which explained that the LGA had issued and updated a new Members' Code of Conduct. The Code was a template for UAs to adopt, with additional sections added if required.

The Avon Fire Authority Code had been amended to include a new Clause 8b – which asked Members to consider any advice given to them by Statutory Officers (the Statutory Finance Officer and the Clerk/Monitoring Officer) and to give reasons for departing from that advice.

Members were asked to note that the present Code included arrangements for dealing with complaints received about Members and as the LGA Code didn't include 'Arrangements' a new separate document had been created. An AGOC sub-committee would be formed to hear any Code of Conduct matters.

It was RESOLVED that the Committee –
a) Reviewed the LGA Model Councillor Code of Conduct, with a minor addition, at Appendix 1 and separate Arrangements for dealing with complaints at Appendix 2 with two Annexes, a complaint form and Procedure for hearing of the AGOC sub-committee.
b) Recommended adoption of the LGA Model Councillor Code of Conduct as amended as the new Members' Code of Conduct and separate arrangements for dealing with complaints by Avon Fire Authority at their meeting on 4 October 2023.
c) Noted the Code of Conduct training already arranged in conjunction with Bath & North East Somerset (B&NES) on three dates: Monday 30 October (in person), Friday 10 November (in person) and Wednesday 15 November (on-line), to accommodate all Members.

24. PERFORMANCE REPORT – CURRENT FINANCIAL YEAR TO JULY 2023

The Committee received a report of the Corporate Performance Manager (CPM) outlining the performance of the organisation against targets for the period April to July 2023. The key points summarised in the report were:

Prevention:
1. Two of the four fire indicators were on target. Deliberate secondary fires remained off target. The Area Manager Response had recommended that the Service tolerated but monitored the risk.
2. The completion of Home Fire Safety Visits were just off target with 72% of the year-to-date target completed. It was advised that the Area Manager Prevention and Protection recommended that the Service actively engaged with partner agencies to increase the number of referrals. A new central booking process had been introduced.

Protection:
1. Processing Licensing applications and Audits were both just off target but had improved. The Area Manager Prevention and Protection had advised that the Service was continuing to recruit and train staff and was confident that targets would be met by the end of the year.

Improve our Service:
1. Reduction in Carbon Emissions was off target with -19.7% recorded against the target of -40%. The Environmental Manager had advised that the Service would be back on target next quarter due to being able to 'net' off all mains supplied electricity to AF&RS owned sites.

Invest in our Staff:

1. Performance and Development Reviews (PDRs) for our staff were off target with 89% in date. A PDR is in date if no more than 365 days had elapsed since it was last completed. Managers are kept informed as to which staff require a PDR to be completed and it was recognised where consistency of performance needed to be improved. It was advised that completion had improved since the papers were issued. There was an ongoing problem with the legacy system which meant that reviews were maintained on a paper basis, which was more difficult to monitor. There was confidence that the new system would shortly be in place and would allow the Service to get back on track.

The Corporate Performance Manager advised Members that during the first four months of the current financial year, there had been a focus on reviewing under performance. However, currently the majority of metrics were shown as green.

Members attention was drawn to Appendix 2, which contained the same metrics as the wall charts which were published at each station.

Members were advised that the Annual Performance Report was now available on the AF&RS website Performance reports - Avon Fire & Rescue Service.

A Member mentioned that we had decided to tolerate the rise in deliberate fires and asked at which point would this move to high risk? The Corporate Performance Manager advised numbers do fluctuate up and down but remain at the levels we are expecting. It was advised that the Service does benchmark against other FRSs (although there are no national indicators), and we were currently monitoring the situation.

The Service worked with the local PCSOs following fires at the void Treetops building whereby youths were starting fires. Working collaboratively, oil drums were removed and increased security put in place. In Weston-super-Mare, crews worked with the local 'One Team', a multi-agency group that tackles safeguarding and anti-social behaviour in more vulnerable areas of Weston, to reduce the number of incidents.

It was RESOLVED that the Committee -
Discussed and approved the recommendations and the report.

25. DATE OF NEXT MEETING

RESOLVED – that the date of the next meeting be held on Thursday 7 December 2023 at 10.30am.

Chair

The meeting ended at 11.40hrs.

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AVON FIRE AUTHORITY

POLICY & RESOURCES COMMITTEE (PRC) MINUTES

29 SEPTEMBER 2023

MINUTES OF MEETING

PRESENT: Cllrs Brennan, Hardie, Hulme, Massey (Chair), May, Payne, Smith and Thomas (arrived at 10.50hrs)

The meeting started at 10.30hrs.

19. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs Eddy, Saini and Walker.

20. EMERGENCY EVACUATION PROCEDURES

Officers confirmed the emergency evacuation procedure for the venue.

21. DECLARATION OF INTERESTS

None received.

22. PUBLIC ACCESS

None received.

23. CHAIR'S BUSINESS

The Chair welcomed attendees to the meeting.

1. Members were advised that the Chief Fire Officer (CFO) intended to present a Budget Shortfall Options Paper to the next Fire Authority meeting on 4 October, rather than to this committee. This would seek to address the savings required to maintain a balanced budget in coming financial years, as highlighted to the Fire Authority when they considered the budget and Medium-Term Financial Plan (MTFP).
2. Members and Officers introduced themselves and the Chair outlined that the meeting was taking place at Severn Park Training Centre. The meeting would

also be recorded and uploaded to the Avon Fire Authority (AFA) YouTube channel.

3. Members were reminded that they had been sent a link to the Equality and Dignity in the Workplace E-Learning. This was voluntary training and if completed, Members were asked to please advise the Democratic Services Assistant and provide any feedback on the contents.
4. The Clerk advised that as this Committee discharged the Authority's responsibilities as Scheme Manager for the Firefighters' pension schemes, she could confirm that our pension administrators were ready for the implementation of the new pension Regulations which would come into force on 1 October 2023 to remedy the age discrimination issue. An update on the implementation of the new Regulations would be provided to Members at the next PRC meeting in December.
5. The Chair explained the voting system for the meeting, i.e., votes against a motion would be recorded first, followed by abstentions, then votes in favour.

24. MINUTES OF THE POLICY AND RESOURCES COMMITTEE HELD ON 27 JULY 2023

The minutes of the Policy and Resources Committee were moved by Cllr Massey.

It was RESOLVED -
That the minutes of the Policy and Resources Committee held on 27 July 2023 be approved as a correct record and signed by the Chair.

25. CONSIDER PROCUREMENT FORWARD PLAN £250K-£1M (SNAPSHOT 15.09.2023)

Members received a report from the Head of Procurement who confirmed that the Fire Authority authorised changes to Contract Procedure Rules (CPR) on 25 April 2023 as part of the Governance review changes.

CPR 3.3 stipulated that a procurement plan would be considered by this committee on a quarterly basis. The plan would show ongoing and potential procurements with a contract value above £250k giving Members an indication of forthcoming higher value procurements, noting those contracts with an estimated value of over £1m which would require a business case to PRC.

Members were advised that items included proposed procurements for 2024/25. Those highlighted in yellow were likely to come to PRC with a business case to consider as over £1m, prior to a tender taking place.

The Chief Fire Officer (CFO) pointed out that, following recent changes to the Constitution, Members now had an opportunity to look at business cases for high value future procurements prior to the tender process. Members would be able to apply appropriate governance prior to tender as opposed to asking for approval once the tender process was complete.

A Member mentioned that the procurement process had to be secure until a final decision was made. As the press were attending the meeting, would the Committee be required to go into private session if further information was required? The Clerk advised that the process had been improved to look at business cases rather than tenders and was not intended to contain sensitive business information, but Members could move into exempt, if necessary.

26. UPDATE ON SERVICE PLAN APPROACH AND COMMUNITY RISK FINDINGS

The Committee received a report from the Corporate Assurance and Business Planning Manager. Members were updated on progress towards developing Avon Fire Authority's Service Plan. This plan incorporated the Integrated Risk Management Plan (IRMP) based on key community risk findings identified by the Community Risk Management Planning (CRMP) team.

During the 2023/24 planning cycle, Avon Fire & Rescue Service (AF&RS) had considered the approach to our Service Plan including its objectives, duration, and format. Following discussion with the Service Leadership Board (SLB), the proposal was to develop a four-year, non-rolling and web-based Service Plan, which focused on six key objectives.

It was recognised that development of the Service Plan would need to include the outcomes of the His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Round 3 inspection, the efficiency review, and the Government's white paper on Reforming Our Fire and Rescue Service.

Members were advised that when our plan was benchmarked against other Fire and Rescue Services (FRS), it was identified that a non-rolling four-year plan would be preferable when setting and achieving priorities. Delivery of the plan would be supported by annual action plans benefited by a downloadable PDF to a website giving greater accessibility and engagement.

It was advised that the Service were also working towards enhancing the systems and reporting in place to support effective governance. Regular community risk and reporting would take place ensuring the Service remained agile and reactive to emerging community risks. Furthermore, if significant risks or trends did emerge, the plan would be adapted accordingly.

The Station Manager CRMP advised that the Service was able to review year on year incident data which had now returned to pre-pandemic levels. The data provided to Members included:

- 38% of calls responded to were fire alarm incidents.
- During 2022/23, there was an increase in percentage of fires and special service calls.
- There was a slight increase in fires caused by lithium-ion batteries and the Service was working with local businesses, local communities, and our training team to ensure that we were prepared, matching resource to risk.

- There was an increase in physical vulnerability in our residents over 65 years of age.
- In addition, population density was increasing in our Service area, which provided increased demand on existing infrastructure and pressure on housing.
- Numbers of electric vehicles continued to rise and around 40% of waste fires were caused by lithium-ion batteries. The UK was the third biggest global importer of electric cars and the Port of Bristol had 500 acres of new car storage. The Service was completing work with the Port to manage risk.
- Fire in tall buildings continued to be a high risk and resources were matched appropriately.
- The word 'cladding' would be changed to 'external wall systems' as there is often the misconception that when cladding is mentioned it meant 'Grenfell cladding'. The risk in these premises is always the Service's priority.

The Corporate Assurance and Business Planning Manager added that at the time of writing the report, the Service had not received the full HMICFRS report. However, the Service had put together an action plan to address the two accelerated causes of concern already raised. With regards to the Efficiency Savings project, this would be presented to AFA next month.

Service leads were currently drafting objectives for 2024-28 based on current projects, horizon scanning and areas for improvement. These would be shared with the Service Leadership Team (SLT) in October and would then be reported to the PRC meeting in December for approval prior to public consultation.

Cllr Thomas arrived at 10.50hrs.

A Member mentioned that they supported moving to a four year non rolling plan. It was asked, that once the plan was introduced, would the users be able to drill down to action plans and would all action plans be available? It was advised that the Service was working hard on the underlying golden thread plans and systems to provide greater visibility of data and to report on specific actions and objectives. Members were advised that the benefit of having the plan online was that we could add links to other documents.

The CFO added that moving the plan online made it more interactive, so that communities can drill down. This would enable a different way to present the work we are doing on a day-to-day basis.

A Member agreed that there were no surprises in the community risk snapshot information provided. It was anticipated that the next stage would be the difference the changes proposed would make to planning and resources. The Station Manager, CRMP confirmed that the evaluation of risk was ongoing, and the Service was identifying trends on a daily basis which determined where the resources were placed. The team met regularly and were proactive to ensure that control measures were in place to meet these risks. Regular updates were also held with the SLB.

The CFO added that the combined CRMP and Service Plan would be one document. The analysis of risk takes into consideration a range of data and information and the Service was required to ensure that we had our resources in the right place across the Service area. Emerging risks are identified through this process which influenced the content of the Service plan.

A Member advised that the four Local Authorities (LA) were reviewing emerging risks and including within their local plans. It was asked whether the Service was engaging effectively with the LAs about their local plans to pick up fire requirements. The CFO advised that from a strategic perspective, part of the consultation process is to share changes to our Service Plan with our LAs, partner agencies and neighbouring FRSs for their feedback on the proposals. However, it was agreed that the Service would check that it is sufficiently consulted on the LAs review of their local plans.

The CFO was asked whether the Service was aware of where developments were taking place. The CFO confirmed that the Service was given the opportunity to respond and provide feedback on proposed developments.

A Member was interested in the operational impact of the Community risk findings and how this would impact on firefighter training and engagement. The CFO confirmed that research into lithium-ion batteries was being undertaken locally and nationally. Work was being carried out with the National Fire Chiefs Council (NFCC) standards and operational guidance which would influence training for firefighters. The Head of Corporate Assurance confirmed that the new approach would also allow the Service the opportunity to consult earlier in the process. Officers would have the opportunity to get out on station earlier to obtain feedback rather than to wait until the plan was drafted and at the end of the process.

The Member commented that the research could take some time and how soon could the necessary training be provided for Lithium-ion batteries. The CFO advised that the batteries had been in existence for a long time, and therefore the fire risk was not new. A range of tactical firefighter methods and techniques were used to influence how a fire is dealt with alongside a dynamic risk assessment., The Service often utilised practical tips for engagement and prevention advice to local communities.

A Member mentioned that the contract for electric scooters in Bristol had been placed with another company, would the Service be having a consultation with the new company? The CFO confirmed that we had strong links with the current provider and with Bristol City Council particularly in our Protection teams, which would continue with the new provider including the option for site visits in storage facilities for audits and risk information.

The recommendation was moved by Cllr May and seconded by Cllr Smith.

It was resolved that the Committee –
a) Approved proposed changes to the Service Plan objectives, duration, and

format.
b) Noted the emerging community risks, findings and key themes identified to date in this report.
c) As these key findings inform the development of the Service Plan for 2024-2028, considered whether there are further priorities or objectives for inclusion in the plan at this stage.

27. 2023/24 CAPITAL PROGRAMME UPDATE AS AT 31 JULY 2023

Members received the update from the Head of Finance which reported an overview of the 2023/24 to 2025/26 Capital Programme and updated on spend against the Programme for 2023/24 Financial year.

The Capital Programme presented at the AFA meeting of 17 February 2023 approved a total Capital Programme for the three years from the 2023/24 financial year of £12.456m. Following the outturn of the 2022/23 financial year, the Capital Programme had been updated with brought forward adjustments. This had taken the total Capital Programme spend for the three years to £12.457m.

Members attention was drawn to p31, where it was confirmed that all projects were moving as expected including a £600k spend on the Bedminster project which was the majority of the allocation for premises during this year. Spend has begun on operational equipment, some IT spend and also Transformation supporting Mobile Data Terminals (MDT) on appliances. Members were advised that the Service was not forecasting spend against the allocated control budget at this point. Finance had been working closely with Control to prioritise the number of projects ongoing. At a recent meeting of the Capital Prioritisation Steering group, a discussion took place to allocate some of the spend for replacement radios.

A Member asked for clarification on the adjustment for the house sale and enquired whether this was still going ahead. The Clerk advised that the house sale needed to be approved by the AFA, the sale would go ahead but the date had slipped. This was likely to be a ‘Right to Buy’ sale and although the Service would receive this income, it could not be predicted in which financial year.

A question was asked about unspent budgets, would this be moved into the next financial year? The Head of Finance advised that the Service allocated an ICT budget each year which was not carried forward if unspent. The Transformation cost is different as specifically allocated and would move into the next year.

A Member pointed out that it was forecasted that borrowing would be required in 2025/26, was there a restriction on borrowing limits? The Head of Finance advised that as part of the Capital Programme, the Service estimated how much borrowing would be required. There was a borrowing limit of up to £1m over our capital programme. Further information would be provided to the Fire Authority meeting in February 2024.

The recommendation was moved by Cllr May and seconded by Cllr Smith.

It was resolved that the Committee –
a) Approved the Revised Capital Programme attached at Appendix 1 with adjustments made for final brought forward balances from 2022/23.
b) Noted the 2023/24 current position shown in Appendix 2 and to review any key issues within the updates provided.

28. 2023/24 REVENUE BUDGET MONITORING AS AT 31 JULY 2023

Members received a paper from the Head of Finance which provided the latest Revenue Monitoring Report for the current financial year, based upon spending for the four months ending 31 July 2023.

The 2023/24 Net Revenue Budget was approved at the AFA meeting on 17 February 2023. It was important that the Authority and the relevant committees received regular budget monitoring reports which provided a forecast of spending against this budget.

The latest revenue position forecasted the Service would be £75k underspent for the year ended 31 March 2024. This compared to the budgeted balanced budget position.

Members were advised that the forecast outturn for the end of the financial year was not showing much movement and was likely to come in on budget at the end of the financial year.

The Head of Finance advised that our investment income budget of £200k reflected income received from bank balances, where we were receiving a good return. Since this report was published, the Service received a further £74k. This was expected to be the peak return having received a payment from central Government in relation to pensions, so our bank balance is at its maximum level for the year and interest rates are now stabilising.

Members were advised that the Service had a £391k contingency to help manage risks including the outstanding green book pay award. A 5% contingency had been built into the budgets for Green book pay awards, but the Service was not sure if this would cover the pay award. The contingency was also held to help mitigate emerging risks around the outcomes of our HMICFRS and Spotlight reports. Currently, all of those things were expected to be covered by the contingency fund.

A Member asked about income and in particular the grant from central Government. Was it possible to provide information as to how that income had changed over a period of time and moving forward how likely was it that we receive further funding from Government. The Head of Finance advised that these points would be reviewed when presenting budget figures at the AFA meeting in February. The two parts that form the funding would be covered, a revenue support grant and business rates top up.

A Member enquired why there was a forecast underspend on on-call Firefighters Employee costs. The Head of Finance advised that this was dependent on the number of incident call outs. The number of call outs was slightly lower than predicted but still in line with previous years.

It was resolved that the Committee –
a) Noted the forecast spending position against the 2023/24 Revenue Budget shown in Appendix 1 and Appendix 2.

29. ACTION PLANS IN RESPONSE TO HMICFRS ACCELERATED CAUSES OF CONCERN

The Committee received an update from the CFO who outlined that his Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertook its Round 3 inspection of Avon Fire & Rescue Service between 29 May and 4 August 2023.

The post-inspection debrief was held on 8 August 2023 and on 16 August 2023 HMICFRS published two accelerated Causes of Concern – one in relation to the collation and management of risk information, and the other in relation to the Service's mobilising system.

Members were advised that the Service was already working on the risk information concern and a team had been appointed. Concerns were raised regarding the speed of progress identified.

With regards to the Mobilising system, this was an externally sourced software that the Service hosted but was maintained by an external company. Individual consoles were freezing but not the whole system and work had already started to identify the fault and working towards rectifying the issue. The company had identified causes and we had put Business Continuity in place to deal with the incidents on individual consoles. The CFO confirmed that the Service was still available to mobilise appliances and respond to our community needs.

The HMICFRS required an action plan to address the two accelerated causes of concern to be submitted by 19 September 2023. Extensive work including liaison with the NFCC, had been undertaken to develop a detailed action plan which was submitted in line with HMICFRS deadline.

The CFO confirmed that there had already been completion of some actions with the mobilising system, which endorsed that work was already ongoing. Members were advised that this week a second software update had been added. Further work around our internal system upgrades would be presented to SLB in the near future.

Work was ongoing and the Service continued to maintain a focus to deliver against the accelerated Causes of Concern. HMICFRS intended to re-visit the Service week commencing 4 December and the CFO continued to have regular appointments with HMICFRS.

A Member enquired around Site Specific Risk Information (SSRI) and a comment in the HMICFRS letter having spoken to operational Firefighters who were aware that risk assessments did exist but were not using them. The Member had watched a station exercise recently where the commander couldn't find the correct page required to manage the incident. The CFO confirmed that there is a nationally best practice format which covers headings in relation to i.e., the risk, the buildings, the water supply. The plan allowed time for training of operational staff and for them to contribute towards that risk gathering as well.

A Member added that it was a surprise that he was not aware of the issue with Control, and it had not been recorded within a risk assessment that the AFA had seen. The CFO advised that the concern had not been escalated and the number of times the system was freezing had not been sighted on. However, the issue had been reported to the supplier and twice daily meetings were taking place. The frequency of these incidents had started to increase at the time of the inspection but had not been escalated to SLB level or added onto the Corporate Risk Register. The Director of Corporate Services (DoCS) updated Members that the HMICFRS acknowledged that this issue had not impacted on our response standards.

A Member confirmed that it was only right that we welcome HMICFRS and work effectively with them. It was also important we keep a gold standard in mind and deal with issues as they are raised along the way. He added that there were several amber and red ratings on the HMICFRS action plan, should Members be worried or were they moving ahead? The CFO advised that amber indicated that work had already started and was in progress. Work on red ratings had not yet started, because they were a follow on from a previous action.

It was resolved that the Committee –
a) Noted the content of this report and the action plan provided at Appendix 2; and
b) Noted the further verbal update from the Chief Fire Officer/Chief Executive at the meeting.

30. TRANSFORMATION PROGRAMME UPDATE

The Committee received a report from the Head of Transformation Manager who confirmed that the programme was due to come to an end on 31 March 2024.

Due to the loss of some resources from the team, and challenges in recruiting to digital roles, a report was taken to SLT with a proposal to extend the transformation programme for a further period of 12 months funded by the current underspend in the programme budget. This proposal included the extension of some of the existing staff resources into 2024/25. This proposal was agreed in principle, subject to the work programme being reviewed and updated (in relation to current challenges, the efficiency work, and the forthcoming Service Plan) and re-prioritised to accelerate certain work packages.

A report was taken to SLB in July, setting out a proposal to extend the programme until 31 March 2025, to carry out the outstanding work and also extend the contracts of some of the team. This was agreed in principle.

Since the last meeting, FireWatch has been migrated to the cloud which would result in the reduction of cost for future upgrades, due to no longer using the services of our IT provider.

The Supporting Attendance Policy had been overhauled and improved. A toolkit for managers had been launched earlier in the week. There had been a lot of interest already and the toolkit would aid managers looking after the welfare of their teams and to increase attendance at work.

In addition, a digital job application had been launched for corporate staff.

A new policy hub would be launched on 2 October. This was currently accessed through the intranet and was difficult to access and find. The new hub had been built using SharePoint, so it looks like a website and was fully user friendly.
.
It was resolved that the Committee –
a) Noted the report, scrutinised its contents, and made any recommendations or suggestions it saw fit.

31. ANNUAL ENVIRONMENTAL REPORT 2022-2023

The Committee received a report from the DoCS. AF&RS's environmental performance for the financial year 2022-2023 was detailed in the Environmental Report, including progress against the Environmental Strategy's 12 Strategic Aims.

During 2022-2023, the Service had focused on the development of an Environmental Management System and demonstrating environmental leadership in the Fire & Rescue sector.

Members were advised that AF&RS had developed a 10-year Environment Strategy and made a commitment to be net zero by 2030. The Service was recognised as leaders within the Fire Sector and had won awards.

Implementation and targets were presented to Members on an annual basis and for 2022/23 the following achievements were highlighted:
- Proactively replaced firefighter foam with fluorine-free foam on the majority of operational fleet, which is less damaging to the environment.
- Considerable work to our estates to release energy and carbon savings and all of our buildings are supplied by 100% renewable electric and green gas.
- All of our sites have electric vehicle charging points.

- We have a number of electric vehicles within our fleet.
- We have been successfully reviewed against phase 1 of the International Organization for Standardization (ISO) process.

The Service was currently off its year-to-date targets for net zero by 2030. It is hoped we will be on track soon as we are now able to apply retrospectively, the savings in respect of renewable energy use.

Members were advised that the Service hoped to achieve further public sector decarbonisation funding. The Service also hoped to make improvement in our operational fleet emissions. This was more difficult in terms of cost and balancing with operational need.

A Member congratulated the Service on improvements made to premises. However, fleet improvements would be more difficult, with the need to offset the price of low emission appliances against making efficiencies at next week's AFA meeting. It was asked whether the higher costs were included within the MTFP and would there by a point where we needed to manage our ambition to reach net zero whilst managing reducing budgets. The DoCS agreed that this was a challenge as there was several initiatives that we were committed to and passionate about and which would need to be balanced given limited budgets. However, being able to include savings from renewables would assist with our net zero environmental ambitions. There was a provision in our budgets around research for blended fleet which could assist with operational fleet emissions.

A Member referred to the Fleet and Business travel section and enquired why frontline fleet were involved in Home Fire Safety Visits (HFSV). The DoCS advised that we had a blended approach, and our appliances would go out to HFSV and other visits. The CFO confirmed that our operational crews do undertake HFSV but remain available for fire calls if required. There was also a drive from HMICFRS on how the Service used the full workforce and in particular our operational staff not just for response but also for prevention and protection activity.

It was resolved that the Committee –
a) The Policy and Resources Committee noted the Environmental Report 2022-2023.

32. DATE OF NEXT MEETING

RESOLVED – that the date of the next meeting be held on Wednesday 13 December 2023 at 10.30am.

Chair

The meeting ended at 12.00hrs.

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AVON FIRE AUTHORITY

MEETING:	**Avon Fire Authority**
MEETING DATE:	**Monday, 19 February 2024**
REPORT OF:	**Statutory Finance Officer**
SUBJECT:	**2024/25 Budget Setting and Precept**

1. SUMMARY

This report outlines the latest revenue budget position following consultation. Members are asked to consider the contents of this report and agree a revenue budget and Council Tax precept for 2024/25. The report sets out two options in relation to Council Tax:

- **Option 1 –** An increase in Council Tax of 2.99% (from £82.95 in 2023/24 to £85.43 in 2024/25 for a Band D Property) in line with the Governments announced specific 3% referendum limit for fire and rescue authorities.
- **Option 2 –** No increase in Council Tax (precept remains at £82.95 for a Band D Property).

The recommendations set out have been based on the options appraisal within this report.

2. RECOMMENDATIONS

2.1 The Fire Authority is asked to:

a) Consider the information contained in this report.

b) Agree a Revenue Budget (**Appendix 2**) and Band D Council Tax level for 2024/25.

c) Agree that the Fire Authority's basic amount of Council Tax (i.e., precept per Band D property) for 2024/25 is either:

i. Option 1 – Increased to £85.43, a 2.99% increase from 2023/24 equivalent to less than 5 pence per week
ii. Option 2 – Remains at £82.95

d) Make the statutory determinations which are set out in **Appendix 1**, based upon the two options contained in this report. A summary of these determinations and the two Council Tax Options are included in paragraph 5.12 of this report.

e) Agree that precepts be issued to the Unitary Authorities in the Avon Fire Authority area in proportion to the tax bases determined by them as detailed in paragraph 5.13 of this report.

f) Note the amount of Council Tax for 2024/25 for properties in each tax band is:

Amount per Council Tax Band **Band**	**Option 1** **Value**	**Option 2** **Value**
Band A	56.95	55.30
Band B	66.45	64.52
Band C	75.94	73.73
Band D	85.43	82.95
Band E	104.41	101.38
Band F	123.40	119.82
Band G	142.38	138.25
Band H	170.86	165.90

Statutory Finance Officer to forward precept details to the Unitary Authorities as the billing authorities.

3. BACKGROUND

3.1 Legislation requires the Authority to set, before 1 March, a level of revenue budget and Council Tax for the forthcoming financial year to inform each of the four Council Tax billing authorities within the area of Avon Fire Authority of the level of precept required by the Authority for 2024/25. The purpose of this report is to provide the necessary financial background for consideration to be given as to what would be appropriate levels of precept for the Authority.

3.2 The Localism Act 2011 includes provisions which require a local authority to hold a Council Tax referendum where an Authority's Council Tax increase exceeds the Council Tax "excessiveness principles" applied for that year.

3.3 On 19 December 2023, the Department for Levelling Up, Housing and Communities (DLUHC) announced as part of the provisional Local Government Settlement the Council Tax limit to be applied in 2024/25. This is to be 3.0%

for shire counties, unitary authorities and fire authorities, with flexibility for an additional 2% for those authorities with responsibility for social care.

3.4 This report considers a draft revenue budget for 2024/25, before the use of reserves, of £52.925m based upon assumptions outlined in this report, and also considers the implications to this draft budget figure of the two options in relation to council tax for a Band D property as detailed in the summary and recommendations of this report.

4. FINANCIAL IMPLICATIONS

4.1 The setting of a robust and resilient Revenue Budget for 2024/25 is part of an ongoing plan to deliver a sustainable budget within the confines of the restrictions placed upon the Fire Authority by Central Government in terms of reducing levels of grant, non-domestic rates redistributed by the Government, and restrictions in relation to Council Tax increases. The financial implications and risks are significant and are laid out within this report.

5. KEY CONSIDERATIONS

Local Government Funding Settlement

5.1 The provisional Local Government Funding Settlement for 2024/25 was announced on 19 December 2023.

5.2 This announcement confirmed the formula grant settlement figure for the Fire Authority to be £14.834m which is an increase from the £12.036m in 2023/24. An analysis of the changes in Government funding for 2024/25 is shown below in Table A:

TABLE A – SUMMARY OF CHANGES IN FORMULA FUNDING

	2023/24 £m	2024/25 £m	Variation %
Revenue Support Grant	5.839	6.230	6.7%
Business Rates Top Up Grant	6.197	6.197	0.0%
Additional RSG - previous Pension Grant		2.407	0.0%
Funding Received from Central Government	**12.036**	**14.834**	**23.2%**

5.3 The announcement also confirmed changes in the amount of Services Grant to be received in 2024/25. A Services Grant element was introduced into the settlement in the year 2022/23 in recognition of vital services delivered across all tiers of local government. For Avon Fire Authority this grant has changed from £0.424m in 2023/24 to £0.069m in 2024/25, representing a reduction of £0.355m.

5.4 In relation to council tax referendum principles the Government has announced the following to be applied in 2024/25:

- A Council Tax referendum limit of 3% (3% in 2023/24) for all shire counties and unitary authorities, London boroughs and the Greater London Authority.
- An additional 2% for those authorities with social care responsibilities.
- A bespoke council tax principle of up to 3%, or £5, whichever is higher, for all shire districts.
- A bespoke additional council tax flexibility of up to £20 on Band D bills for the Greater London Authority.
- Setting no council tax referendum principles for mayoral combined authorities (MCAs) or town and parish councils.
- 3% referendum principle for all stand-alone Fire and Rescue Authorities.

5.5 It is disappointing that the settlement is for one year only as this provides more uncertainty for future financial planning at a time of significant volatility. This is further exacerbated by the reduction in flexibility from the £5 increase agreed for Fire and Rescue Authorities in 2023/24, despite a significant amount of lobbying from the Sector to Government throughout 2023/24 highlighting the ongoing severe impact to Service budgets of inflationary pressures. This is also a contradiction of the policy statement issued in 2023/24 which implied the same principles would be applied in 2024/25.

5.6 In the longer-term, the Governments ambitions for Levelling Up the country has required reassessment of commitments to update local government funding. The government had previously committed to carry out a Review of Relative Needs and Resources and a reset of accumulated business rates growth. Whilst they now confirm that these will not be implemented in this Spending Review period, the Government remains committed to improving the local Government finance landscape in the next Parliament.

5.7 The consultation period relating to the provisional local Government settlement ended on 15 January 2024.

Council Tax

5.8 The four Unitary Authorities have confirmed their tax bases and these are set out below in Table B:

TABLE B – CHANGES IN COUNCIL TAX BASE

Council Tax Unitary Authority	Taxbase 2023/24	2024/25	Variance %
Bath & North East Somerset	68,610	69,256	0.94%
Bristol	129,654	134,752	3.93%
North Somerset	81,015	81,449	0.54%
South Gloucestershire	101,695	102,386	0.68%
Total	380,974	387,843	1.80%

The increase in the tax base reflects an increased number of properties in the four unitary areas making up the area of Avon Fire Authority, as well as an update to Bristol City Council's council tax compensation arrangements, which in itself generates additional precept to the Fire Authority without any increase in the level of Band D Council Tax. The increase in base from 380,974 to 387,843 generates additional precept to the Fire Authority of £0.570m before any increase in precept is applied.

5.9 The Fire Authority's share of the net deficit on the Collection Funds is £145k which produces a "one-off" increase/reduction in precept funding to the Fire Authority for 2024/25.

Options appraisal

5.10 This report considers two options as follows:

- **Option 1** – An increase in Council Tax precept of 2.99% (from £82.95 in 2023/24 to £85.43 in 2024/25 for a Band D property) in line with the Governments announced specific referendum limit for fire and rescue authorities.
- **Option 2** – No increase in Council Tax precept, the only increase would be the additional funding generated by the increase in Council Tax base as detailed in this report and would require additional efficiencies of £0.962m to be generated in 2024/25.

5.11 Whilst the report considers two options for the updated Council Tax it is of course for the Authority to decide on the required level of Council Tax for next year, within the Government referendum limits, and therefore the Authority may wish to consider alternative options to those included in this report. It should be noted that a 1% increase in council tax generates additional income to the Service budget of £0.321m. So, for instance, should the Authority wish to consider an option of increasing a Band D property by 1.99% in line with previous referendum limits, then it will be necessary to utilise additional reserves in 2024/25 over and above Option 1.

5.12 The statutory determinations under the two options are set out in **Appendix 1.** A summary of these determinations under the two options are shown in Table C:

TABLE C – SUMMARY OF STATUTORY CALCULATIONS

Summary of Statutory Calculations 2024/25	**Option 1 £'000**	**Option 2 £'000**
Gross Expenditure	61,823	60,862
Less: Income	- 8,899	- 8,899
Net Revenue Budget before use of reserves	52,925	51,963
Use of Reserves	- 672	- 672
Net Budget Requirement	52,253	51,291
Less: Share of locally retained Business Rates	- 4,685	- 4,685
Government Support	- 14,835	- 14,835
Share of City Region Deal	- 331	- 331
Share of Collection Fund Net Surpluses	56	56
Amount met by Council Tax	32,458	31,496
Band D Council Tax	85.43	82.95

5.13 The precepts that would be issued to the Unitary Authorities in the Avon Fire Authority area in proportion to the tax base determined by them under the two options are detailed in Table D:

TABLE D – PRECEPTS 2024/25

Precepts 2024/25		Option 1 Precept	Option 2 Precept
Unitary Authority	Tax Base	£	£
Bath & North East Somerset	69,256	5,916,529.83	5,744,775.25
Bristol	134,752	11,511,863.36	11,177,678.40
North Somerset	81,449	6,958,188.07	6,756,194.55
South Gloucestershire	102,386	8,746,835.98	8,492,918.70
Total	387,843	33,133,417.24	32,171,566.90

5.14 The amount of Council Tax for 2024/25 for properties in each tax band under the two options is shown in Table E overleaf:

TABLE E – COUNCIL TAX BANDS 2024/25

Amount per Council Tax Band Band	Option 1 Value	Option 2 Value
Band A	56.95	55.30
Band B	66.45	64.52
Band C	75.94	73.73
Band D	85.43	82.95
Band E	104.41	101.38
Band F	123.40	119.82
Band G	142.38	138.25
Band H	170.86	165.90

Precept Consultation

5.15 It is a legislative requirement under Section 65 of the 1992 Local Government Finance Act that precepting authorities consult with non-domestic ratepayers on plans for expenditure in the forthcoming financial year.

5.16 In order to fulfil this requirement a consultation survey combining proposals for the Service Plan and revenue budget was published on 21 December 2023 and publicised through social media channels, bulletins and newsletters.

5.17 The results of this survey on the budget questions as at 31 January 2024 were that of 274 responses 75% of respondents agreed (26%) or strongly agreed (49%) that Avon Fire and Rescue Service provides value for money with only 7% disagreeing. With regard to the proposed 2.99% increase in the precept as per Option 1 of this report, 73% of respondents agreed (22%) or strongly agreed (51%) that this was reasonable with only 8% disagreeing.

Locally Retained Business Rates

5.18 Details of the Fire Authority's share of locally retained business rates, payable under the 50% Business Rates Retention Scheme are shown below together with the Fire Authority's share of the surplus/deficits on their collection funds from locally retained business rates:

TABLE F – LOCALLY RETAINED BUSINESS RATES 2023/24

Locally Retained Business Rates				
Unitary Authority	2023/24 £	2024/25 £	Variance %	Collection Fund Surplus/(Deficit) £
Bath & North East Somerset	645,738	693,000	7%	- 607
Bristol	2,193,452	2,193,452	0%	56,000
North Somerset	663,764	667,685	1%	- 24,557
South Gloucestershire	1,299,154	1,130,480	-13%	85,240
Total	4,802,108	4,684,617	-2%	116,076

5.19 In addition to the above, an amount of £2.236m is to be received in 2024/25 from Central Government to provide compensation for the cumulative impact on Locally Retained Business Rates of the various Government policy changes to the business rates multiplier that have been introduced. This amount is to be paid by way of a Section 31 grant which means that it cannot be assumed to continue in future and is therefore to be treated as revenue income rather than mainstream Government funding.

Budget Construction and Development

5.20 The budget setting approach for 2024/25 has been similar to that used to set budgets for 2023/24. The 2024/25 baseline budget is set as the forecast outturn for 2023/24 at month 6 (September 2023) adjusted for inflation and other known changes. The Finance team liaised with budget holders and budget managers to collate proposed service developments and expected cost pressures for the financial year which have been reviewed, prioritised and reflected in budgets as appropriate following conversations with the Service Leadership Board and Service Leadership Team.

5.21 A draft revenue budget for 2024/25 for each of the options set out in paragraph 5.10 can be found at **Appendix 2**.

5.22 Key budget setting assumptions for 2024/25 are as follows:

- Income budgets based on one year funding settlement for Central and Local Government funding.
- Other income based on 2023/24 figures, reviewed with Lead Directors.
- Expenditure budgets:
  - Non-pay budgets based on 2023/24 expenditure forecast, updated for known changes and assumed 3% inflation.

- Pay budgets for 2024/25 based on current Establishment (permanent substantive roles) adjusted for additional temporary roles within the Service.
    - Pay awards assumed at 4% (effective from March 2024 for green book and July 2024 for grey book)
- £500k contribution from revenue to capital reserves included to fund the capital programme and defer external borrowing. This defers the need for external borrowing into 2025/26, with the aim of ensuring the Authority achieves a lower rate on the borrowing based forecast interest rate reductions. It also contributes towards the funding required within the Capital Programme for the upgrade to the Mobilisation System within Fire Control, approved at the December Policy and Resources Committee.
- A total contribution of £440k from revenue to support the implementation of the HMICFRS action plan. This covers the following:
    - £60k for increasing broadband speeds in stations. (Note this cost will be baselined into future budgets.)
    - £150k for additional IT equipment including investment in mini PCs for stations, development of a people dashboard and fire control improvements
    - £180k for specific resource required to ensure the monitoring and governance is in place over the delivery of the HMICFRS action plan.
    - £50k for values and culture improvements across the Service through training and other support.

5.23 The key movements from the 2023/24 approved budget to the 2024/25 proposed budget are as follows:

- Income
    - Additional tax base - £0.6m
    - 2.99% precept increase - £0.9m
    - Pension grant income - £2m (note this has a net nil overall impact on the budget due to an additional £2m of pension costs being incurred)
    - £1.6m additional revenue support grant and baseline funding, including a 6.7% CPI increase on revenue support grant which equates to £0.4m
    - Business rates compensation grant increase £0.3m
    - Other small grants for pension admin, new challenges and top-up funding of approximately £1m
- Total impact of the above is c£6.2m additional income in the 2024/25 draft budget when compared to the 2023/24 approved budget.
- Expenditure
    - A 4% pay award assumption has increased employee costs by c£1.6m

    - Calculating pay costs based on establishment increases costs by c£1.7m (recognising the requirement to fill vacancies). Note no FF retirements assumed in this calculation as this will be covered by efficiencies.
    - Additional £0.4m contribution towards Local Government Pension Scheme deficit
    - Additional £2m Fire Fighter pension contributions (offset increase in income)
    - 3% non-pay inflation increases costs by £0.4m
    - Revenue contribution to capital £0.5m
    - Revenue contribution to HMICFRS actions £0.4m
- Total effect of the above is additional costs of c£7.1m within the 2024/25 budget when compared to the 2023/24 approved budget.

  The resultant impact of the above increase in both income and expenditure is cost pressure of £0.7m. This is expected to be realised through the efficiency planning current underway within the Service. Based on papers previously presented to the Authority, this £0.7m saving could be achieved through a reduction of 14 Fire Fighter posts to the Establishment levels. This is planned to be achieved through the Retirement Profile of the Service.

Section 25 Report

5.24 It is a legal requirement under Section 25 of the Local Government Act 2003 that the person appointed as the "Chief Finance Officer" to the Authority reports on the robustness and the adequacy of the level of reserves. The Act requires the Fire Authority have regard to the report in making its decisions.

Statement on the Robustness of the 2024/25 Revenue Budget

5.25 The net revenue budget requirement for 2024/25 has been assessed as £52.925m before use of reserves. In arriving at this figure, a detailed assessment has been made of the risks associated with each of the budget headings and the adequacy in terms of supporting the goals and objectives of the Fire Authority as included in the Service Plan.

5.26 It should be emphasised that these assessments are being made for the 12-month period to 31 March 2025, during which time external factors outside of the control of the Authority may arise which will cause additional expenditure to be incurred. The most significant example of this is the impact of continued high inflation levels and the potential changes relating to the General Election in 2024.

5.27 Details of those budget areas that are most at risk from these uncertainties are included in **Appendix 3**, together with details of the action taken to mitigate each of these identified risks.

5.28 Local Government and the fire sector are currently in a period of significant uncertainty over funding and cost pressures going forward. It is possible that further real terms cuts will be made to fire funding which when combined with potential changes to the Business Rates Retention scheme and the Relative Needs Assessment Reviews could result in significant changes to available resources. Unfunded pension schemes and legal challenges represent a significant risk to the Authority going forward. It is therefore vitally important that resourcing and investment decisions are made which minimise risks going forward to enable the Authority to be as resilient as possible in future years.

5.29 Whilst there is only a legal requirement to set a budget requirement for the forthcoming financial year, the Medium-Term Financial Plan (MTFP) is an important tool to aid financial planning which provides forecasts of indicative budget requirements over a four-year period covering the years 2024/25 to 2027/28. These forecasts include only prudent assumptions in relation to future pay awards and price increases, which will need to be reviewed in light of pay settlements and movement in Consumer Prices Index.

5.30 The Fire Authority has a good track record of delivering required efficiency savings. The MTFP includes forecasts of unidentified savings of £4.1m by 2027/28 based on Option 1, increasing to £5.1m based on Option 2, some of which is driven by increasing capital financing costs. This is based on currently known planning assumptions and assumes only prudent increases in Government grant funding. It will be important that proposals are developed to identify future areas for efficiency savings and the rebalancing of resources to meet the potential future financial challenges.

5.31 The estimates and budget contained within this and previous reports are based on sound financial principles and robust data collections and as such the Statutory Finance Officer believes they can be relied upon to set the Fire Authority's precept for 2024/25.

Adequacy of the Level of Reserves

5.32 Total Reserve balances as at 31 March 2024 are forecast to be £10.781m made up of General Reserve (uncommitted) of £1.5m, Capital Reserves of £5.093m and Earmarked Reserves (committed) of £4.188m. This level is anticipated to decrease by the end of the current financial year due to planned expenditure to be funded from earmarked reserves.

5.33 The agreed General Reserve balance of £1.5m represents 2.8% of the Net Revenue Budget, equivalent to approximately 12 days of Service spending. Whilst the Fire Authority has previously agreed to maintain a minimum level of £1.5m this is reviewed annually as part of the Reserves Strategy to assess its adequacy in light of changing circumstances.

5.34 It is pleasing that the Fire Authority has not experienced the need to call on general reserve balances in the last five years to fund emergency spending. However, the holding of adequate levels of general reserves will be increasingly important over the coming years for the Authority as Capital Reserves are depleted and additional external borrowing is planned.

5.35 An analysis of the estimated reserves and the purpose for which they are held is shown in **Appendix 4**.

5.36 The Authority's Reserves Strategy is reviewed annually, most recently in June 2023, and is available on the Authority's website at www.avonfire.gov.uk

5.37 It is the Statutory Finance Officer's view that the budget proposed together with adequate levels of Reserve balances is sufficiently robust for 2024/25 and that Managers are committed to taking the necessary action to deliver the budget.

6. RISKS

6.1 This report primarily supports Corporate Risk 20 (Funding and Resource Pressure Risk) already identified within the Corporate Risk Register. This report and the financial considerations around levels of revenue budget and precept support the ongoing mitigations to reduce this risk as far as possible within the confines of local government funding restrictions.

7. LEGAL / POLICY IMPLICATIONS

7.1 As contained within this report, namely:

- The Fire Authority is required by statute to set a legal budget.
- Members need also to consider the robustness of estimates included in the budget and the adequacy of reserves for which the budget provides.
- The final decision on the level of the Fire Authority's budget, and responsibility for its adequacy, rests on the Members of the Fire Authority. In arriving at their decision Members should have regard to all relevant factors, including the views of consultees and the interests of Council taxpayers, but Members' first obligation is to meet the statutory duties referred to above.

8. BACKGROUND PAPERS

Held within Finance Department

9. APPENDICES

1. Revenue Budget Statutory Calculations 2024/25
2. Draft Budget Options 2024/25
3. Financial Risk Identification and Management Action
4. Estimated Reserves Balances as of 31 March 2024

10. REPORT CONTACT

Claire Bentley, Head of Finance,
Verity Lee, Statutory Finance Officer,

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Avon Fire Authority - Budget 2024/25 - Statutory Calculations

That the following amounts be now calculated by the Fire Authority for the year 2024/25 in accordance with section 43 of the Local Government Finance Act 1992 (as amended)

43 (2) The aggregate of:

(a) The expenditure the Fire Authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year, other than expenditure which it estimates will be so incurred in pursuance of regulations under section 99(3) of the 1988 Act; £61,822,979

(b) Such allowance as the Fire Authority estimates will be appropriate for contingencies in relation to expenditure to be charged or credited to a revenue account for the year; £0

(c) The financial reserves which the Fire Authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure; and £0

(d) Such financial reserves as are sufficient to meet so much of the amount estimated by the Fire Authority to be a revenue account deficit for any earlier financial year as has not already been £0

43 (3) The aggregate of:

(a) The sums which the Fire Authority estimates will be payable to it for the year and in respect of which amounts will be credited to a revenue account for the year, other than sums which it estimates will be so payable £9,173,866

(i) in respect of redistributed non-domestic rates, revenue support grant, additional grant, relevant special grant or police grant;
(ii) in respect of any precept issued by it; or
(iii) in pursuance of regulations under section 99(3) of the 1988 Act; and

(b) the amount of the financial reserves which the authority estimates that it will use in order to provide for the items mentioned in paragraphs (a) and (b) of subsection (2) above £672,000

43 (4) If the aggregate calculated under subsection (2) above exceeds that calculated under subsection (3) above, the Fire Authority must calculate the amount equal to the difference; and the amount so calculated shall be its budget requirement for the year. 51,977,113

That the following amount be now calculated by the Fire Authority for the year 2024/25 in accordance with section 44 of the Local Government Finance Act 1992 (as amended) as its basic amount of Council Tax

R The amount calculated by the Fire Authority under section 43 (4) above as its Council Tax requirement for the year £51,977,113

less P The aggregate of the sums which the Fire Authority estimates will be payable to it for the year in respect of redistributed non-domestic rates, revenue support grant, additional grant , relevant special grant or police grant; £18,843,696

T The aggregate of the amounts calculated by the billing authorities to which the Fire Authority issues precepts ("the billing authorities concerned") as their council tax bases for the year for their areas and are notified by them to the authority within the prescribed period. 387,842.88

Basic Amount of Council Tax £85.43

That the following amounts be now calculated by the Fire Authority for the year 2024/25 in accordance with section 47 of the Local Government Finance Act 1992 as the amounts of Council Tax for the different valuation bands

Council Tax for the different valuation bands:

Band A	£56.95	Band E	£104.41
Band B	£66.45	Band F	£123.40
Band C	£75.94	Band G	£142.38
Band D	£85.43	Band H	£170.86

That the following amounts be now calculated by the Fire Authority for the year 2024/25 in accordance with section 48 of the Local Government Finance Act 1992 as the amounts payable by each billing authority

Unitary Authority	Tax Base	£
Bath & North East Somerset	69,255.88	5,916,529.83
Bristol	134,752.00	11,511,863.36
North Somerset	81,449.00	6,958,188.07
South Gloucestershire	102,386.00	8,746,835.98
Total	**387,842.88**	**33,133,417.24**

Avon Fire Authority - Budget 2024/25 - Statutory Calculations

That the following amounts be now calculated by the Fire Authority for the year 2024/25 in accordance with section 43 of the Local Government Finance Act 1992 (as amended)

43 (2)	The aggregate of:		
	(a)	The expenditure the Fire Authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year, other than expenditure which it estimates will be so incurred in pursuance of regulations under section 99(3) of the 1988 Act;	£60,861,979
	(b)	Such allowance as the Fire Authority estimates will be appropriate for contingencies in relation to expenditure to be charged or credited to a revenue account for the year;	£0
	(c)	The financial reserves which the Fire Authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure; and	£0
	(d)	Such financial reserves as are sufficient to meet so much of the amount estimated by the Fire Authority to be a revenue account deficit for any earlier financial year as has not already been	£0
43 (3)	The aggregate of:		
	(a)	The sums which the Fire Authority estimates will be payable to it for the year and in respect of which amounts will be credited to a revenue account for the year, other than sums which it estimates will be so payable (i) in respect of redistributed non-domestic rates, revenue support grant, additional grant, relevant special grant or police grant; (ii) in respect of any precept issued by it; or (iii) in pursuance of regulations under section 99(3) of the 1988 Act; and	£9,173,866
	(b)	the amount of the financial reserves which the authority estimates that it will use in order to provide for the items mentioned in paragraphs (a) and (b) of subsection (2) above	£672,000
43 (4)	If the aggregate calculated under subsection (2) above exceeds that calculated under subsection (3) above, the Fire Authority must calculate the amount equal to the difference; and the amount so calculated shall be its budget requirement for the year.		51,016,113

That the following amount be now calculated by the Fire Authority for the year 2024/25 in accordance with section 44 of the Local Government Finance Act 1992 (as amended) as its basic amount of Council Tax

	R	The amount calculated by the Fire Authority under section 43 (4) above as its Council Tax requirement for the year	£51,016,113
less	P	The aggregate of the sums which the Fire Authority estimates will be payable to it for the year in respect of redistributed non-domestic rates, revenue support grant, additional grant , relevant special grant or police grant;	£18,844,546
	T	The aggregate of the amounts calculated by the billing authorities to which the Fire Authority issues precepts ("the billing authorities concerned") as their council tax bases for the year for their areas and are notified by them to the authority within the prescribed period.	387,842.88
	Basic Amount of Council Tax		£82.95

That the following amounts be now calculated by the Fire Authority for the year 2024/25 in accordance with section 47 of the Local Government Finance Act 1992 as the amounts of Council Tax for the different valuation bands

Council Tax for the different valuation bands:

Band A	£55.30	Band E	£101.38
Band B	£64.52	Band F	£119.82
Band C	£73.73	Band G	£138.25
Band D	£82.95	Band H	£165.90

That the following amounts be now calculated by the Fire Authority for the year 2024/25 in accordance with section 48 of the Local Government Finance Act 1992 as the amounts payable by each billing authority

Unitary Authority	Tax Base	£
Bath & North East Somerset	69,255.88	5,744,775.25
Bristol	134,752.00	11,177,678.40
North Somerset	81,449.00	6,756,194.55
South Gloucestershire	102,386.00	8,492,918.70
Total	**387,842.88**	**32,171,566.90**

AVON FIRE AUTHORITY
Draft Budget Options - 2024/25

Income and Expenditure	2023/24 Original Annual Budget £000s	2024/25 Budget - Option 1 £000s	2024/25 Budget - Option 2 £000s
SECTION A: INCOME:			
Income from Councils	-36,858	-38,089	-37,128
Income from Central Government	-12,036	-14,835	-14,835
Total	-48,894	-52,924	-51,963
Other income			0
Income from Investments	-200	-250	-250
Other central government grants	-6,468	-8,574	-8,574
Other grants and income	-60	-75	-75
Total	-6,728	-8,899	-8,899
TOTAL INCOME	**-55,622**	**-61,823**	**-60,862**
SECTION B: EXPENDITURE:			0
1. EMPLOYEE COSTS			0
Full-time Firefighters	27,522	31,184	31,184
On-Call Firefighters	3,164	3,168	3,168
Auxiliary Firefighters	80	82	82
Control Room Staff	2,023	2,263	2,263
Corporate staff	6,728	8,498	8,498
Fire Authority and Chief Executive Office	1,098	1,169	1,169
Transformation	458	250	250
Pension Costs	1,607	2,024	2,024
TOTAL EMPLOYEE COSTS	**42,680**	**48,638**	**48,638**
2. PREMISES COSTS			0
Property Repairs, Fees and Security	844	817	817
Rent and Rates	948	984	984
Cleaning and refuse	279	286	286
Utilities	687	697	697
Property Insurance	62	64	64
TOTAL PREMISES COSTS	**2,820**	**2,849**	**2,849**
3. TRANSPORT COSTS			0
Vehicle Maintenance, fuel, tyres and testing	1,045	1,103	1,103
Vehicle hire and and car club	10	10	10
Travel Costs, Inc Subsistence, Public Transport & Hotel	26	24	24
Insurance - Vehicles	180	185	185
Car Allowances	220	227	227
TOTAL TRANSPORT COSTS	**1,481**	**1,549**	**1,549**
4. SUPPLIES AND SERVICES			0
Equipment and supplies	1,281	1,449	1,449
Fees and Services	1,623	1,761	1,761
Communications and ICT	3,102	3,240	3,240
Expenses and allowances	68	71	71
Scrap Cars and Extrication Challenge	53	55	55
Other supplies and services	871	1,057	1,057
Training Costs	758	738	738
Other employee costs - Inc. Medical Intervention, CRB Checks, Long Service Gratuities	110	106	106
TOTAL SUPPLIES AND SERVICES	**7,866**	**8,477**	**8,477**
5. OTHER COSTS			0
Capital Financing Costs	741	667	667
Efficiency Savings	-	-625	-1,586
Revenue Contributions to Capital	-	500	500
HMICFRS Broadband costs	-	60	60
HMICFRS ICT costs	-	150	150
HMICFRS Additional employee resource	-	180	180
HMICFRS Values and Culture work	-	50	50
Contingency	391	-	-
Investment Fund	242	-	-
Transfer to/from Reserves	-600	-672	-672
TOTAL OTHER COSTS	**774**	**310**	**-651**
TOTAL NON PAY EXPENDITURE	**12,942**	**13,185**	**12,224**
TOTAL EXPENDITURE	**55,622**	**61,823**	**60,862**
FORECAST UNDERSPEND / OVERSP	**0**	**0**	**0**

Note: A minus denotes an underspend.

Financial Risk Identification and Management

Financial Risk Identification and Management	
Item	Mitigation
Higher than budgeted pay awards	Reserves, vacancy and recruitment management
Increase in employer pension contributions	Reserves and changes in Government funding
Higher than budgeted ill health payments	Ill health pension reserve
Legislation e.g. NI, Apprenticeship Levy	Early identification and prioritisation of budgets
Reduction in Government formula funding	Use of reserves, CRMP and MTFP
Localisation of Council Tax Support - Impact on Council Tax base not off-set by Government Grant	Unitary Authority Council Tax discount schemes and use of reserves
Business Rate Retention scheme	Government safety net, Reserves, MTFP, timely modelling
Council Tax Collection rates	Reserves, MTFP
Costs associated with maintaining control resilience, changes to control infrastructure.	Reserves, use of regional funding, control staffing
Lack of Government Capital Funding	Additional Prudential borrowing built into the budget
Identified efficiency savings not achieved	Reserves. Establishment of the Improvement Board and SLB and SLT monitoring
Major / sustained incident	Bellwin Scheme, reserves
ICT demands	Investment in resilience, reserves
Higher than budgeted inflation rates	Reserves, Procurement processes to ensure value for money and fixed price contracts
Higher than budgeted cost of capital	Reserves, Prudential Indicators and Treasury Management Processes to be adhered to
Higher than anticipated costs associated with delivery against HMICFRS action plan	Reserves
Cost increases associated with significant premises capital projects	Allowances made for inflation and a contingency within overall project costs

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AVON FIRE AUTHORITY

Summary of Reserves

Reserve	Purpose	Balance as at June 2023 £'000	Movement in 2023/24 £'000	Forecast Balance as at Mar 2024 £'000
a) Cash backed Earmarked Revenue Reserves:				
Ill health Pension Reserve	To fund fluctuations in ill health retirements	230		230
Immediate Detriment Pension Reserve	To mitigate the impact of immediate detriment payments	150		150
Legal Fees Reserve	Finance unexpected Legal Costs	180		180
Document Management and Retention System Reserve	To fund development of a Corporate wide document system to improve administration and information security requirements including GDPR.	60		60
ESMCP Reserve	Government grant received to fund ESMCP project.	611		611
Invest to Save Reserve	To support implementation of new procedures/ways of working	420		420
Cultural Improvement Reserve	To support ongoing cultural improvement work, particularly with regard to the HMICFRS spotlight report	100		100
Transformation Reserve	This reserve has been created to undertake digitalisation and corporate level projects of the Authority. Digitalisation includes the introduction of Office 365, incident resource management and business process re-engineering. Corporate level projects include collaboration, cultural reviews and Firewatch enhancement.	867	-480	387
Community Fire Safety Reserve	To support update of Community Fire Safety systems and processes	25		25
Communications - UPS/Station End - Upgrades reserve	To enable the upgrade of fire station call-out equipment, UPS and call-out PCs	30		30
National Operational Guidance Reserve	To implement the new National Operational Guidance (NatOG)	300		300
Technical Fire Safety Reserve	Created to continue to support increased activity in Fire Safety as a result of additional grant funding received from the Government, in 2020, following the Grenfell Tower fire.	357		357
Investment Fund Reserve	Investment fund allocated to specific projects which will be released once projects have progressed	98		98
IT Infrastructure Reserve	To address problems identified with the existing IT, Comms and Digital structure	253	-253	-
Cash backed Earmarked Revenue Reserves		**3,681**	**-733**	**2,948**
b) Non Cash backed - Earmarked Reserves:				
PFI Equalisation Fund	Grant from the Government for the PFI project, along with contributions from partners is paid into an Equalisation Fund. This fund is administered by Gloucestershire County Council, on behalf of the partners.	1,240		1,240
Total Earmarked Reserves		**4,921**		**4,188**
General Reserve (Working Balance)		1,500		1,500
Total Earmarked Revenue Reserves		**6,421**		**5,688**
c) Cash Backed Capital Reserves:				
Unapplied Capital Receipts Reserve	This reserve is to fund the capital programme	-		-
General Capital Reserve	This reserve is to fund the capital programme	9,429	-4,336	5,093
Total Reserves		**15,850**	**-4,336**	**10,781**

National Framework categories:

a = Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan

b = Funding for specific projects and programmes beyond the current planning period.

c = As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).

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AVON FIRE AUTHORITY

MEETING:	**Avon Fire Authority**
MEETING DATE:	**Monday, 19 February 2024**
REPORT OF:	**Statutory Finance Officer**
SUBJECT:	**Medium Term Financial Plan**

1. SUMMARY

The requirement to produce and publish a Medium-Term Financial Plan (MTFP) is incorporated in the Fire and Rescue National Framework for England. This report provides the Fire Authority with an updated MTFP covering the financial years 2024/25 to 2027/28.

2. RECOMMENDATIONS

2.1 The Fire Authority is asked to:

a) Approve the 4-year Medium-Term Financial Plan, as detailed in this report and its appendices.

3. BACKGROUND

3.1 The MTFP outlines the projected funding, income and expenditure forecasts for the next four financial years, as well as the key assumptions which have informed those forecasts. The financial forecasts are based on the MTFP approved by the Fire Authority in February 2023, updated for the 2024/25 Annual Budget and supporting budget planning assumptions.

4. FINANCIAL IMPLICATIONS

4.1 This 4-year Financial Strategy shows a forecast budget shortfall of £4.1m in 2027/28, based upon Option 1 within the Revenue Budget and Council Tax levels report considered elsewhere on the agenda to this meeting. This forecast increases to £5.1m should Option 2 of that report be approved.

Financial Strategy Summary

4.2 The detailed financial information to support this Financial Strategy summary can be found in **Appendices 1 and 2**.

5. KEY CONSIDERATIONS

Financial Modelling

5.1 In developing this 4-year Financial Strategy, the Finance Team has undertaken financial modelling (including sensitivity analysis) on a range of budget headings, in line with best practice and in accordance with External Audit recommendations.

5.2 Financial modelling has been undertaken on key Income and Expenditure variables such as projected pay award levels, non-pay inflationary levels and income levels.

Funding

5.3 The Authority has three primary sources of income; Council Tax Precept, Government Grants and Locally Retained Non Domestic Rates. The 4-year Financial Strategy has been based on the 2024/25 Annual Budget Income levels with assumptions made in relation to changes in funding over the following three years. Details of those assumptions and the impact on future funding levels is summarised in Table 1 below:

TABLE 1 – FORECAST FUNDING ASSUMPTIONS

Medium Term Plan Assumptions	2024/25	2025/26	2026/27	2027/28
OPTION 1 (Increase Council Tax for a Band D Property by 2.99% in 2024/25)				
Council Tax Precept	2.99%	1.99%	1.99%	1.99%
Council Tax Base	1.80%	0.50%	0.50%	0.50%
Revenue Support Grant	6.70%	3.00%	3.00%	3.00%
Locally Retained Non Domestic Rates	0.00%	0.00%	0.00%	0.00%
Forecast Funding (£m)	**52.9**	**53.4**	**54.5**	**55.7**
OPTION 2 (Increase Council Tax for a Band D Property by 0.0% in 2024/25)				
Council Tax Precept	0.00%	1.99%	1.99%	1.99%
Council Tax Base	1.80%	0.50%	0.50%	0.50%
Revenue Support Grant	6.70%	3.00%	3.00%	3.00%
Locally Retained Non Domestic Rates	0.00%	0.00%	0.00%	0.00%
Forecast Funding (£m)	**52.0**	**52.4**	**53.6**	**54.7**

5.4 The assumptions included in Table 1 are considered to be prudent assumptions based upon "likely" scenarios and are considered to be a Base Case. Additional modelling is carried out based upon "best" and "worst" case scenarios to ensure the MTFP can reflect all possible scenarios and inform planning accordingly.

Spending

5.5 Table 2 below provides a summary of key assumptions made in relations to changes in spending:

TABLE 2 – FORECAST SPENDING ASSUMPTIONS

Medium Term Plan Assumptions	2024/25	2025/26	2026/27	2027/28
Pay Costs Inflation Non-pay Costs Inflation	4.00% 3.00%	2.00% 3.00%	2.00% 3.00%	2.00% 3.00%
Forecast Spending (£m)	**61.8**	**62.3**	**63.4**	**64.6**

Pay Budgets

5.6 Pay awards of 4% have been assumed for 2024/25 based on previous awards and review of potential awards across the sector. These are then assumed to return to previous levels of 2% from 2025/26 onwards.

Non-Pay Budgets

5.7 Inflation of 3% has been included in all four years of the MTFP for non-pay costs. Where specific contracts and SLA's include higher levels of inflation and where specific cost pressures have been identified prudent provisions have been made. A breakdown of the non-pay budgets can be viewed in **Appendices 1 and 2**.

5.8 The Financial Strategy incorporates revenue budgets for the Capital Financing Costs, which cover the interest payments and the cost of loan repayments for Fire Authority borrowings. Currently the Fire Authority has two external loans, but it is projected that additional loans will be required to support the ongoing Capital Programme from 2025/26. It has been assumed that the Authority will be able to take out new borrowing at an interest rate of 4%, and an overall cost of capital of 8%.

5.9 The 4-year Financial Strategy includes a budget to support the work streams identified following the Service's recent HMICFRS inspection and also a contribution to capital reserves in 2024/25 in order to defer borrowing to reduce revenue impacts where possible. These costs have not been included after 2024/25 to reduce the impact on efficiency requirements.

6. RISKS

6.1 The following issues are considered to represent the key financial risks of the 4-year Financial Strategy:

a) Uncertainty over future funding levels because of a one-year agreement for 2024/25, rather than the anticipated Comprehensive Spending Review which would have incorporated a three-year agreement.
b) A potential reduction in future Central Government and Local Government funding as a result of austerity measures.
c) Increased collection fund deficits above those assumed in this Strategy as a result of cost of living increases.
d) Pay awards being confirmed at rates above those included in this Strategy.
e) Non-pay inflation rates over and above the level assumed, particularly on certain materials including fuel and vehicle parts.
f) Increase in pension costs not funded centrally as a result of actuarial reviews.
g) Future operational cost pressures and additional requirements arising from the Grenfell Tower Inquiry, the Manchester Arena Inquiry, HMICFRS action plans and the Fire Reform White Paper.
h) Additional resource requirement from the revenue budget in relation to prudential borrowing to fund the capital programme.

Financial Risk Mitigations

6.2 In formulating this 4-year Financial Strategy, the following measures have been undertaken to match resources to risk in the most effective, efficient and economical way. This prudent approach has been undertaken to support the achievement of Value for Money for the organisation.

a) Financial Modelling, including sensitivity analysis in key areas, has been undertaken on key budgets to assess risk levels within the Financial Strategy.
b) The Strategy has been based on robust 2024/25 budgets and 2023/24 forecasts.
c) The Devolved Budgetary Framework has been implemented and embedded across the Service ensuring appropriate oversight and management of budgets in all areas.
d) The Strategy has incorporated contingencies within budget lines which can be allocated to unknown cost pressures and future service developments.
e) A Finance Business Partnering model has been adopted by the Finance Team ensuring review and scrutiny of all budgets as appropriate.
f) The Service continues to explore options around collaboration with partners to provide efficiencies and promote cross-service working in a number of areas including both capital and revenue funded projects.

7. LEGAL / POLICY IMPLICATIONS

This Financial Strategy has been based on the Statutory requirements for the 2024/25 Budget and Precept process, presented to the Fire Authority in February 2024.

8. BACKGROUND PAPERS

a) 2024/25 Budget Setting and Precept – AFA 19.02.2024

b) Medium Term Financial Plan 2023 to 2027 – AFA 17.02.2023 paper 8

9. APPENDICES

1. MTFP Income and Expenditure Summary 2024/25 – 2027/28 (Based upon Option 1 of the 2024/25 Budget and Council Tax Report)

2. MTFP Income and Expenditure Summary 2024/25 – 2027/28 (Based upon Option 2 of the 2024/25 Budget and Council Tax Report)

10. REPORT CONTACT

Claire Bentley, Head of Finance.
Verity Lee, Statutory Finance Officer.

AVON FIRE AUTHORITY

MTFP Detailed Revenue Forecast 2024/25 to 2027/28 - Option 1

Income and Expenditure	2024/25 Draft Annual Budget £000s	2025/26 Annual Budget £000s	2026/27 Annual Budget £000s	2027/28 Annual Budget £000s
SECTION A: INCOME:				
Income from Local Authorities	-38,089	-38,315	-39,161	-40,024
Income from Central Government	-14,835	-15,093	-15,360	-15,635
Total	**-52,924**	**-53,408**	**-54,521**	**-55,659**
Other income				
Income from investments	-250	-250	-250	-250
Other grants and income	-8,649	-8,649	-8,649	-8,649
Total other income	**-8,899**	**-8,899**	**-8,899**	**-8,899**
TOTAL INCOME	**-61,823**	**-62,307**	**-63,420**	**-64,558**
SECTION B: EXPENDITURE:				
1. EMPLOYEE COSTS				
Full-time Firefighters	31,184	31,808	32,444	33,093
Retained Firefighters	3,168	3,232	3,296	3,362
Auxiliary Firefighters	82	84	85	87
Control Room Staff	2,263	2,309	2,355	2,402
Corporate staff	8,498	8,668	8,841	9,018
Fire Authority and Chief Executive Office	1,169	1,192	1,216	1,240
Transformation	250	255	260	265
Pension Costs	2,024	2,064	2,106	2,148
	48,638	**49,611**	**50,603**	**51,615**
2. PREMISES COSTS				
Repairs, Fees and Security	817	842	867	893
Rent and Rates	984	1,013	1,044	1,075
Cleaning and refuse	286	295	304	313
Utilities	697	718	740	762
Property Insurance	64	66	68	70
	2,849	**2,934**	**3,022**	**3,113**
3. TRANSPORT COSTS				
Maintenance, fuel, tyres and testing	1,103	1,136	1,170	1,205
Vehicle hire and car club	10	11	11	11
Travel Costs including subsistence, public transport	24	25	26	26
Insurance - Vehicles	185	191	197	203
Car Allowances	227	233	240	248
	1,549	**1,596**	**1,644**	**1,693**
4. SUPPLIES AND SERVICES				
Equipment and Supplies	1,449	1,493	1,538	1,584
Fees and Services	1,761	1,813	1,868	1,924
Communications and ICT	3,240	3,337	3,437	3,540
Expenses and Allowances	71	73	75	78
Scrap Cars and Extrication Challenge	55	56	58	60
Other supplies and services	1,057	1,089	1,121	1,155
Training Costs	738	760	783	806
Other employee costs - Inc. Medical Intervention, CRB Checks, Long Service Gratuities	106	109	112	116
	8,477	**8,731**	**8,993**	**9,263**
5. OTHER COSTS				
Capital Financing Costs	667	833	1,768	3,005
Efficiency Savings	-625	-1,398	-2,610	-4,131
Revenue Contributions to Capital	500	-	-	-
HMICFRS Broadband costs	60	-	-	-
HMICFRS ICT costs	150	-	-	-
HMICFRS Additional employee resource	180	-	-	-
HMICFRS Values and Culture work	50	-	-	-
Contingency	-	-	-	-
Investments in Service Developments and Cost Pressures	-	-	-	-
Transfer to/from Reserves	-672	-	-	-
	310	**-565**	**-842**	**-1,126**
TOTAL NON-PAY	**13,185**	**12,696**	**12,817**	**12,943**
TOTAL EXPENDITURE	**61,823**	**62,307**	**63,420**	**64,558**
FORECAST DEFICIT	**0**	**0**	**0**	**0**

Note: A minus denotes an underspend.

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AVON FIRE AUTHORITY

MTFP Detailed Revenue Forecast 2024/25 to 2027/28 - Option 2

Income and Expenditure	2024/25 Draft Annual Budget £000s	2025/26 Annual Budget £000s	2026/27 Annual Budget £000s	2027/28 Annual Budget £000s
SECTION A: INCOME:				
Income from Local Authorities	-37,128	-37,354	-38,200	-39,063
Income from Central Government	-14,835	-15,093	-15,360	-15,635
Total	**-51,963**	**-52,447**	**-53,560**	**-54,698**
Other income				
Income from investments	-250	-250	-250	-250
Other grants and income	-8,649	-8,649	-8,649	-8,649
Total other income	**-8,899**	**-8,899**	**-8,899**	**-8,899**
TOTAL INCOME	**-60,862**	**-61,346**	**-62,459**	**-63,597**
SECTION B: EXPENDITURE:				
1. EMPLOYEE COSTS				
Full-time Firefighters	31,184	31,808	32,444	33,093
Retained Firefighters	3,168	3,232	3,296	3,362
Auxiliary Firefighters	82	84	85	87
Control Room Staff	2,263	2,309	2,355	2,402
Corporate staff	8,498	8,668	8,841	9,018
Fire Authority and Chief Executive Office	1,169	1,192	1,216	1,240
Transformation	250	255	260	265
Pension Costs	2,024	2,064	2,106	2,148
	48,638	**49,611**	**50,603**	**51,615**
2. PREMISES COSTS				
Repairs, Fees and Security	817	842	867	893
Rent and Rates	984	1,013	1,044	1,075
Cleaning and refuse	286	295	304	313
Utilities	697	718	740	762
Property Insurance	64	66	68	70
	2,849	**2,934**	**3,022**	**3,113**
3. TRANSPORT COSTS				
Maintenance, fuel, tyres and testing	1,103	1,136	1,170	1,205
Vehicle hire and car club	10	11	11	11
Travel Costs including subsistence, public transport	24	25	26	26
Insurance - Vehicles	185	191	197	203
Car Allowances	227	233	240	248
	1,549	**1,596**	**1,644**	**1,693**
4. SUPPLIES AND SERVICES				
Equipment and Supplies	1,449	1,493	1,538	1,584
Fees and Services	1,761	1,813	1,868	1,924
Communications and ICT	3,240	3,337	3,437	3,540
Expenses and Allowances	71	73	75	78
Scrap Cars and Extrication Challenge	55	56	58	60
Other supplies and services	1,057	1,089	1,121	1,155
Training Costs	738	760	783	806
Other employee costs - Inc. Medical Intervention, CRB Checks, Long Service Gratuities	106	109	112	116
	8,477	**8,731**	**8,993**	**9,263**
5. OTHER COSTS				
Capital Financing Costs	667	833	1,768	3,005
Efficiency Savings	-1,586	-2,359	-3,571	-5,092
Revenue Contributions to Capital	500	-	-	-
HMICFRS Broadband costs	60	-	-	-
HMICFRS ICT costs	150	-	-	-
HMICFRS Additional employee resource	180	-	-	-
HMICFRS Values and Culture work	50	-	-	-
Contingency	-	-	-	-
Investments in Service Developments and Cost Pressures	-	-	-	-
Transfer to/from Reserves	-672	-	-	-
	-651	**-1,526**	**-1,803**	**-2,087**
TOTAL NON-PAY	**12,224**	**11,735**	**11,856**	**11,982**
TOTAL EXPENDITURE	**60,862**	**61,346**	**62,459**	**63,597**
FORECAST DEFICIT	**0**	**0**	**0**	**0**

Note: A minus denotes an underspend.

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AVON FIRE AUTHORITY

MEETING:	**Avon Fire Authority**
MEETING DATE:	**Monday, 19 February 2024**
REPORT OF:	**Statutory Finance Officer**
SUBJECT:	**Capital Programme and Strategy**

1. SUMMARY

- The Fire Authority is asked to consider the proposed 3-year Capital Strategy and Programme, considering the impact of the updated capital plans on affordability.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code (2021) requires all Local Authority Organisations to produce a Capital Strategy to demonstrate that capital expenditure and investment decisions are taken in line with the Service key objectives and take account of stewardship, Value for Money, prudence sustainability and affordability.
- The Capital Strategy is a key document for Avon Fire Authority and forms part of the Authority's Medium Term Financial Plan (MTFP) and outlines the Authority's approach to capital investment ensuring it is in line with its corporate priorities.
- It provides a strategic overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of outcomes. It also provides an overview of how associated risk is managed and implications for future financial sustainability.
- This paper presents the 3-year Capital Strategy and Programme for the period 2024 – 2027.

2. RECOMMENDATIONS

2.1 The Fire Authority is asked to:

a) Approve the 2024 – 2027 Capital Strategy (**Appendix 1**)

b) Approve the 2024 – 2027 Capital Programme, including funding sources. (**Appendices 2 & 3**)

3. BACKGROUND

3.1 The Capital Programme outlines the projected capital expenditure and funding sources, including planned capital disposals, over the next three years, from April 2024 to March 2027. The Capital Programme builds on the 2023-2026 Capital Programme, which was approved by the Fire Authority in February 2023.

3.2 The Capital Strategy is a high-level overview of how capital expenditure, and the way it is financed, contributes to the provision of services. It provides an overview of how associated risk is managed, future sustainability implications and sets out the governance process for approval and monitoring of capital expenditure.

3.3 The Fire Authority has the power to borrow external funds to finance its Capital Programme but, before it uses these powers, it is required to determine whether or not it is prudent to do so. The process for this is set out in the Prudential Code, which requires the Fire Authority to agree a range of prudential indicators which consider the affordability and impact of capital expenditure decisions. Prudential Indicators have been calculated based on the proposed Capital Programme and are presented to the Fire Authority for approval in February 2024 as part of the Treasury Management Strategy.

4. FINANCIAL IMPLICATIONS

4.1 The below summary shows the proposed three-year capital expenditure plans, together with the proposed funding. It is important to note the Fire Authority will need to secure additional loans from 2025/26 to fund this programme.

A. Proposed expenditure: **(April 2024 – March 2027)**			**£'000** **Total**
Capital:	Premises Operational Equipment Fleet ICT Transformation Control	£25,905k £330k £4,299k £990k £50k £2,730k	
	Total capital expenditure		**£34,304**
Total expenditure:			**£34,304**

B. Proposed funding:		
Capital Receipts		£75
Contributions from Revenue		£500
Capital Reserves		£5,093
External Borrowing		£28,636
Total funding available:		**£34,304**

The detailed expenditure and funding are outlined within **Appendices 2 and 3**.

5. KEY CONSIDERATIONS

Capital Programme Overview

5.1 **Appendices 2 and 3** set out the proposed 2024-2027 Capital Programme and funding sources, which has been developed in accordance with the Fire Authority's proposed Service Plan. Lead Directors and Managers, who oversee the Fire Authority's Capital Programme, have confirmed this projected expenditure and related asset disposals over the three-year period. The revenue effects of this programme, including those of prudential borrowing, have been included within the 2024-28 MTFP.

5.2 Prudential Indicators are published at Appendix 4 of Treasury Management Strategy Paper, also presented to the Fire Authority on 19 February 2024, covering both the Prudential (Capital) and Treasury Management Indicators, as recommended by CIPFA. These indicators ensure the Authority considers affordability, prudence and sustainability as part of its investment and borrowing strategy. They will be considered as part of any borrowing decision made by the Authority and are rolling rather than fixed, and can be subject to review and revision at any time.

5.3 Capital schemes, by their general nature, can be large projects which are likely to take a significant period of time to complete and span multiple financial years. Capital investment is a key requirement to minimise risks relating to asset failure, to ensure compliance with national and local requirements and to provide an effective and efficient service with robust and fit for purpose assets in place. Due to their nature, capital schemes are also more difficult to profile within financial years and therefore re-profiling within, and across, financial years is more likely to occur than in revenue budgets where the key components are largely known within a financial year. The budget allocated for approved capital schemes will be for the total cost of the scheme and not simply what is anticipated to be spent during a particular financial year. Where there are proposed large movements within a financial year, this information will need to be agreed with the Statutory Finance Officer and shared with the Fire Authority, to keep Members up to date on the Capital Strategy. This allows for the accurate monitoring of expenditure against the agreed budget for each capital scheme, which is reported to the Policy and Resources Committee on a quarterly basis.

Proposed Changes to 2024/25 to 2026/27 Capital Programme

5.4 The current Capital Programme shows a significant increase when compared to the previous approved Capital Programme which totalled £12.5m. The key movements are:

- Premises costs have been increased to include the £14.5m investment in the rebuild of the Bath Station and the £7.5m investment in the refurbishment of the Weston Station. The previous approved Capital Programme included the concept design for these works which informs the rebuild and refurbishment cost requirements.
- Transformation capital of £571k was included in the previous approved programme. This has been reduced to £50k as the programme is due to complete in March 2025, with limited further capital investment required.
- Significant capital funding is required within Control for the upgrade of the telecoms infrastructure and a mobilising system upgrade. This has increased the three-year capital programme within control from £950k to £2.7m.

Premises Capital Programme

5.5 The proposed Capital Programme is £25.9m, over 75% of the total Programme over the coming three years, and consists of the following:

i. **Bedminster Major Refurbishment.** This refurbishment work commenced during Q1 2023/24, with the final spend of £825k to be spent during 2024/25. Total spend for this project was anticipated to be £3.1m (including construction) and has replaced a previously failed extension with a new two storey building. Anticipated completion date is the end of June 2024.

ii. **Bath Rebuild.** Subject to AFA approval to proceed (business case due in July 2024), the replacement of the existing Bath Station has been included within the three-year programme at a total cost of £14.5m. Indicative timescales are the completion of the next stages of the design work in 2024/25, with construction commencing during 2025/26 and being completed in 2026/27.

iii. **Weston Refurbishment.** Subject to AFA approval to proceed (business case due in July 2024), the refurbishment of the existing Weston site has been included within the three-year programme at a total cost of £7.5m. This project would be expected to extend the life of the building by around 25 years. Initial timescales indicate next stages of design work will cost around £500k and be incurred during 2025/26, with refurbishment completion by March 2027.

iv. **General.** The proposed capital programme for estates over 2024-2027 includes just over £3m for other estates priorities. This will be further informed by the stock condition survey which is currently underway (final reports expected in March 2024), but is expected to continue to include:

- On Call station improvements to provide premises which support staff safety, welfare, dignity, and inclusion in alignment with the Service's aims. These works incorporate internal reconfiguration and extensions to provide improved bathroom and changing facilities, equipment storage and wellbeing and fitness areas.
- Training Facilities, including replacement training towers.
- Life Cycle replacement works to ensure continual improvement, upkeep, and investment in buildings (e.g. roof and yard surfaces works) and their assets (for example boilers and water heaters).

5.6 In addition, we continue to focus on our Net Zero 2030 Target. Any new building work undertaken is designed to be carbon neutral and the Service regularly looks to identify further opportunities to invest in carbon reduction, renewable energy generation and storage, as well as building environmental considerations into the assessment criteria when appointing contractors.

5.7 We regularly explore opportunities to reduce costs through potential grant funding and collaborative working groups. In recent years we have secured funding to supplement the Capital Programme in the form of Public Sector Decarbonisation Grants.

5.8 A review of the 2020-2030 Estates Strategy is underway and will be informed by the March 2024 Condition Surveys and information from the Severn Park working group on potential implications on our estates. As Members will recall in December 2022 a decision was taken to focus on acquiring Severn Park Joint Training Centre as a preferred model for future training when the current PFI Contract comes to an end in 2028. A paper updating Members on Severn Park will be presented in July 2024.

Fleet Capital Programme

5.9 The proposed Fleet programme includes a capital investment totalling £4.3m (over the next three financial years), the second largest area of the Capital Strategy.

5.10 The profile of future capital investment within the fleet provision incorporates a cost-effective vehicle life cycle and the key priorities within this proposed investment. 2024/25 consists of a £650k investment in a new Heavy Pumping Appliance, where contract award was approved by the Service Leadership Board in November 2023. The first year of the Programme also assumes the initial payments are made on four new Type B appliances, with final payments in 2025/26, reflecting the 18-month build time for these items.

5.11 The remainder of the Programme is allocated to cover the Service’s blended fleet approach. This is associated with the ongoing review of the Fleet Strategy, where the current and future needs of the Service are being considered, along with utilisation rates, incident types and affordability. The updated Fleet Strategy will be issued in 2024/25 and any future investment in Fleet will have taken the results of this review into consideration.

5.12 The Authority has committed to net zero carbon emission by 2030. New technology vehicles (electric and hydrogen) are roughly 100% more expensive than the cost of the equivalent internal combustion vehicles, across both the car and commercial vehicle market.

5.13 The level of CAZ compliant vehicles within the station-based appliance fleet is currently 40% because of the fleet replacement programme. The proposed capital investment in further vehicle procurement and the continual introduction of lower or zero emission vehicles within our CAZs will achieve 48% clean air zone compliance across the appliance fleet by March 2025.

5.14 A further 24 specialist operational vehicles are currently 21% CAZ compliant. The life cycle and appliance replacement programme for the Turntable Ladders, as an example, will not achieve clean air compliant emissions to be introduced into Bath and Bristol city centres until 2030. Current expectation is the fleet will be CAZ compliant by 2031.

5.15 On ancillary fleet, as of January 2023 the Service has 25 electric vehicles. A further 3 additional EVs are currently on order and expected to be in service by June 2024. The replacement profile for the final 24 vehicles will be reviewed during 2024/25, and, once replaced, would total 52 fully electric vehicles or alternative zero emission technology representing 72% of the ancillary fleet, or 37% of the total fleet profile.

5.16 AF&RS will also further evaluate the options for electric powered fire appliances in both the standard build Type B, the Heavy Pumping appliance and the smaller appliance specification as the market develops. As yet, no technology has met the requirements to make electric powered appliances a viable option. Hydrogen Fuel Cell units could be a possible solution, once available, but only after rigorous testing over the longevity of the power supply.

ICT Capital Programme

5.17 The IT budget for 2024/25 is £300k with future years reflecting an increase to take into account inflation, at £330k and £360k per annum. This allowance is assumed to cover standard IT refresh requirements, such as laptops, monitors, servers, and other hardware. This amount reflects the need to keep in step with IT standards and requirements to meet our IT Strategy and flexible working commitments and will also be utilised for upgrades to hardware infrastructure, including servers and a number of other projects.

5.18 A recruitment process is currently in progress for an IT Manager, a position the Service has been lacking for some time. Upon appointment, a detailed review of the IT requirements and priorities for the Service will be completed. This impact of this review on the ICT Capital Programme will be considered, and any updates to the Programme reflected as appropriate.

5.19 The Service also acknowledges the requirement to invest in several ICT priorities as part of the HMICFRS action plan. The majority of this spend is expected to be to enhance software and is therefore expected to form part of the revenue budget, covered by the £150k ICT allocation proposed as part of the 2024/25 budget setting process. This will be kept under review, and any impacts to the ICT Capital Programme will be considered and updated as appropriate.

Transformation Capital Programme

5.20 The Transformation Programme is due to complete by March 2025. The Capital Programme for Transformation over the next three financial years is £50k, reflecting the final capital investment requirement of the programme.

5.21 **Smart screens on Stations.** The use of smart screens in our Service locations will improve and digitalise communications of key messages to stations ensuring risk critical or other information is shared as quickly and effectively as possible. The screens can also be used to display pertinent local information relevant to the work location at which it is situated.

Control Capital Programme

5.22 The proposed Capital Programme for Operational Control over the next three financial years is just over £2.7m. This is a significant increase from the £950k allocated for the three-year programme 2023-2026.

5.23 Under the Fire and Rescue Services Act 2004, all Fire and Rescues services must plan for dealing with calls for help and for summoning personnel. To support this, Fire and Rescue services must provide equipment that is always secure and capable of functioning.

5.24 The Programme allocates £230k of capital investment to facilitate the national changes in telecoms infrastructure. All land lines will be moving from what is now referred to as ISDN/PTSN to digital lines, referred to as SIP, by the end of 2025. This is a non-negotiable investment to ensure the Service can receive calls and summon personnel in line with our statutory duty.

5.25 The Capital Programme has allocated £2.5m across the first two years to the mobilising system upgrade. Authority to proceed to procure was approved at the December 2023 Policy and Resources Committee meeting. This paper highlighted the need to find additional capital investment, over and above the allocation within the 2023-2026 Programme. Therefore, the 2024-2027 Programme has been increased accordingly.

Prudential Borrowing and Capital Financial Costs

5.26 As part of the Fire Authority's ongoing Treasury Management Strategy, external borrowing to fund the Capital Programme has continued to be deferred to date. This has been achieved by utilising internal sources of funding, mainly relating to the unused capital receipt from the sale of the previous HQ, which originally equated to £18m, underspends from the Capital Programme and capital reserves. Based on the attached proposed Capital Programme (**Appendix 2**), it is forecast that the Capital Reserves created from the sale of the previous HQ will be fully utilised and additional external borrowing will need to commence in 2025/26. This assumes all projected spend takes place in line with the proposed timescales.

5.27 The Prudential Code recognises that, in making its capital investment decisions, the Fire Authority must take into consideration its strategic objectives included in its Service Plan. The code allows the Fire Authority to borrow externally as part of its funding options evaluation and to ensure Value for Money Public Sector organisations are encouraged to look at internal funding sources in the first instance.

5.28 The code also requires the Authority to set a limit on the total amount of its external debt. External debt in this context refers to both borrowing and other long-term liabilities. There are two limits required to be set which is the Authorised Limit for External Debt and the Operational Boundary for External Debt. Both these need to be consistent with the Authority's plans for capital expenditure and financing and with its Treasury Management Policy statement and practices. They are published as part of the Appendices attached to the Treasury Management papers also presented to the Fire Authority for approval in February 2024.

5.29 The Operational Boundary is directly linked to the Authority's plans for capital expenditure, the estimates of the capital financing requirement and the estimate of the cash flow requirements for all other purposes, including revenue.

5.30 The Authorised Limit for External Debt provides headroom over and above the Operational Boundary to allow for unusual cash movements, for example if a large payment should need to be paid or receipt of funding is delayed. The CIPFA Prudential Code advises the margin between the Operational Boundary and the Authorised Limit for External Debt is based on each authority's assessment of risk and AFA has always adopted a £1m margin for the Authorised Limit for External Debt.

5.31 In accordance with its Treasury Management strategy the Fire Authority's overriding key objective when investing its cash balances is to minimise the risk to the repayment of the principal and interest from these investments. Given the current economic climate and the need to demonstrate Value for Money, the decision was taken to delay new borrowing by using available internal funding.

5.32 It is forecast that additional borrowing of just under £29m across 2025/26 and 2026/27 will be required to fund the proposed Capital Programme, assuming there is no slippage (Appendix 3). The increased external borrowing will have a significant impact on the revenue budget within the Medium-Term Financial Plan. Increased cost of capital, through both increased interest costs and also increased statutory contribution towards the capital element of the borrowing, have both been taken into account when developing the Medium-Term Financial Plan. Based on the assumptions made around interest rate and loan terms the cost of capital is expected to rise from £700k in 2024/25 to close to £3m in 2027/28. This equates to around 6% of the Service net revenue in 2027/28 and therefore needs to be monitored closely to ensure the Service operates within the Prudential Indicators set as part of the Treasury Management Strategy.

Affordability and Value for Money (VfM)

5.33 As previously noted there is a need to prioritise capital spending bids to ensure the Capital Strategy is affordable and demonstrates VfM with respect to public funding.

- Currently the Fire Authority have loans totalling £7m (2 loans of £3.5m each) ending in March 2030 and March 2040. The interest rates are 2.99% and 3.33% respectively.
- The cash balance held by the Service is currently £9.3m, approximately £4m of this relates to notional payments made in order to repay the existing loan capital amounts when due.
- It should be noted that the approximate cost of capital for current borrowing equates to 7% as a charge through the Fire Authority’s revenue budgets. The Medium-Term Financial Plan has assumed a 1% increase on this with an 8% charge through the revenue budget on future borrowing. The costs of capital on the c£29m of new external borrowing expected to be required to fund the proposed Capital Programme over the next three financial years is therefore estimated to be around £2.3m per annum.

6. RISKS

6.1 This report links to CR20 Funding on the Corporate Risk Register (CRR).

6.2 The key risks relating to this 3-year Capital Programme are:

- Key developments such as the general cost of living crisis are impacting on costs, supply chains and industries such as construction. Therefore, there is a risk that costs, availability, and timescales for completion of capital programmes and vehicle deliveries remain unclear and subject to movement.

- The risks of capital projects being delayed, which could result in assets failing and/or non-compliance with national and local requirements.
- Ensuring the estates programme continues but decisions on significant capital spend is future proofed in line with the Authority's preferred option for the future of training after the end of the PFI.
- Inclusion of both Bath and Weston estates projects within the current Capital Programme, prior to business case approval and condition survey results being received. Both Bath and Weston are existing commitments and the costs for associated works have been included to be prudent and avoid the impact on operational response and staff should the building facilities fail, which is anticipated within the medium-term financial planning period should no investment taken place.
- Affordability of the future capital programme relating to increased Capital Finance charges through the Fire Authority's revenue budgets. As the proposed capital expenditure increases, so too does the Fire Authorities expenditure in future years (relating to the cost of servicing the debt) and therefore adds to the challenges the Authority is facing to deliver a balanced budget.
- An increase in interest rates resulting in an increase in borrowing costs and thus an increase in the Capital Finance charge to the revenue budget.
- Affordability considerations have the potential to impact on the ability of the Authority to meet its net zero carbon by 2030 commitment, for example with electric vehicles where costs are projected to be significantly higher than originally planned. Identify any operational, financial or reputational risks which should be taken into account.

7. LEGAL / POLICY IMPLICATIONS

7.1 The Fire Authority must determine its capital investment decisions prudently and comply with the Prudential Code and the revised CIPFA Code of Practice for Treasury Management in the Public Services.

8. BACKGROUND PAPERS

a) AFA 2023-2026 Capital Programme, Strategy & Prudential Indicators, 17th February 2023, Paper 6.

9. APPENDICES

1. Capital Strategy 2024/25 – 2026/27
2. Proposed Capital Programme 2024/25 – 2026/27
3. Detailed Capital Programme 2024/25 – 2026/27

10. REPORT CONTACT

Claire Bentley, Head of Finance
Verity Lee, Statutory Finance Officer

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Avon Fire Authority

CAPITAL STRATEGY
2024/25 – 2026/27

1. **INTRODUCTION**

1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2021 includes a requirement for Local Authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with the Service objectives and take account of stewardship, value for money, prudence, sustainability, and affordability.

1.2. The capital strategy is a key document for Avon Fire Authority (the Authority) and forms part of the financial planning arrangements, reflecting the priorities set out in the Service Plan and the Medium-Term Financial Plan. It provides a high-level overview of how capital expenditure, and the way it is financed, contribute to the provision of services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability and sets out the governance process for approval and monitoring of capital expenditure.

2. **CAPITAL EXPENDITURE**

2.1. Capital expenditure is incurred on the acquisition or creation of assets where it is probable the investment will yield future economic benefits for a period of more than one year and the costs can be measured reliably. Capital expenditure includes land, new buildings, enhancement to existing buildings within the estate and the acquisition of vehicles and major items of equipment. Intangible assets such as software can also be classed as capital expenditure in some circumstances.

2.2. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (repairs and maintenance) is charged to the revenue account as an expense when it is incurred. Revenue costs are incurred on a day-to-day basis and include costs such as salaries, heat, and light.

2.3. The Authority's de-minimis level for capital expenditure is £5k and assets costing individually or collectively less than £5k are not capitalised.

3. **CAPITAL EXPENDITURE COMPARED TO TREASURY MANAGEMENT INVESTMENTS**

3.1. The Authority defines Treasury Management activities as the management of the Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

3.2. Investments are carried out in line with the Treasury Management Strategy which is approved annually by the Fire Authority. Treasury Management investments arise from the Authority's cash flows and debt management activity, and ultimately represent balances which can be invested until the cash is required for use in the course of business.

3.3. In line with the CIPFA Code requirements, the Authority invests funds prudently and has regard for the security and liquidity of its investments before seeking the highest rate of return, or yield. The generation of investment income to support the provision of service is an important, but secondary, objective.

3.4. Performance of the Treasury Management investments is reported to the Policy and Resources Committee (PRC) at the end of each quarter, as part of the Revenue and Capital Budget Monitoring papers.

4. CAPITAL REQUIREMENTS

4.1. Since 2010, as part of its efforts to reduce the size of the national budget deficit, Central Government has made significant reductions to its funding for Local Government, thereby increasing reliance on local tax revenues in the form of council tax and business rates to fund services. This has had a direct impact on capital funding which is now wholly funded either from revenue contributions to capital reserves, proceeds from the sale of capital assets or prudential borrowing. The Authority no longer receives a general capital grant.

4.2. The Authority currently has 24 sites, including 21 fire stations (made up of Whole Time and On-Call), a Control facility and additional support buildings for training, logistics and fleet, and offices, across the 4 unitary areas. The Service also shares a combined Fire and Police Headquarters in Portishead and a Joint Training Centre (JTC) in Avonmouth, with neighbouring Fire and Rescue Services. Additional specialist training facilities are based at a number of Whole Time Fire Stations, including Urban Search and Rescue, Hot Fire and Safe Working at Height training at Hicks Gate Fire Station and Rope Rescue training at Temple Fire Station.

4.3. The Capital Programme for the sites owned by the Authority is informed by stock condition surveys, which are completed on a regular basis. These inform and direct the ongoing requirement for continual investment and upkeep of the estate.

4.4. Several of the Fire Stations are currently more costly to operate and maintain due to their state of repair. When preparing the Capital Programme, the prioritisation process considers the requirement to replace or rebuild one or more Fire Stations.

4.5. The Service’s operational fleet profile is defined by the risks identified across the Service area and reviewed continually through our Community Risk Management Planning process which ensures the right appliance and equipment match the risks identified. There is also a key link between the Fleet Strategy and the Authority’s Environmental Strategy which gives a commitment to be net carbon neutral by 2030.

4.6. The current operational fleet profile covers 75 front-line appliance vehicles including:

46 Type B Appliances of 12 and 15t chassis weights. (35 station based, 3 allocated to training, 8 reserve appliances for resilience)
4 x Turn Table Ladder vehicles.
4 x Heavy rescue pumps (18t Chassis).
1 x heavy rescue tender.

2 x Command units.
18 Other specialist vehicle covering animal rescue, swift water rescue, rope rescue, welfare, environmental response, breathing apparatus support and foam capabilities.

4.7. In addition to the operational fleet portfolio, there are a total of 78 ancillary vehicles which provide transport for operational support functions, ranging from small cars through to vans and a range of pool cars. This fleet of vehicles consists of station cars for transporting personnel, blue light cars for Officer emergency response, pool vehicles for staff use such as business fire safety and light commercial vehicles for service stores deliveries and fleet maintenance.

5. PROJECT INITIATION

5.1. The current method for allocating capital resources begins with the development of the Capital Programme and Medium Term Financial Plan (MTFP). The development of the Capital Programme is one of the duties of the Capital Steering and Prioritisation Group. This group was established, with its first meeting in June 2022, to consider all proposed capital projects and ensure these are prioritised according to the needs and objectives of the Service, whilst remaining affordable. This Steering Group sets strategic direction but does not authorise capital investment.

5.2. The development of the Capital Programme considers objectives and priorities of the Service Plan and achieving any actions associated with the delivery of the HMICFRS action plan, as well as aligning to various departmental strategies.

5.3. Once the strategic intent, prioritisation and funding sources for the Service wide Capital Programme have been identified, the Capital Steering and Prioritisation Group identifies the requirement for business cases and the pathway to the decision-making body. This pathway may or may not include the draft business case coming to Capital Steering group prior to approval by the Senior Leadership Team (SLT), the Senion Leadership Board (SLB), Fire Authority or a delegated Committee. The decision-making body will be determined by the size of the investment taking into consideration the requirements of the Service’s Contract Procedure Rules.

5.4. Capital projects will be assessed for:

- Strategic fit – corporate objectives are being met by the expenditure;
- Identified need – e.g. vital repairs and maintenance to existing assets;
- Achievability – this may include alternatives to direct expenditure such as partnerships;
- Affordability and resource use – to ensure investment remains within sustainable limits;
- Practicality and deliverability; and

- Resource time is assessed when considering projects to ensure both delivery of projects and day-to-day work is covered.

5.5. As part of the launch of a Continuous Improvement Framework at the Service, the process covering both the requirement to prepare, and the content of, a business case and the associated approval and monitoring is being reviewed. The revised Framework and process is expected to be launched in March 2024. The Service is exploring using the “Five Case” model to develop the business case template as recommended by HM Treasury. The model provides a discipline and structure to arrive at the best possible decision and considers:

- the strategic case (the case for change);
- the economic case (value for money);
- the commercial case (it is commercially viable and attractive to the market);
- the financial case (to ensure the proposed spend is viable); and
- the management case (that the requirement is achievable).

5.6. Following approval of a significant premises capital project, a project manager is assigned from within the Premises department. The project manager is responsible for providing updates on the progress and costs of the capital project to the Capital Steering and Prioritisation Group, SLB or PRC, as appropriate.

6. THE SERVICE CAPITAL PROGRAMME 2024/25 – 2026/27

6.1. The Service capital programme for 2024/25 – 2026/27 is considered annually and is set out in the table below.

Funding and Expenditure	2024/25 Programme £'000	2025/26 Programme £'000	2026/27 Programme £'000	Total Programme £'000	Director Lead
Capital Receipt from fleet disposals	25	25	25	75	
Capital Reserve	4,959	134	-	5,093	
Contribution from Revenue	500	-	-	500	
Prudential borrowing	-	9,781	18,855	28,636	
Total Funding	5,484	9,940	18,880	34,304	
Premises	2,805	5,700	17,400	25,905	Angela Feeney
Operational Equipment	100	110	120	330	Richard Welch
Fleet	1,499	1,800	1,000	4,299	Richard Welch
ICT	300	330	360	990	Angela Feeney
Transformation	50	-	-	50	Simon Shilton
Control	730	2,000	-	2,730	Steve Imrie
Total Expenditure	5,484	9,940	18,880	34,304	

Table 1: Capital Programme 2024/25 – 2026/27

7. FUNDING THE CAPITAL PROGRAMME

7.1. There are several funding sources available to meet the Authority’s capital expenditure requirements. These are explored in more detail below.

8. REVENUE FUNDING

8.1. The Authority can assign an element of the Revenue budget each year to go towards funding the Capital Programme. The amount awarded to assist with the

Capital Programme is based on affordability and is specific to that year, ensuring the Service can still deliver a balanced budget whilst making this contribution. Table 1 identifies the amount the Authority is planning to fund from the revenue budget over the coming three years.

9. PRUDENTIAL BORROWING

9.1. The Authority is permitted to take out regulated external borrowing. The Local Government Act 2003 refers to affordability and the requirement that the local authorities in England and Wales keep under review the amount of money they borrow for capital investment.

9.2. The Code requires that "The local authority shall ensure all of its capital and investment plans and borrowing are prudent and sustainable. In doing so, it will take into account its arrangements for the repayment of debt (including Minimum Revenue Provision) and consideration of risk and the impact on the overall fiscal sustainability". The impact of borrowing is outlined within the Treasury Management Strategy Statement and monitored via the Prudential & Treasury Management Indicators at the Policy and Resources Committee on a quarterly basis.

9.3. At 31 January 2024, the Prudential Borrowing of the Authority stands at £7m. This is made up of two £3.5m loans with the Public Works Loan Board (PWLB), taken out in March 2015. The first loan has a 15-year term and is due for repayment in March 2030, the second loan has a 25-year term and is due for repayment in March 2040.

9.4. Based on the current Capital Programme, no additional external borrowing is planned to be taken out during 2024/25 but there is expected to be a new borrowing requirement thereafter. The Service will require Prudential borrowing to fund the majority of future capital spend, from 2025/26 onwards, as demonstrated in Table 1. The timing and quantity of the required new borrowing may alter slightly depending on the extent to which the current Capital Programme progresses as expected. The Authority will continually review the timing of the borrowing, considering cash requirements and interest rates, to ensure the most preferential arrangements are put in place. This is considered in more detail within the Treasury Management Strategy.

10. RESERVES

10.1. The Authority continues to benefit from the capital receipt arising from the sale of the previous Headquarters site, originally equating to £18m and allocated to an earmarked reserve. This reserve has been used to fund the Capital Programme in recent years and will be used to fund the majority of the Capital Programme in 2024/25, as demonstrated in Table 1 above. At the beginning of the 2024/25 financial year there is expected to be around £5m remaining in this reserve to fund future capital spend.

10.2. When the revenue budget allows, the Authority contributes an element of this budget to the Capital Reserves to help to defer and reduce the amount and cost of capital borrowing. Following approval by the Authority, an amount of £500k is proposed to be set aside within the 2024/25 revenue budget and moved into capital reserves to help to fund the future Capital Programme. This contribution can be seen in Table 1 above.

10.3. Once both the earmarked capital reserve and contributions from the revenue budget have been fully utilised, the remainder of the Capital Programme over the coming three years will be funded by Prudential borrowing.

11. MONITORING CAPITAL EXPENDITURE

11.1. The performance of the Capital Programme is reported to Officers every other month via the Financial Reporting at SLT and to Members each quarter at the Policy and Resources Committee where it forms part of the Capital Budget Monitoring papers. Any timing differences are also identified within these reports.

12. RISK MANAGEMENT

12.1. The Prudential Code recognises that in making its capital investment decisions, the authority must have explicit regards to option appraisal and risk:

"The Capital Strategy is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, along with an overview of how associated risk is managed and the implications for future sustainability."

12.2. Each major capital project will have its own risk register and options appraisal to manage the operational risk arising from the project, however this section of the strategy focuses on strategic risks arising from capital investment activity.

12.3. Every item will go through a rigorous justification process to ensure each proposal is scrutinised before inclusion in the capital programme. This will become even more critical if collated bids exceed the available funding. All investment will be aligned to the Community Risk Management Plan and the Service Plan to ensure that the Service is replacing the right assets, at the right location to address the risk and at the same time reducing our revenue costs to help balance the budget.

12.4. The Capital budget requirement is determined on an annual basis. The process starts at the end of the summer with relevant departments determining their requirements. They are discussed at the Capital Steering and Prioritisation Group and scrutinised by Directors before being presented to the Authority in February for approval in advance of the coming financial year.

13. CREDIT RISK

13.1. There is a risk that a supplier becomes insolvent and cannot complete the agreed contract. Appropriate due diligence is carried out before a contract is placed as part of the procurement process.

14. LIQUIDITY RISK

14.1. This is the risk that the timing of cash inflows from a project will be delayed. In the main, the Authority's capital projects are self-funded and therefore don't rely on other organisations contributing or failing to make their contributions when agreed. Under the collaboration agenda it is possible that a capital project will be shared across organisations. Liquidity risk and the impact on cash flows is monitored on a regular basis as part of the Treasury Management Services provided to the Authority by Bristol City Council.

15. FRAUD, ERROR AND CORRUPTION

15.1. This is the risk that financial losses will occur due to error, fraudulent or corrupt activities. The Authority has procedures in place to minimise the risk of fraud especially regarding changing of bank details for suppliers. The Authority also has a Whistleblowing (Confidential Reporting) Code intended to encourage and enable staff to raise serious concerns within the Service, including any suspicions of fraudulent or money laundering activities. Declarations of interest are recorded at each Fire Authority and sub-committee meeting.

16. LEGAL AND REGULATORY RISK

16.1. This is the risk that changes to laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into a capital project, Officers will determine the powers under which any investment is made, taking appropriate advice where necessary.

16.2. Capital schemes must comply with legislation (Equality Act as an example) and also consider Authority Regulations, Service plans and Policies such as:

- Service Plan;
- Community Risk Management Plan;
- Contract Procedure Rules; and
- Financial Regulations.

17. MINIMUM REVENUE PROVISION

17.1. Within the Local Government Act 2003, local authorities are required to have regard to the statutory guidance on Minimum Revenue Provision (MRP). The Department for Levelling Up, Housing and Communities has produced statutory guidance which local authorities must have regard to.

17.2. Minimum Revenue Provision represents the minimum amount that must be charged to an authority’s revenue budget each year for financing capital expenditure, where it has initially been funded from borrowing. The Minimum Revenue Provision accounting practice allows the Authority to set aside an amount of money each year to ensure that it can pay off the debts it has from buying capital assets.

17.3. The Minimum Revenue Provision Statement is reviewed annually and is included as an appendix to the Authority’s Treasury Management Strategy papers.

18. AFFORDABILITY OF THE CAPITAL PROGRAMME

18.1. A variety of factors are considered when determining the affordability of the Capital Programme, including the impact on revenue budgets and reserves:

- Minimum revenue provision
- Interest payable
- Interest receivable
- Revenue contribution to capital
- The Authority's affordability indicator, that debt charges must be <6% of net revenue budget in each financial year.

18.2. The cheapest and most sustainable method to fund a Capital Programme is to set aside an amount from revenue each year to purchase assets, with any variations to the programme being smoothed out using an Earmarked Reserve for Capital.

18.3. The Authority is entering into a period of financial challenge. The Service needs to make efficiency savings to balance the revenue budget from 2024/25 onwards. As a result, there is expected to be limited scope for the Service to be able to fund capital investment via revenue contributions. The Service will therefore be looking to fund the Capital Programme from the 2025/26 financial year using Prudential Borrowing.

18.4. The Service is aware of the pressures additional Prudential borrowing will place on the revenue budget in terms of both interest and MRP contributions. This has been taken into account when generating the most recent Medium Term Financial Plan, and therefore any saving requirements reflect the anticipated additional costs associated with borrowing to fund the Capital Programme.

18.5. The Service has set Prudential & Treasury Management Indicators to assess the affordability, prudence, and sustainability of the current Capital Programme. These indicators are rolling rather than fixed, and the Service will monitor them on a regular basis with the ability to revise them at any time, following due process. This will ensure that any Capital Investment and associated funding decision is kept within the self-imposed limits set by the Authority.

18.6. The Service is aware of the risks associated with continuing to fund the Capital Programme with external borrowing over a long period of time. The Service therefore recognises the requirement to consider alternative approaches to capital investment and funding to ensure future sustainability and affordability. The ongoing review of the Estates Strategy, instigated following the Authority's decision to pursue the option to acquire Severn Park at the end of the PFI arrangement (2028), is a current area of exploration. This considers medium and long term priorities, capital investment requirements and also the potential for estate rationalisation.

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AVON FIRE AUTHORITY

Proposed Capital Programme 2024/25 to 2026/27

Funding and Expenditure	2024/25 Programme £'000	2025/26 Programme £'000	2026/27 Programme £'000	Total Programme £'000	Director Lead
Capital Receipt from fleet disposals	25	25	25	75	
Capital Reserve	4,959	134	-	5,093	
Contribution from Revenue	500	-	-	500	
Prudential borrowing	-	9,781	18,855	28,636	
Total Funding	**5,484**	**9,940**	**18,880**	**34,304**	
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Operational Equipment	100	110	120	330	Richard Welch
Fleet	1,499	1,800	1,000	4,299	Richard Welch
ICT	300	330	360	990	Angela Feeney
Transformation	50	-	-	50	Simon Shilton
Control	730	2,000	-	2,730	Steve Imrie
Total Expenditure	**5,484**	**9,940**	**18,880**	**34,304**	

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AVON FIRE AUTHORITY

Detailed Capital Programme 2024/25 to 2026/27

Capital Programme Expenditure	2024/25 Programme £'000	2025/26 Programme £'000	2026/27 Programme £'000	Total Programme £'000	Director Lead
Premises:					Angela Feeney
Bedminster Refurbishment	825	-	-	825	
Bath Rebuild	800	4,200	9,500	14,500	
Weston Refurbishment	-	500	7,000	7,500	
General	1,180	1,000	900	3,080	
Total - Premises	**2,805**	**5,700**	**17,400**	**25,905**	
Operational Equipment	**100**	**110**	**120**	**330**	Richard Welch
Fleet:					Richard Welch
Type B Appliances	400	800	-	1,200	
Heavy Rescue Tender	650	-	-	650	
Updated Fleet replacement strategy	449	1,000	1000	2,449	
Total - Fleet	**1,499**	**1,800**	**1,000**	**4,299**	
ICT	**300**	**330**	**360**	**990**	Angela Feeney
Transformation	**50**	**-**	**-**	**50**	Simon Shilton
Control:					Steve Imrie
ISDN/PSTN	230	-	-	230	
Mobilisation System Upgrade	500	2,000	-	2,500	
Total - Control	**730**	**2,000**	**-**	**2,730**	
Total Expenditure	**5,484**	**9,940**	**18,880**	**34,304**	

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AVON FIRE AUTHORITY

MEETING:	**Avon Fire Authority**
MEETING DATE:	**Monday, 19 February 2023**
REPORT OF:	**Statutory Finance Officer**
SUBJECT:	**Treasury Management Strategy, including Prudential and Treasury Management Indicators and MRP Policy Statement.**

1. SUMMARY

The proposed Treasury Management Strategy for the period 2024/2027 is included at **Appendix 1**. This strategy is based on the previously approved 2023 / 2026 Treasury Management Strategy and provides an updated position for the Fire Authority. As a number of Treasury Management activities are completed by Bristol City Council (BCC), as part of the Financial Services Contract, the Treasury Management Strategy closely follows, and is informed by, the criteria and processes adopted by BCC in some areas.

The Chartered Institute for Public Finance and Accounting (CIPFA) recommends that an organisation publishes its Treasury Management Practices to define its treasury management powers and the scope of its treasury management activities. These are presented in **Appendix 2**. CIPFA allows the monitoring of these practices and accompanying schedules to be delegated to the responsible officer, but requires scrutiny and approval to be provided by the responsible body.

2. RECOMMENDATIONS

The Fire Authority is asked to:

a) Approve the Treasury Management Strategy for 2024/25 - 2026/27 (**Appendix 1**).
b) Approve the Treasury Management Practices (**Appendix 2**) and delegate monitoring of these Practices to the Statutory Finance Officer.
c) Approve the Minimum Revenue Provision Statement 2024/25 (**Appendix 3**)
d) Approve the Prudential & Treasury Management Indicators (**Appendix 4**).

3. BACKGROUND

3.1 Treasury Management is defined by CIPFA as “the management of the organisation’s borrowings, investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

3.2 The majority of the Treasury Management functions are undertaken on behalf of the Fire Authority by BCC, working with the Head of Finance and the Statutory Finance Officer, in accordance with the terms of the Financial Services Contract. BCC provides a number the financial indices and the financial forecasts which support this Treasury Management Strategy. Whilst BCC provide the Fire Authority with Treasury Management services, the Fire Authority has overall responsibility for the implementation and regular monitoring of its Treasury Management policies and practices. The Fire Authority does not engage BCC in the capacity of a Treasury Management Advisor or Consultant. Should the Authority require these services, it would need to appoint an external specialist.

4. FINANCIAL IMPLICATIONS

The Treasury Management Strategy is driven by the 2024/2027 Capital Strategy and Programme, with external borrowings projected to fund the majority of planned capital expenditure from 2025/2026.

Summary of 2024/27 Capital Strategy

Funding and Expenditure	2024/25 Programme £'000	2025/26 Programme £'000	2026/27 Programme £'000	Total Programme £'000
Capital Receipt from fleet disposals	25	25	25	75
Capital Reserve	4,959	134	-	5,093
Contribution from Revenue	500	-	-	500
Prudential borrowing	-	9,781	18,855	28,636
Total Funding	**5,484**	**9,940**	**18,880**	**34,304**
Premises	2,805	5,700	17,400	25,905
Operational Equipment	100	110	120	330
Fleet	1,499	1,800	1,000	4,299
ICT	300	330	360	990
Transformation	50	-	-	50
Control	730	2,000	-	2,730
Total Expenditure	**5,484**	**9,940**	**18,880**	**34,304**

5. KEY CONSIDERATIONS

5.1 To ensure effective Treasury Management, the Fire Authority develops and maintains:

- An annual Treasury Management Strategy.
- A Treasury Management Policy Statement.
- Suitable Treasury Management practices, setting out the manner in which the Fire Authority will seek to achieve those policies and objectives and outlining how it will manage and control those activities.
- A Minimum Revenue Provision Statement.
- Prudential and Treasury Management Indicators

This information is shown within **Appendices 1 - 4**.

5.2 With the Authority expecting to undertake external borrowing from 2025/26 (for the first time since 2015), a review of available internal funding sources, particularly with regards to reserves has been completed during 2023/24. The Authority recognises the pressure additional borrowing places on the revenue budget each year, and plans to utilise all internal sources of funding before seeking external borrowing to fund the Capital Programme. The Authority is proposing a contribution from the 2024/25 revenue budget to capital reserves to delay and reduce the level of borrowing required. This aims to assist the Authority in taking advantage of borrowing rates that are expected to reduce over the coming years.

5.3 Investment returns are expected to be similar to the levels in 2024/25. However, the Authority is reducing its cash balances, through utilisation of the earmarked capital reserve, to fund the Capital Programme in 2024/25. As a result, the Authority is expecting to see reduced levels of investment returns, through the arrangements in place with BCC. The Authority is not expecting to have sufficient cash balances to place any funds on fixed term deposit during 2024/25.

6. RISKS

6.1 The Fire Authority has the power to invest to finance its Capital Programme, but the Prudential Code makes it clear the authority is responsible to ensure all capital, investment plans and borrowing are prudent, affordable and sustainable. This risk will be managed in accordance with the strategy and with advice sought from the external Treasury Management advisors, or BCC, as required. This is consistent with the existing controls and planned mitigating actions relating to this risk (CR20 – Funding and Resource Pressures) in the Corporate Risk Register. The Statutory Finance Officer will act in accordance with the Authority’s policy statement; Treasury Management practices and CIPFA’s Standard of Treasury Management in the public services.

7. LEGAL/POLICY IMPLICATIONS

7.1 The Authority is required by section 15(1)(a) of the Local Government Act 2003 to have regard to such guidance as the Secretary of State may issue; and to the code of practice contained in the document entitled "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" published by CIPFA.

7.2 Under section 12 of the Local Government Act 2003 the Authority has the power to invest for "any purpose relevant to its functions" and "for the purposes of the prudent management of its financial affairs".

7.3 The Fire Authority must determine its Treasury Management decisions prudently and comply with the CIPFA Prudential Code for Local Authorities (2021) and the revised CIPFA Code of Practice for Treasury Management in the Public Services (2021).

8. BACKGROUND PAPERS

a) 2023 / 2026 AFA Treasury Management Strategy – AFA 17.02.2023 Paper 9

b) CIPFA Code of Practice for Treasury Management in the Public Services

9. APPENDICES

1. Treasury Management Strategy 2024/25 – 2026/27

2. Treasury Management Practices

3. Minimum Revenue Provision Statement 2024/25

4. Prudential and Treasury Management Indicators

10. REPORT CONTACT

Claire Bentley, Head of Finance
Verity Lee, Statutory Finance Officer

Avon Fire Authority

TREASURY MANAGEMENT STRATEGY 2024/25 – 2026/27

Purpose

1. The purpose of this Strategy is to provide a plan for the management of the Fire Authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

2. The Fire Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the Fire Authority.

3. Effective Treasury Management will provide support towards the achievement of the Fire Authority's approved business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable, comprehensive performance management techniques within the context of effective risk management.

Key Principles and Objectives of a Treasury Management Strategy

4. The key principles and objectives of a robust Treasury Management Strategy are:

    - To support the Fire Authority's strategic priorities approved within the Service Plan.
    - To ensure Value for Money is attained on public spending.
    - Affordability within the approved Annual Budget and Medium-Term Financial Plan (MTFP).
    - Ethical investment is considered in all investments.
    - Minimising risk to public funds.
    - To accord to the required prudential indicators, to ensure external borrowings on capital expenditure are affordable, prudent and sustainable.

- To ensure the Treasury Management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.
- To ensure Treasury Management and other investment decisions are taken in accordance with professional good practice.
- To ensure the Fire Authority has the required liquidity to undertake its activities, including funding the approved capital programme.

5. Under section 12 of the Local Government Act 2003, the Authority has the power to invest for ‘any purpose relevant to its functions’ and ‘for the purposes of the prudent management of its financial affairs’.

Treasury Management Policy Statement

6. The purpose of this Strategy is to provide a plan for the Authority’s Treasury Management activities. The Fire Authority defines its Treasury Management activities as:

- The management of the Fire Authority’s borrowings, investments and cash flows.
- Its banking, money market and capital market transactions.
- The effective control of the risks associated with those activities.
- The pursuit of optimum performance consistent with those risks.

7. The Fire Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Fire Authority.

8. The Fire Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principals of achieving Value for Money in Treasury Management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

9. The Fire Authority’s high level policies for borrowing and investments are:

- The Fire Authority’s borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Fire Authority transparency and control over its debt.
- The Fire Authority’s primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Fire Authority’s investments followed by the yield earned on investments remain important but secondary considerations.

Reporting Requirements – Treasury Management

10. The Authority is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

    a. **A Treasury Strategy including Prudential and Treasury indicators** - the first, and most important report covers:
        i. the capital plans (including prudential indicators)
        ii. a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time)
        iii. the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
        iv. an investment strategy (the parameters on how investments are to be managed).

    b. **A Mid-Year Treasury Management Report** – this will update the Authority with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury activity is meeting the strategy or whether any policies require revision.

    c. **An Annual Treasury Report** – this provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

11. The above reports are required to be adequately scrutinised and approved, a role which is undertaken by the full Fire Authority.

12. **Quarterly reports** – in addition to the three major reports detailed above, there is also provision for quarterly reporting (end of June/end of December) on Treasury/Prudential indicators, if required to do so. These additional reports do not have to be reported to Fire Authority but, there is an expectation that they will be appropriately scrutinised. This role is completed by the Policy and Resources Committee as part of the quarterly Financial Monitoring papers.

Treasury Management Practices

13. The CIPFA Code of Practice on Treasury Management in the Public Services (2021) recommends Treasury Management Practices (TMPs) are set out, which will support the organisation to achieve these objectives and outline how it will manage and control these activities.

14. A number of elements of the Treasury Management function are undertaken on behalf of the Fire Authority by Bristol City Council (BCC), in conjunction with the Finance Team, under the terms of a Financial Services Contract.

15. Treasury Management Practices have been reviewed by the Statutory Finance Officer, working with BCC technical leads during 2023/24. These are published as a separate document to this Strategy.

Statutory & CIPFA Code Requirements

16. The Fire Authority is required to adhere to the Local Government Act 2003 and by regulation 24 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, to have regard to any prevailing CIPFA Treasury Management Code of Practice.

17. The Fire Authority must determine its Treasury Management decisions prudently and comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (2021) and the revised CIPFA Code of Practice for Treasury Management in the Public Services (2021).

18. The Fire Authority must be able to monitor and review its ability to borrow and invest effectively, demonstrating Value for Money and affordability.

19. As part of the Fire Authority's ongoing Treasury Management Strategy, reference to the CIPFA Prudential Code for Capital Finance in Local Authorities (2021) needs to be adhered to.

Treasury Management Strategy for 2024/25

20. The Treasury Management Strategy for 2024/25 covers two main areas:

    a. **Capital Issues**
        i. The capital plans and the prudential indicators
        ii. The minimum revenue provision (MRP) policy.
    b. **Treasury Management Issues**
        i. current and projected treasury position
        ii. treasury indicators which limit the treasury risk and activities of the council
        iii. prospects for interest rates
        iv. the borrowing strategy
        v. policy on borrowing in advance of need
        vi. debt rescheduling
        vii. the investment strategy
        viii. creditworthiness policy; and

    These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

21. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in this area. This especially applies to members responsible for scrutiny. Training requirements will be reviewed and considered during 2024/25.

22. The training needs of treasury management officers are also periodically reviewed.

23. The Authority has not appointed external Treasury Management Advisors. However, the Authority recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. Should the Authority take the decision to appoint external Treasury Management Advisors, it will ensure that the terms of any appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

24. The Authority recognises that responsibility for treasury management decisions remains with the Service at all times to avoid any undue reliance being placed upon any service providers. All decisions will be undertaken with regards to all available information, including treasury advisers should they be appointed.

25. As part of the current Financial Services Contract, Bristol City Council manage the Authority's bank account within a pool of accounts under the Councils control. BCC pays monthly interest to the Authority based on the average bank account balance at a rate of average SONIA less 25 basis points. The scope of investments within the Council's Treasury operations includes the placing of residual cash from the Council's functions in various products such as fixed term deposits, call accounts and money markets with a variety of financial institutions.

26. External borrowing to fund the Capital Programme has continued to be deferred to date. This has been achieved by utilising internal sources of funding, mainly relating to the unused capital receipt from the sale of the previous headquarters, which equated to £18m, and underspends from previous Capital Programmes. As confirmed within the 2024-2027 Capital Programme, additional external borrowing is expected to be required during 2025/26. This will be subject to the utilisation of available reserves in the first instance and assumes all projected capital spend takes place in line with the proposed timescales. If this is the case, the Fire Authority will require £9.8m of borrowing in 2025/26 and £18.9m in 2026/27.

27. In considering additional external borrowing, the CIPFA Prudential Code requires authorities to self-regulate the affordability, prudence and sustainability of their capital expenditure and borrowing plans, by setting estimates and limits, and by publishing actuals, for a range of prudential indicators. The Prudential Code has been developed alongside the Treasury Management Code and it is important for the Fire Authority to be aware of the interaction between the two codes. Compliance with both codes is a statutory requirement for local authorities in the UK.

28. As confirmed within the 2024-27 Capital Strategy, the Prudential Code recognises that, in making its capital investment decisions, the Fire Authority must take into consideration its strategic objectives included in its Service Plan. The code allows the Fire Authority to borrow external funding as part of its funding options evaluation, to ensure Value for Money.

The Capital Prudential Indicators for 2024/25 – 2027/28

29. The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

30. All Prudential and Treasury Management Indicators are published separately to this Strategy.

Capital Expenditure

31. This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table below also summarises how the capital expenditure plans are being financed. Any shortfall of resources results in a borrowing need.

Funding and Expenditure	2024/25 Programme £'000	2025/26 Programme £'000	2026/27 Programme £'000	Total Programme £'000
Capital Receipt from fleet disposals	25	25	25	75
Capital Reserve	4,959	134	-	5,093
Contribution from Revenue	500	-	-	500
Prudential borrowing	-	9,781	18,855	28,636
Total Funding	**5,484**	**9,940**	**18,880**	**34,304**
Premises	2,805	5,700	17,400	25,905
Operational Equipment	100	110	120	330
Fleet	1,499	1,800	1,000	4,299
ICT	300	330	360	990
Transformation	50	-	-	50
Control	730	2,000	-	2,730
Total Expenditure	**5,484**	**9,940**	**18,880**	**34,304**

The Authority's borrowing need (the Capital Financing Requirement)

32. The Capital Financing Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

33. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

34. The CFR includes any long-term liabilities (e.g. PFI schemes). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility and so the Authority is not required to separately borrow for these schemes. The Authority currently has

just one PFI scheme, for the Joint Training Centre in Avonmouth, accounting for £1m within the CFR for 2024/25.

Liability Benchmark

35. The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum.

36. There are four components to the Liability Benchmark:

a. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
b. **Loans Capital Financing Requirement** (CFR): this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Minimum Revenue Provision.
c. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Minimum Revenue Provision and any other major cash flows forecast.
d. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

Affordability Prudential Indicator

37. The previous indicators cover the overall capital and control of borrowing prudential indicators but, within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances.

38. **Ratio of financing costs to net revenue stream**. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in the 2024/25 budget and Medium-Term Financial Plan.

Minimum Revenue Provision Strategy

39. The Authority is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision).

40. The Department for Levelling-Up, Communities and Housing (DLUCH) regulations have been issued which require the Authority to approve a Minimum Revenue Provision Statement in advance of each year. A variety of options are provided under which Minimum Revenue Provision could be made, with an overriding recommendation that the Authority should make prudent provision to

redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits.

41. The Authority does not plan to make any Voluntary Revenue Provisions within the next three years.

42. Although four main options are provided under the guidance, the Authority has adopted:

<u>The Asset Life Method</u>
Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, Minimum Revenue Provision is to be made in equal annual instalments over the life of the asset. In this circumstance the asset life is to be determined when Minimum Revenue Provision commences and not changed after that.

Minimum Revenue Provision should normally commence in the financial year following the one in which the expenditure is incurred. However, when borrowing to construct an asset, the Authority may treat the asset life as commencing in the year in which the asset first becomes operational. It may accordingly postpone beginning to make Minimum Revenue Provision until that year. Investment properties should be regarded as becoming operational when they begin to generate revenues.

43. As some types of capital expenditure incurred by the Authority are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Types of expenditure will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

44. A draft Minimum Revenue Provision Statement for 2024/25 is published separately to this strategy.

45. The financing of the approved 2024-25 Capital Programme, and the resultant prudential indicators have been set based on the content of this statement.

Borrowing

46. The capital expenditure plans are set out in the Capital Strategy, with summary details presented within the Prudential Indicators. The treasury management activities ensures that the Authority’s cash is organised so that sufficient cash is available to meet daily requirements and the Authority’s capital strategy. This will involve, where capital plans require, the arrangement of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the Annual Investment Strategy.

Existing Fire Authority Loans

47. At present, the Fire Authority has loans totalling £7m owed to the Public Works Loan Board (PWLB) as shown below.

Loan Period (years)	Start date	End date	Financial year	Capital	Interest rate
15	**05/03/2015**	**05/03/2030**	**2029/30**	**£3,500,000**	**2.99%**
25	**05/03/2015**	**05/03/2040**	**2039/40**	**£3,500,000**	**3.33%**

These loans are provided on an interest only basis and additional repayment estimates are included within the revenue budgets, via an MRP adjustment, to ensure that the Service is able to fund the repayments once due.

Borrowing requirements over the three-year capital programme are summarised in the table below:

	2024/25 £'000	2025/26 £'000	2026/27 £'000
Existing Borrowing b/f	7,000	7,000	16,781
New Borrowing	-	9,781	18,855
Total Borrowing c/f	**7,000**	**16,781**	**28,636**

Gross Debt and the Capital Financing Requirement

48. Within the prudential indicators there are several key indicators to ensure that the Authority operates its activities within defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

49. The Statutory Finance Officer reports that the Authority complied with this prudential indicator in the current year and does not envisage any difficulties for future compliance. This view takes into account current commitments, existing plans, and the proposals in the 2024/25 budget and Medium Term Financial Plan reports.

Treasury Indicators: Limits to borrowing activity

The operational boundary for external debt

50. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and ability to fund under-borrowing by other cash resources.

The authorised limit for external debt

51. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Fire Authority. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

52. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Prospects for interest rates

53. Bristol City Council has appointed professional treasury advisors, who routinely provide information on the prospects for interest rates to support the council in formulating its view on interest rates. This information is set out in the following table.

Period	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Mar 2024	5.25	4.90	5.00	5.30	5.10
Mar 2025	4.00	4.20	4.20	4.50	4.30
Mar 2026	3.00	3.60	3.70	4.10	3.90
Mar 2027	3.00	3.50	3.50	4.00	3.80

54. The above forecast reflects the view that the Monetary Policy Committee are keen to demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least September 2024. Rate cuts are expected to start when both the Core Price Inflation (CPI) and wage / employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent Gross Domestic Product (GDP) releases have surprised markets with their on-going robustness.

55. The timing on this will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late, and any downturn or recession may be prolonged.

56. The above forecast expects the MPC to keep Bank Rate at 5.25% for the first half of 2024 to combat on-going inflationary and wage pressures. The council's treasury advisors do not think that the MPC will increase Bank Rate above 5.25%, but it is a possibility.

57. As there are so many variables at this time, caution must be exercised in respect of these interest rate forecasts.

Investment and borrowing rates

58. **Investment percentage returns** are expected to be similar in 2024/25 due to the expected fall in interest rates over the second half of the year, as inflationary pressures ease.

59. **Borrowing interest rates** - the forecast for PWLB borrowing rates show a general downward trend across all maturity bands over the next three years. There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates from numerous factors.

There are risks to these forecasts as set out in the Economic Interest Rate Forecast section of this Strategy.

60. **Borrowing for capital expenditure.** The long-term (beyond 10 years), forecast for Bank Rate is 3.00%. As the PWLB certainty rates are significantly above 3.00%, there remains value in considering short term / temporary borrowing as these rates are likely to remain near Bank Rate, that is below forecasted PWLB rates over the medium to long term and may also prove attractive as part of having a balanced debt portfolio.

61. The policy of avoiding new borrowing by using spare cash balances, from the sale of the previous Headquarters site, has served well over the last few years. However, the Authority is unable to avoid new borrowing to finance capital expenditure from 2025/26 onwards.

62. There could be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

63. There are also alternative sources of long-term borrowing available, besides PWLB, if the Authority is seeking to avoid a "cost of carry" but also wishes to mitigate future re-financing risk, and these sources will be considered.

Borrowing Strategy

64. The main reason the Fire Authority needs to undertake external borrowing is to fund the 2024-2027 Capital Programme. As shown in the separate Capital Strategy report, the Fire Authority is proposing projected new prudential borrowings of £28.6m over the next 3 years. This assumes there is no slippage in the Capital Programme. To ensure Value for Money and affordability, the financing of the Capital Programme will be first through the utilisation of remaining usable capital reserves, thereby reducing the cost of borrowing to the Fire Authority.

65. The most significant consideration from a treasury management perspective is the timing and duration of this borrowing. Should the financial environment change and borrowing is deemed advantageous, the Authority will seek to

borrow long-term loans near / below a "target rate" of 4.00% and short to medium term loans near / below the "target rate" of 5.50%.

66. Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Statutory Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

a. If it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing would be postponed.
b. if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

67. Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

a. Long term and short-term fixed interest rates are expected to fall over the medium term. The Statutory Finance Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the Economic Interest Rate Forecast section.
b. The strategy of postponing borrowing and running down capital receipt balances has been applied in 2023/24 and will continue into 2024/25 until the capital reserves are depleted, which is forecast to be around June 2025, at which point external borrowing will be required. The Authority recognises that, depending on prevailing interest rates and progression of the Capital Programme, the timing of the requirement for external borrowing could change. As such, the Authority recognises that external borrowing could be required during 2024/25.
c. The Authority's borrowing strategy will consider new borrowing in the following ways:
   i. The cheapest borrowing in recent years has been internal borrowing by running down cash balances and foregoing interest earned at historically low rates, however over the past 2 years, investment returns have increased significantly and the savings generated from internal borrowing over the coming year will be negligible.
      In view of the overall forecast for long-term borrowing rates to fall over the medium term, consideration will continue to be given to the short-term advantage of internal borrowing while also considering taking short to medium term funding from the PWLB as long term borrowing rates are expected to fall during the medium term.
   ii. Short to medium funding from local authorities and financial institutions at rates lower than the PWLB.
   iii. PWLB loans for up to 10 years where rates are expected to be lower than rates for longer periods. This offers a range of options for new borrowing, which will spread debt maturities.

iv. PWLB loans in excess of 10 years where rates are considered to be low and offer the Authority the opportunity to lock into low value long-term finance.
v. Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintain an appropriate balance between PWLB and market debt in the debt portfolio.
vi. Long-term borrowing from the Municipal Bond Agency and the UK Infrastructure bank if available and appropriate and the rates are lower than those offered by the Public Works Loan Board (PWLB).
vii. Financial institutions, primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years.

68. The Authority is planning net borrowing of £28.6m over the coming three year period, to finance the expected Prudential Borrowing requirement as set out in the Capital Programme. The level of borrowing will ensure the Authority maintains adequate liquidity levels as set out in the Strategy.

69. The Authority will seek to undertake temporary borrowing (less than one year) loans to cover day-to-day cashflow requirements if required. Such a decision will be based on the availability of and access to cash in deposit accounts and money market funds, for example held by Bristol City Council, to cover the cashflow requirement, whilst also considering the most cost-effective method for the Authority.

<u>Policy on borrowing in advance of need</u>

70. The Authority will not borrow more than or in advance of its needs purely to invest to make an additional return. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

71. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

<u>Debt Rescheduling</u>

72. As the yield curve is relatively flat there are limited opportunities to generate savings by switching from long term debt to short term debt. In addition, rescheduling of our PWLB loans is unlikely to be beneficial due to how the repayment penalties and discounts are calculated. Any savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

73. The reasons for any rescheduling to take place will include:

a. the generation of cash savings and / or discounted cash flow savings.
b. helping to fulfil the treasury management strategy.
c. enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

74. All rescheduling will be reported to the Fire Authority at the earliest meeting following its action.

Annual Investment Strategy

Investment Policy

75. The Department of Levelling Up, Housing and Communities (DLUHC, formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments (as managed by the treasury management team at BCC and finance team with the Authority). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the capital strategy (a separate report approved by the Fire Authority).

76. The Authority's investment policy has regard to the following:

a. DLUHC's Guidance on Local Government Investments ("the Guidance")
b. CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
c. CIPFA Treasury Management Guidance Notes 2021.

77. The Authority's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Authority's risk appetite.

78. The current investment strategy is to invest all day-to-day cash balances in Bristol City Council (BCC), the Fire Authority's Financial Services provider, which is effectively at zero risk. Interest is paid on these balances based on the SONIA rate less 25bps. In addition, the Fire Authority's strategy is to reduce additional new borrowings where possible and fund some of the existing capital programme by utilising available reserves and cash balances. This enables the Fire Authority to reduce its cash balances and thus reduce counterparty risk exposure, as well as providing a hedge against the fall in investments returns.

79. In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs.

80. The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. The Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

a. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term credit ratings.
b. Credit ratings are collated by Bristol City Councils advisors from the major credit rating agencies such as Moody's, S&P and Fitch.
c. Other information: credit ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. Should the Authority be considering investment opportunities, it will consider the engagement of a professional advisor to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
d. Other information sources used will include the financial press, share price and other such information pertaining to the financial sector, in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
e. The Authority has defined the list of types of investment instruments that the treasury management team at BCC are authorised to use upon receiving instruction from the Authority (see table at paragraph 89). Counterparty limits are set through the Authority's treasury management practices – schedules using the parameters below:
    i. **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or those which could be for a longer period but where the Authority has the right to be repay within 12 months if it wishes or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
    ii. **Non-specified investments** are those with less high credit quality, maybe for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
    iii. **Counterparty lending limits** (amounts and maturity) will be set using the investment criteria below.

Creditworthiness policy

81. The primary principle governing the Authority's investment criteria is the security of its investments, whilst liquidity and the yield on the investment is also a key consideration. After this main principle, the council will ensure that:

a. It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
b. It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may

prudently be committed. These procedures also apply to the council's prudential indicators covering the maximum principal sums invested.

82. Bristol City Council will provide a counterparty list in compliance with their criteria, which is then tailored in light of the Fire Authority's specific approach. The Statutory Finance Officer will revise the criteria and submit them to Fire Authority for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Authority may use, rather than defining what types of investment instruments are to be used.

83. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Authority's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Authority's criteria, the other does not, the institution will fall outside the lending criteria. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer-term change) are considered before making investment decisions.

84. The criteria for providing a pool of high-quality investment counterparties (both specified and non-specified investments) is:

a. **Banks 1**: good credit quality – the Authority will only use banks which:
    i. are UK banks; and/or
    ii. are non-UK and domiciled in a country which has a minimum sovereign long-term rating of AA- and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
        1. Short term – F1 (or equivalent)
        2. Long term – A- (or equivalent)

b. **Banks 2:** part nationalised UK banks – Royal Bank of Scotland ring-fenced operations. This bank can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
c. **Banks 3**: the Authority's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
d. **Bank subsidiary and treasury operation**: the Authority will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
e. **Building societies**: the Authority will use all societies which meet the ratings for banks outlined above.
f. **Money Market Funds** (CNAV Constant Net Asset Value): AAA rated (sterling)
g. **Money Market Funds** (LVNAV Low Volatility Net Asset Value): AAA rated (sterling)
h. **Money Market Funds** (VNAV Variable Net Asset Value): AAA rated (sterling)

i. **Ultra-Short dated Bond Funds with a volatility rating of S1+**
j. **UK Government** (including gilts, Treasury Bills and the DMADF)
k. **Local authorities, parish councils etc**
l. **Supranational institutions**

BCC apply a limit of £50 million to the use of non-specified investments. The limit applied for the Fire Authority is £10m, as approved by the Fire Authority in previous Treasury Management Strategies.

85. The criteria for choosing counterparties set out above provide a sound approach to investment in “normal” market circumstances. Whilst Members are asked to approve the base criteria above, under exceptional market conditions the Statutory Finance Officer may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the market returns to “normal” conditions. Similarly, the time periods for investments will be restricted.

86. The Fire Authority normally invests with BCC, who are considered zero risk, although investments have previously been made with counterparties classified under category “Bank 1” identified above. Other restrictions could be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government.

Country and Sector Considerations

87. Due care will be taken to consider the country, group and sector exposure of the Authority’s investments. The Authority has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). In addition:

a. no more than 25% will be placed with any non-UK country at any time
b. limits in place above will apply to a group of companies
c. sector limits will be monitored regularly for appropriateness.

88. **Use of additional information other than credit ratings**. Additional requirements under the Treasury Management Code necessitate the Authority to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision. This additional market information (for example Credit Default Swaps (CDS), negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and Monetary limits applying to investments

89. Time and monetary limits apply to investments. The time and monetary limits for institutions on the Authority's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch (or equivalent)	Money Limit £m	Time Limit
Banks 1 Higher Quality	AAA	£5m	5 years
Banks 1 Medium Quality	AA-	£2m	3 years
Banks 1 Lower Quality	A-	£1m	1 year
Banks 2 – part nationalised	n/a	£1m	1 Year
Limit 3 Category – Bristol City Council's banker (not meeting banks 1 / 2)	-	£100k	liquid
Other Institutions limit*		£10m	1 Year
DMADF	AAA	unlimited	1 year
Local authorities		£10m	5 years
Money Market Funds (Including CNAV, LVNAV, VNAV)	AAA	£10m	liquid

*The Other Institutions Limit will be for Gilt and Supranational Investments.

These are all considered high quality names. No limit applies to investments with BCC.

90. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods.

91. The current shape of the yield curve suggests that this is the case at present, with the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024, so an agile investment strategy would be appropriate to optimise returns.

92. Most cash balances over the next 12 months are expected to be required to manage the fluctuations of the cash flows and fund the Capital Programme. As a result, the Authority is not expecting to identify cash sums that could be invested over a longer period. However, should such cash sums be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

a. If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
b. Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment return expectations

93. The current forecast shown in the Economic Interest Rate Forecast section includes a forecast for Bank Rate to have peaked in Q4 2023. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long-term forecast is for periods over 10 years in the future):

a. 2023/24 (remainder) 5.30%
b. 2024/25 4.70%
c. 2025/26 3.20%
d. 2026/27 3.00%
e. 2027/28 3.25%
f. Long term later years 3.25%

As there are many variables at this time, caution must be exercised in respect of these interest rate forecasts.

Treasury management limits on activity

94. There are three debt-related treasury activity limits. The purpose of these is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. The indicators are:

a. Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
b. Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates.
c. Maturity structure of borrowing. These gross limits are set to reduce the council's exposure to large, fixed-rate sums falling due for refinancing, and are required for upper and lower limits.

The relevant treasury indicators and limits are presented in the table below:

	2023/24 Upper	2024/25 Upper	2025/26 & Beyond Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	40%	40%	40%
Maturity structure of fixed interest borrowing 2023/24			
		Lower	Upper
Under 12 months		0%	40%
12 months to 2 years		0%	40%
2 years to 5 years		0%	50%
5 years to 10 years		0%	50%
10 years and above		25%	100%

Investment treasury indicator and limit

95. **Total principal funds invested for greater than 364 days** - These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment.

£m	2024/25	2025/26	2026/27 & Beyond
Principal sums invested > 364 days	£5m	£5m	£5m

Key Risks

96. Making investments in the Authority's own name means that the Authority bears the risk of any counterparty failure. This risk will be managed in accordance with the strategy and with advice from BCC and external treasury management advisors. The Fire Authority will act in accordance with the Authority's Treasury Management Strategy and Policy and CIPFA's Standard of Professional Practice on Treasury Management. There are several risks attached to a Treasury Management Strategy, with the key risks being identified as follows:

- **Interest Rate exposures** – this is concerned with the balance between fixed and variable rate loans and the associated risk in interest changes.
- **Maturity Structures** – concerning the profile of loan repayment periods and associated risks of refinancing.
- **Management of counterparty risk** - to minimise the risk of loss on investments.
- **Liquidity** - to ensure adequate availability of funds to meet short term needs as they arise.
- **Return on investments**– to set out investment return targets and performance.

97. Given the changing economic environment, the current forecasts included within this Strategy may need to be revised. Members will be kept updated as part of the Fire Authority reporting process.

Mitigation of Risks

98. The aforementioned risks will be mitigated as follows:

- Monitoring of performance against targets will be reported to Members. There are risks associated with Treasury Management external funding and the associated financial impacts. These are set out within the Treasury Management Strategy. The risks are reduced by ensuring that:

- Strategic planning is undertaken to demonstrate objective prioritisation.
- Treasury Management option appraisals are undertaken for all significant capital projects to demonstrate Value for Money.
- Bristol City Council provide updated technical Treasury Management services, through the Fire Authority's Financial Services SLA.

Economic Interest Rate Forecast

Table 1 – Interest Rate Forecast

Link Group Interest Rate View	07.11.2023												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.70	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	4.90	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.70	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

The forecasts for average earnings are averages i.e. rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.

The central interest rate forecast reflects a view that the Monetary Policy Committee (MPC) are keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least the middle of 2024. Rate cuts are expected to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.

The timing on this will remain one of judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the coming months, forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

On the positive side, consumers are still anticipated to be holding onto excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

PWLB rates are expected to fall by circa 1.5% across all maturity periods during the next 3 years with 5 to 50 years PWLB rates operating within a narrow band of circa 0.50%.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields & PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the recent tightening to 5.25%, the Bank of England proves too timid in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- The pound weakens because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term US treasury yields rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher. (We saw some movements of this type through October although generally reversed in the last week or so.)
- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therein gilt yields, to drop back later in 2024.

Glossary of Key Terms – Treasury Management

AAA rating
The highest grade assigned to a debt obligation by a rating agency. It indicates an unusually strong capacity to pay interest and repay principal. Also called triple A, this rating is reserved for instruments that carry virtually no risk, e.g. government gilts.

Affordable **Capital Expenditure Limit**
The amount that the Fire Authority can afford to allocate to capital expenditure.

Authorised Limit for External Debt
This is a limit for total Fire Authority external debt as set by the Fire Authority based on debt levels and plans.

Capital Expenditure
Expenditure on or for the creation of fixed assets that meets the definition of Capital Expenditure under the accounting rules as set-out in the annual Statement of Recommended Practice (SORP) and for which the Fire Authority are able to borrow.

Capital Financing Requirement
This is a Prudential Indicator that can be derived from the information in the Council's Balance Sheet. It generally represents the underlying need to borrow for capital expenditure.

CIPFA
CIPFA is the Chartered Institute of Public Finance and Accountancy who produce guidance, codes of practice, and policy documents for Local Councils.

CNAV (Constant Net Asset Value) are short-term MMFS. Funds must invest 99.5% in government assets. Units in the fund are purchased or redeemed at a constant price rounded to the nearest percentage point.

Counterparty
Another organisation involved in a deal i.e. if the Fire Authority enters a deal with a bank then the bank would be referred to as the "Counterparty".

CPI
The Consumer Price Index – calculated by collecting and comparing prices of a set basked of goods and services as brought by typical consumer, at regular intervals over time.

DMADF
Stands for Debt Management Account Deposit Facility. The Debt Management Account Deposit Facility is a facility offered to pre-authorised UK Local Authority Treasury Managers wishing to deposit funds on a fixed term basis with central government, thus ensuring maximum safety, liquidity and flexibility for them, and, at the same time, offering a possible cost saving for the Government's own cash management operations.

Equity
A share in company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain.

Fitch, Moody's and Standard & Poor's (S&P)
All three are credit ratings agencies, considered the 'big three' within the industry. They provide long-term and short-term investment ratings. These ratings are used as an evaluation of credit risk of a prospective debtor, predicting their ability to pay back the debt and an implicit forecast of the likelihood of the debtor defaulting.

Fitch's long-term ratings range from: AAA to D
Fitch's short-term ratings range from: F1+ to D
Moody's long-term ratings range from: Aaa to C
Moody's short-term ratings range from: P-1 to Not Prime
Standard & Poor's long-term ratings range from: AAA to D
Standard & Poor's short-term ratings range from: A-1+ to D

The minimum Sovereign AA- rating is taking the lowest credit rating of a country from the 3 main rating agencies (Fitch, Moody's and S&P). The sovereign rating of Banks domiciled outside of the UK, require a minimum sovereign rating of AA- to qualify to invest.

Fixed Rate Funding/Investments
Funding or investments where the interest rate that applies to payments or receipts of interest on the funding or investments is fixed and does not change.

Gilts
Gilts are bonds (i.e. debt certificates) that are issued (i.e. sold) by the UK Government. When they issue gilts the Government sets the interest rate that applies to the gilt, sets when they will repay the value of the gilt, and it agrees to make interest payments at regular intervals until the gilt is repaid or redeemed. Gilts are traded in the financial markets with the price varying depending on the interest rate applicable to the gilt, when the gilt will be repaid (i.e. when it will mature), on base rate expectations, and on market conditions.

Gilt Funds
Pooled fund investing in bonds guaranteed by the UK government.

Gilt Yields
A gilt yield is the effective rate of return that someone buying a gilt at the current market price will receive on that gilt. Since the market price of a gilt can vary at any time, the yield will also vary.

Government Money Market Fund
Money Market Funds that invest solely in government securities, or reverse repurchase agreements backed by government securities.

Incremental Impact of Capital Investment Decisions

These are Prudential Indicators that reflect the impact on Council Tax and Housing Rents of movements in projected and estimated capital expenditure within and between financial years.

LIBID
Stands for 'London Interbank Bid Rate'. It is the average rate that banks are willing to pay for euro-currency deposits in the London interbank market.

LVNAV (Low Volatility Net Asset Value) are short-term MMFS. Funds are primarily invested in money market instruments, deposits and other short-term assets. Units in the fund are purchased or redeemed at a constant price so long as the value of the underlying assets do not deviate by more than 0.2% (20bps) from par (i.e. 1.00).

MHCLG
Stands for The Ministry of Housing, Communities and Local Government (formerly the Department for Communities and Local Government).

Money Market Funds (MMF)
A well rated highly diversified pooled investment vehicle whose assets mainly comprise of short term instruments. It is very similar to a unit trust, however in a MMF. MMFs are split into four types; CNAV, LVNAV, Short-term VNAV & Standard VNAV.

Net Borrowing Requirement
This is the difference between the Fire Authority's net external borrowing and its capital financing requirement. Under the Prudential Code the Council's net external borrowing should not, except in the short term, exceed its capital financing requirement. The Net Borrowing Requirement should therefore normally be a negative figure.

Operational Boundary
This is a level of debt set by the Fire Authority at lower than the Authorised Limit and which the Fire Authority's debt levels should not normally exceed during normal operations.

Prudential Code
Fire Authorities are required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities that supports local authorities in taking decisions on capital investment.

The Key objectives of the Code are to ensure, that

- Local Authorities and Fire Authorities capital investment plans are affordable, prudent and sustainable;
- Treasury management decisions are taken in accordance with these plans;
- Local strategic planning, asset management planning and proper option appraisal are supporting these capital investment decisions.

These requirements include the production of Prudential Indicators.

Prudential Indicators
Prudential Indicators are set-out in the Prudential Code. These are a set of financial indicators and limits that are calculated in order to demonstrate that Councils and Fire

Authorities capital investment plans are affordable, prudent and sustainable. These prudential indicators are used to cover the categories of affordability, prudence, capital spending, external debt/borrowing and treasury management.

PWLB
The Public Works Loans Board is a government agency and part of the Debt Management Office. The PWLB provides loans to local authorities and other specified bodies.

PWLB Rates
The interest rates chargeable by the Public Works Loans Board for loans. The rates for fixed rate loans are determined by the day on which the loan is agreed. The rates to be charged by the PWLB for loans are set each day based on gilt yields at the close of business on the preceding business day. PWLB rates are typically the benchmark used by local authorities though may not always be more attractive than market debt.

Short-term VNAV (Variable Net Asset Value) MMFs are primarily invested in money market instruments, deposits and other MMFs. Funds are subject to looser liquidity rules than Public Debt CNAV and LVNAV funds. Units in the funds are purchased or redeemed at a variable price calculated to the equivalent of at least four significant figures (e.g. 10,000.00).

SONIA (Sterling Overnight Index Average) reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. It is now the preferred benchmark for sterling risk-free rates.

Specified & Non-Specified Investment
Specified investments are sterling investments of a maturity period of not more than 364 days, or those which could be for a longer period but where the Service has the right to be repaid within 364 days if it wishes. Non-specified investments are any other type of investment, beyond one year.

Standard VNAV MMFs are funds that are primarily invested in money market instruments, deposits and other short-term assets. Funds are subject to looser liquidity rules than Public Debt CNAV and LVNAV funds AND may invest in assets of much longer maturity. Units in the funds are purchased or redeemed at a variable price calculated to the equivalent of at least four significant figures (e.g. 10,000.00).

Supranational Bonds
Bonds issued by supranational bodies, e.g. European investment bank. These Bonds – also known as Multilateral Development Banks bonds – are generally AAA rated and behave similarly to GILTS, but pay a higher yield (spread) given their relative illiquidity when compared with GILTS.

Treasury Management in the Public Services: Code of Practice
This is a code of practice for Council Treasury Management activities, which is produced by CIPFA.

Treasury Management Practices

This is a Council document that sets out Council policies and procedures for treasury management as required by the CIPFA "Treasury Management in the Public Services: Code of Practice".

UK Municipal Bonds Agency
A Local Government Funding Agency that exists primarily to reduce councils' capital long term financing costs in the United Kingdom. It allows local authorities to diversify funding sources and borrow at a lower cost than is available from Central Government via the Public Works Loan Board.

Yield
The yield is the effective rate of return on an investment.

TREASURY MANAGEMENT PRACTICES

Avon Fire Authority

Contents

TMP1 Risk Management

The Authority regards a key objective of its treasury management and other investment activities to be the security of the principal sums it invests. Accordingly, it will ensure robust due diligence procedures covering all external investment including investment properties.

The responsible officer (the Statutory Finance Officer) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1.1 Credit and Counterparty Risk Management

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

The Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.1.1 Policy on the use of credit risk analysis techniques

This Authority uses the lowest common denominator approach which uses the lowest minimum acceptable credit rating from any of the three rating agencies: -

Minimum ratings 1	Fitch, Moody's and Standard & Poor's
Short term	F1 (or equivalent)
Long term	A- (or equivalent)

	Fitch (or equivalent)	Money Limit £m	Time Limit
Banks 1 Higher Quality	AAA	£5m	5 years
Banks 1 Medium Quality	AA-	£2m	3 years
Banks 1 Lower Quality	A-	£1m	1 year
Banks 2 – part nationalised	n/a	£1m	1 Year
Limit 3 Category – Bristol City Council's banker (not meeting banks 1 / 2)	-	£100k	liquid
Other Institutions limit*		£10m	1 Year

DMADF	AAA	unlimited	1 year
Local authorities		£10m	5 years
Money Market Funds (Including CNAV, LVNAV, VNAV)	AAA	£10m	liquid

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.

The Authority will ensure it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Authority will only **borrow in advance of need** where there is a clear business case for doing so and will only do so for the following reasons: -

- to fund the current capital programme
- to finance future debt maturities, or
- to ensure an adequate level of short-term investments to provide liquidity for the organisation.

1.2.1. Amounts of approved minimum cash balances and short-term investments

The Authority's main bank account is under the care of Bristol City Council, who are contracted under an SLA to undertake certain Treasury Management activities for the Authority. Bristol City Council monitor the overall cash position their group of accounts daily, which includes the main bank account of the Authority. Borrowing or lending shall be arranged by BCC in order to manage the pooled cash balance across all accounts under their care.

1.2.2. Details of:

a. Bank overdraft arrangements
There is no individual overdraft facility on the Authority's main bank account. A gross £125m overdraft at 1% over base rate (net overdraft of £0m at 0.5% of limit) at has been agreed as part of the pooled banking services contract held by Bristol City Council, which includes the Authority's bank account.

b. Short-term borrowing facilities
The Authority accesses temporary loans through approved brokers on the London money market. The approved borrowing limit for short term debt is £10m.

c. Insurance/guarantee facilities
There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

d. Special payments
24 hours' notice is required to be given to Bristol City Council for all special payments (CHAPS & foreign currency) above £100,000.

1.3 Interest Rate Risk Management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

1.3.1 Policies concerning the use of instruments for interest Trate management.

a. forward dealing
   Consideration will be given to dealing from forward periods dependent upon market conditions. When forward dealing is more than 18 months forward then the approval of the Statutory Finance Officer is required.

b. callable deposits
   The Authority will use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments within the Treasury Management Strategy.

c. LOBOS (borrowing under lender's option/borrower's option)
   Use of LOBOs are not considered as part of the annual borrowing strategy.

1.4 Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

1.4.1 Approved criteria for managing changes in exchange rate levels

The Authority may have some exposure to exchange rate movements from time to time because expenditure or income is denominated in a foreign currency but these transactions will generally be small and will normally be converted out of or into sterling at the time of each transaction.

1.5 Inflation Risk Management

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the Authority as an integral part of its overall exposure to inflation.

The Authority will achieve the above objectives by the prudent use of its approved financing and investment instruments, methods and techniques primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates, exchange rates or inflation. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

1.6 Refinancing Risk Management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Authority for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

This Authority will ensure that its borrowing, private financing or partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

1.6.1. Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Authority will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year. The Authority will seek to limit refinancing exposure by ensuring that only a limited amount of loan debt will mature in any one year. This limit will be kept under review and reported annually as part of the Annual Treasury Strategy.

The responsible officer will by the 31 March of each year produce a long-term borrowing strategy detailing:

- The projected borrowing requirement for the subsequent year;
- The recommended source and period over which such borrowing is to be effected; and
- An assessment of the impact of this borrowing on the maturity profile.

All loan debt rescheduling will be reported to the Authority as part of the outturn report.

1.6.2. Projected Capital Investment Requirements

The responsible officer will prepare a three-year plan for capital expenditure for the Authority. The capital plan will be used to prepare a three-year revenue budget for loan charges of principal repayments, interest and expenses that will take account of the plans for capital expenditure, loan repayments and forecasts of interest rate changes.

In addition, the responsible officer will draw up a capital strategy report which will give a longer-term view.

The definition of capital expenditure and long-term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

1.6.3. Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the Authority will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on Authority tax.

It will also consider affordability in the longer term beyond this three year period and assess the risks and rewards of significant investments to ensure the long-term financial sustainability of the authority. (CIPFA has not defined what longer term means but it is likely to infer 20-30 years in line with the financing time horizon and the expected life of the assets, while medium term financial planning, at a higher level of detail, is probably aimed at around a 10-year time frame and to focus on affordability in particular.)

The Authority will also undertake an annual review of commercial, (debt for yield), investments with a view to divest, where appropriate, so as to avoid or minimise additional external borrowing.
The Authority will use the definitions provided in the Prudential Code for borrowing (88), capital expenditure (89), capital financing requirement (90), commercial property (91), debt (92), financing costs (93), investments (95), net revenue stream (96), other long term liabilities (97), treasury management (98) and transferred debt (99).

The main source of borrowing for the Authority is the Public Works Loan Board (PWLB). The prudential indicators control the limits on revenue consequences.

1.6.4. PFI, Partnerships, ALMOs and guarantees

The Authority has entered into a Joint Training PFI Scheme, with a 50% share in the venture. Babcock Fire Training (Avonmouth) Limited are the contractor and will provide training until 31 March 2028. The equalisation fund, administered by Gloucestershire County Authority, is reviewed, and if necessary, contributions amended every three to five years with the intention that the balance of the fund at the end of the contract will be nil.

1.7 Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This organisation recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

1.7.1. References to Relevant Statutes and Regulations

The treasury management activities of the Authority shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Authority. These are:

- CIPFA Treasury Management Code of Practice 2017;
- CIPFA Treasury Management Guidance Notes 2018;
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities;
- SI 2003 No 3146 Local Authorities (Capital Finance and Accounting) (England) Regulations and associated commentary;
- Capital Finance: Guidance on Local Government Investments (2018);
- Local Government Act 2003;
- CIPFA Prudential Code for Capital Finance in Local Authorities (The Prudential Code);
- The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- The Authority's Contract Procedure Rules;
- The Authority's Financial Regulations; and
- The Authority's Scheme of Delegation.

1.7.2 Procedures for Evidencing the Authority's Powers/Authorities to Counterparties

The Authority's powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, section 12
Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following: -

a. the scheme of delegation for treasury management activities, contained in Constitution, which states the Statutory Finance Officer carry out these duties in line with the approved Treasury Management Strategy

Required Information on Counterparties
Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Bristol City Councils treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

1.7.3. Statement on the Authority's Political Risks and Management of Same

The responsible officer shall take appropriate action with the Authority and the Chief Fire Officer to respond to and manage appropriately political risks such as change of the majority group, leadership etc.

1.7.4. Monitoring Officer

It is the duty of the Clerk & Monitoring Officer is to ensure specialist advice is provided, as required, to ensure that the treasury management activities of the Authority are lawful.

1.7.5. Chief Financial Officer

The Chief Financial Officer is the Statutory Finance Officer; the duty of this officer is to ensure that the financial affairs of the Authority are conducted in a prudent manner and to make a report to the Authority if he has concerns as to the financial prudence of its actions or its expected financial position.

1.8 Operational risk, including fraud, error and corruption

The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Authority will therefore:-

a) seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.8.1. Details of Systems and Procedures to be Followed, Including Internet Services

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the responsible officer or authorised persons.
- Loan procedures are defined in the Authority's Financial Regulations.

Procedures

- Bristol City Council process BACS runs on behalf of the Authority. Purchase invoices are individually approved by both budget holders and Finance at the Authority. Once an invoice is approved, it will be eligible for payment and picked up on the next available payment run created by Bristol City Council.
- CHAPS payments are completed by BCC following receipt of a request, approved by two authorised signatories from within the Authority.

Investment and borrowing transactions

- A detailed register of all loans and investments is maintained as part of the treasury management arrangements.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution, as required.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Statutory Finance Officer for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Statutory Finance Officer for resolution.
- Contract notes for transactions carried out by the external fund manager(s) will be received as executed and maintained.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- The Treasury Management manual system highlights that money borrowed or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution (see 1.1) that the Authority invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorization of all deals.
- The Authority's bank holds a list of Authority officials who are authorised signatories for treasury management transactions.
- No member of the treasury management team is an authorised signatory.
- Payments can only be authorised in a formal letter by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- There is adequate insurance cover for employees involved in loans management and accounting.

Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- The treasury management spreadsheet balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end. Working papers are retained for audit inspection.
- A debt charge/investment income listing is produced every time the debt charges / investment income is recalculated for budget monitoring purposes. A debt charge / investment income listing is also produced at the financial year end and this document is retained for audit inspection.
- We have complied with the requirements of the Code of Practice on Local Authority Accounting and will account for the fund as Fair Value through Profit or Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Comprehensive Income and Expenditure Statement.

Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the manual treasury management system.
- The spreadsheet calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to lenders.
- Average weighted capital loans fund interest rates and debt management expenses are calculated monthly, if appropriate, using information from the financial ledger and the manual treasury management spreadsheet.

1.8.2. Emergency and Contingency Planning Arrangements Disaster Recovery Plan.

An electronic record is kept of all treasury management data.

If an electronic banking failure occurs:

- CHAPS payments can be given by instruction in person. Balances can also be obtained over the phone; and
- All computer files to be 'backed up' on service to enable files to be accessed from remote sites.

1.8.3. Insurance Cover Details

Fidelity Insurance
The Authority has a Fidelity Guarantee with the Fire & Rescue Indemnity Company (FRIC) covering both loss of cash by fraud and/or employee dishonesty. The standard limits for loss of money or for employee fraud are both at £5m aggregate with standard retention at £5,000.

Professional Indemnity Insurance
The Authority has Officials and Professional Indemnity with FRIC which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover has a standard limit of £5m aggregate plus one reinstatement for Officials Indemnity and £5m aggregate for Professional Indemnity, with standard retention for both at £5,000.

Business Interruption
The Authority also has Business Interruption cover with FRIC as part of its £50m combined Property and Business Interruption insurance with standard retention at £5,000.

1.9 Price Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

1.9.1. Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (Gilts, CDs, Etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy.

TMP 2 PERFORMANCE MEASUREMENT

The Authority is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of this aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of on-going analysis of the value it adds in support of the Authority's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives and of the scope for other potential improvements. The performance of the treasury management function will be measured using appropriate criteria and benchmarks.

2.1 Evaluation and Review of Treasury Management Decisions

The Authority has a number of approaches to evaluating treasury management decisions: -

a. periodic reviews carried out by the finance team
b. reviews with our treasury management consultants (if appointed)
c. annual review after the end of the year as reported to Fire Authority
d. half yearly / quarterly / other monitoring reports to committee / Fire Authority

2.1.1 Periodic reviews during the financial year

The Statutory Finance Officer periodically reviews actual activity against the Treasury Management Strategy Statement and cash flow forecasts.
This will include :

a) Total debt (both on-and off balance sheet) including average rate and maturity profile
b) Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.

2.1.2 Reviews with our treasury management consultants

The Authority has not appointed treasury management consultants at this time. Should there be an increase in investment and borrowing activity, the Authority will reconsider this approach. The Statutory Finance Officer will hold periodic reviews with consultants, if appointed, to review the performance of the investment and debt portfolios.

2.1.3 Review reports on treasury management

An Annual Treasury Report is submitted to the Authority each year after the close of the financial year which reviews the performance of the Authority against the Treasury Management Strategy. This report contains the following: -

a. total external debt (gross external borrowing plus other long term liabilities such as finance leases) and average interest rates at the beginning and close of the financial year compared to the Capital Financing Requirement
b. borrowing strategy for the year compared to actual strategy
c. whether or not a decision was made to defer borrowing or to borrow in advance
d. comment on the level of internal borrowing and how it has changed during the year
e. assumptions made about interest rates
f. investment strategy for the year compared to actual strategy
g. explanations for variance between original borrowing and investment strategies and actual
h. debt rescheduling done in the year
i. actual borrowing and investment rates available through the year
j. the performance and return of all investments by type of investment, evaluated against the stated investment objectives

k. the Report shall identify investments where any specific risks have materialised during the year and report on any financial consequences of that risk; together will details of any remedial action take. This includes reporting any short term borrowing costs incurred to remediate any liquidity problem.
l. the Report shall include details of any review of long-term investments, held by the authority, which was undertaken in the year in accordance with the Annual Investment Strategy.
m. compliance with Prudential and Treasury Indicators
n. other

In addition, half yearly reports will be submitted to the Authority and quarterly reports to the Policy and Resources Committee (reporting by exception) to provide updates on the above.

2.2 Benchmarks and Calculation Methodology:

2.2.1 Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average rate on internal borrowing
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year
- Debt portfolio compared to the debt liability benchmark

2.2.2 Investment

Bristol City Council manage the day-to-day investment of the cash balances of the Authority. Each month Bristol City Council pay the Authority an interest at a rate of average daily SONIA across the month less 25 basis points on the average bank balance across that month.

Therefore, the performance of in-house investment earnings will be measured against the following benchmarked against average daily SONIA.

Consideration will also be given to benchmarking performance against other local authority funds.

2.3 Policy Concerning Methods for Testing Value for money in Treasury Management

2.3.1 Frequency and processes for tendering

Tenders are normally awarded for a period of up to five years with the option to extend for two years, subject to approval via the appropriate governance processes. The process for advertising and awarding contracts will be in line with the Authority's Contract Procedure Rules.

2.3.2 Banking services

The Authority's banking arrangements are under the care of Bristol City Council. As part of the processes performed by Bristol City Council, the banking arrangements are subject to competitive tender every 5 years unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.
If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

2.3.3 Money-broking services

The Authority will use money broking services in order to make deposits or to borrow and will establish charges for all services prior to using them.

An approved list of brokers will be established which takes account of both prices and quality of services.

2.3.4 Consultants'/advisers' services

This Authority's policy is not to appoint full-time professional treasury management consultants. However, should the Authority's investment activities increase and the requirement for more specialist advice increase, consideration would be given to the appointment of professional treasury management consultants or advisors.

2.3.5 Policy on External Managers (Other than relating to Superannuation Funds)

Either

The Authority's policy is not to appoint external investment fund managers.

TMP 3 DECISION-MAKING AND ANALYSIS

The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:

3.1.1 Records to be kept

The Finance Team has computerised treasury management arrangements. A member of the Finance Team will enter details of all transactions carried out into the system. The record will have the following details relative to each loan or investment:

- Dealer or Broker
- Counterparty
- Interest Rate
- Repayment Date
- Term of Loan
- Loan Type
- Commission
- Transfer arrangements
- Basis on which a particular deal was judged to be the correct one

The following records will be retained :-

- Dealing slips for all money market transactions
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly
- PWLB loan confirmations

3.1.2 Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

3.1.3 Issues to be addressed.

3.1.3.1. In respect of every treasury management decision made the Authority will:

a) Above all be clear about the nature and extent of the risks to which the Authority may become exposed
b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
c) Be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good housekeeping
d) Ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded
e) Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Authority will:

a) consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets to ensure that Its capital plans and investment plans are affordable, proportionate to the Authority's overall financial capacity, and are within prudent and sustainable levels. This evaluation will be carried out in detail for three budget years ahead.
b) not borrow to invest primarily for financial return.
c) not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so.
d) not borrow unless it is to finance the current capital programme or to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Authority.
e) increase its CFR and borrowing solely for purposes directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.
f) undertake an annual review of any investments in commercial (debt for yield) schemes with a view to identify whether such assets should be sold to provide resources to finance capital expenditure plans or refinance maturing debt.
g) evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
h) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
i) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.
j) ensure that treasury management decisions are made in accordance with good professional practice.

3.1.3.3 In respect of investment decisions, the Authority will:

a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital;
c) ensure that any long-term treasury investment is supported by a business case.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Authority will undertake its treasury management activities by employing only those instruments, methods and techniques detailed below, and within the limits and parameters defined in TMP1 Risk Management.

4.1 Approved Activities of the Treasury Management Operation

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Authority's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- the use of external fund managers (other than Pension Fund)
- leasing.

4.2 Approved Instruments for Investments

Investments will be with those bodies identified by the Authority for its use through the Annual Investment Strategy.
Please see the Annual Investment Strategy published within the Treasury Management Strategy.

4.2.1 Implementation of MIFID II requirements

Since 3 January 2018, UK public sector bodies have been defaulted to "retail" status under the requirements of MiFID II. However, for each counterparty it is looking to transact with, (e.g. financial institution, fund management operator, broker), there remains the option to opt up to "professional" status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision making processes in place in order to use regulated investment products.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

The Authority has not applied to opt up to professional status for any transactions.

For investing in negotiable investment instruments, (e.g. certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds, which are covered by MIFID II, a schedule will be maintained of all counterparties that the treasury management team are authorised to place investments with, should this be required. This specifies for each investment instrument and for each counterparty, whether the authority has been opted up to professional status. (N.B. some money markets funds will deal with both retail and professional clients.)

A file will be maintained for all permissions applied for and received for opt ups to professional status specifying name of the institution, instrument, date applied for, and date received, once an opt up application is made.

A separate file will be maintained for confirmations that there is an exemption from having to opt up to professional status for a regulated investment, (e.g. to use a money market fund which will deal with retail clients), if required.

4.3 Approved Techniques

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- The use of structured products such as callable deposits

4.4 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the Authority has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

- Government and EC Capital Grants
- Lottery monies
- PFI/PPP

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

The Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting Requirements and Management Information Arrangements, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The responsible officer will fulfil all delegated responsibilities in accordance with the organisation's Policy and TMP and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

5.1 Allocation of responsibilities

(i) Fire Authority

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual treasury management strategy
- approval of capital strategy approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the delegation of responsibilities

(ii) Authority Sub Committee

- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation

Accounting Entry	Production of transfer note. Processing of accounting entry
Authorisation/Payment of Deal	Entry onto banking system. Approval and payment.

5.3 Treasury Management Organisation Chart

The Authority does not have dedicated Treasury Management resource. The organisation chart below shows the members of the Finance team involved in Treasury Management activities, with the support of the Treasury Management Team at Bristol City Council as part of the Financial Services Contract.

Statutory Finance
Office (s151)
I
Head of Finance
I
Financial
Accountant

5.4 Statement of the treasury management duties/responsibilities of each treasury post

5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Authority is the Statutory Finance Officer *(S151 officer.)* This person will carry out the following duties: -

a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
b) submitting regular treasury management policy reports
c) submitting budgets and budget variations
d) receiving and reviewing management information reports
e) reviewing the performance of the treasury management function
f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
g) ensuring the adequacy of internal audit, and liaising with external audit
h) recommending the appointment of external service providers.
i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
j) The responsible officer may delegate his power to borrow and invest to members of his staff.
k) The responsible officer will ensure that treasury management policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Authority's Clerk and Monitoring Officer and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Authority's Financial Regulations
m) It is also the responsibility of the responsible officer to ensure that the Authority complies with the requirements of The UK Money Markets Code (formerly known as the Non-Investment Products Code) for principals and broking firms in the wholesale markets.

5.4.2. The Finance Team

The responsibilities of the Finance Team will be: -

a) execution of transactions
b) adherence to agreed policies and practices on a day-to-day basis
c) maintaining relationships with counterparties and external service providers
d) monitoring performance on a day-to-day basis
e) submitting management information reports to the responsible officer
f) identifying and recommending opportunities for improved practices
g) opportunities for improved practices

5.4.3. The Head of the Paid Service – the Chief Fire Officer

The responsibilities of this post will be: -

a) Ensuring that the system is specified and implemented
b) Ensuring that the responsible officer reports regularly to an appropriate Authority Committee on treasury policy, activity and performance.

5.4.4. The Clerk and Monitoring Officer

The responsibilities of this post will be: -

a) Upon request, checking compliance by the responsible officer with the treasury management policy statement and treasury management practices and seeking specialist advice, where required, that they comply with the law.
b) Seeking specialist advice, as required to ensure that proposal to vary treasury policy or practice complies with law or any code of practice.
c) Giving advice to the responsible officer when advice is sought.

5.4.5. Internal Audit

The responsibilities of Internal Audit will be: -

a) Reviewing compliance with approved policy and treasury management practices.
b) Reviewing division of duties and operational practice.
c) Assessing value for money from treasury activities.
d) Undertaking probity audit of treasury function.

5.5 Absence Cover Arrangements

The responsibilities of the Statutory Finance Officer (s151) are delegated to the Head of Finance during periods of absence.

For day-to-day cash balance management, and other treasury management activities covered by the Financial Services contract with Bristol City Council, the absence cover arrangements will be put in place by Bristol City Council.

5.6 Dealing Limits

Dealing is transacted on the Authority’s behalf by Bristol City Council. There are no dealing limits for individual posts. Note the Counterparty List sets out an acceptable amount to be lent to individual financial institutions based on a risk matrix. The Counterparty list is based on information from Bristol City Council’s independent financial advisors (including real-time rating changes and any amendments required to reflect internal agreed changes). Treasury transactions must comply with the Treasury Management Strategy and Treasury Management Practice Statements (TMPS), this document.

5.7 List of Approved Brokers

A list of approved brokers is maintained within the Treasury Management Team at Bristol City Council and a record of all transactions recorded against them. See TMP 11.1.2. The brokers used are:

a) Tullet Prebon
b) RP Martin
c) Tradition

5.8 Policy on Brokers' Services

It is this Authority's policy to rotate business between brokers.

5.9 Policy on Taping of Conversations

Broker conversations would occur between Bristol City Council and the Broker. It is not this Council's policy to tape brokers conversations.

5.10 Direct Dealing Practices

The Authority will consider dealing direct with counterparties if it is appropriate and the Authority believes that better terms will be available. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

5.11 Settlement Transmission Procedures

Electronic payments are processed through the online NatWest banking software. Standard payments are paid via BACS, taking three working days to clear the account.

On occasion a same day payment is required. In such scenarios a CHAPS payment will be processed through the online NatWest banking software, with the following deadlines:

- Payments to payees outside of the NatWest group can be made until 5.30pm
- Payment to another NatWest group account can be made until 6.15pm.
- CHAPS payments are only made Monday to Friday, excluding bank holidays.

In the absence of online banking accessibility, a formal letter signed by an agreed cheque signatory setting out each transaction must be sent to the Authority's bankers where preliminary instructions have been given by telephone.

5.12 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual Programme of Reporting

The Authority will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Authority will receive:
- an annual statement on the strategy and plan to be pursued in the coming year;
- a mid-year review of its treasury management policies, practices and activities; and
- an annual statement on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation’s Treasury Management Policy Statement and TMP.

Accordingly, the Authority has adopted the following reporting arrangements:

Area of Responsibility	Authority/ Committee/Officer	Frequency
Treasury Management Policy and Management Practices	Full Authority	Annual before the start of each financial year
Revisions to Treasury Management Policy and Management Practices	Full Authority	As and when required (reviewed annually)
Treasury Management Strategy and Minimum Revenue Provision (MRP) Statement	Full Authority	Annual before the start of each financial year
Revisions to Treasury Management Strategy and Minimum Revenue Provision (MRP) Statement	Full Authority	Mid-year
Annual Treasury Outturn Report	Full Authority	Annually by 30 September after the end of the financial year
Treasury Management Monitoring Reports	Policy & Resources Committee	Quarterly (reporting by exception)

6.2 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted by the responsible officer to the Authority for approval before the commencement of each financial year.

2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter -term variable interest rates. For instance, this Authority may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.

3. The Treasury Management Strategy Statement is concerned with the following elements:
   a) Prudential and Treasury Indicators
   b) current Treasury portfolio position
   c) borrowing requirement
   d) prospects for interest rates
   e) borrowing strategy
   f) policy on borrowing in advance of need
   g) debt rescheduling
   h) investment strategy
   i) creditworthiness policy
   j) policy on the use of external service providers
   k) any extraordinary treasury issue
   l) the MRP strategy

4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy Statement

At the same time as the Authority receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

a) The Authority's risk appetite in respect of security, liquidity and optimum performance
b) The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
c) Which specified and non-specified instruments the Authority will use
d) Whether they will be used by the in house team, external managers or both (if applicable)
e) The Authority's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
f) Which credit rating agencies the Authority will use
g) How the Authority will deal with changes in ratings, rating watches and rating outlooks
h) Limits of value and time for individual counterparties and groups
i) Country limits
j) Maximum value and maximum periods for which funds may be prudently invested
k) Levels of cash balances and investments over the same time period (as a minimum) as the authority's capital investment plans and how the use of internal borrowing and borrowing in advance will influence those levels
l) Interest rate outlook
m) Budget for investment earnings
n) A review of the holding of longer-term investments
o) Use of a cash fund manager (if applicable)
p) Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Statement

This statement will set out how the Authority will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.5 Policy on Prudential and Treasury Indicators

1. The Authority approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.

2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the Authority.

6.6 Quarterly and Mid-year reviews

The Authority will review its treasury management activities and strategy on a quarterly and six monthly basis. The mid-year review will go to Full Authority. This review will consider the following: -

a) activities undertaken
b) variations (if any) from agreed policies/practices
c) interim performance report
d) regular monitoring
e) monitoring of treasury management and prudential indicators

The quarterly review will monitor the treasury management and prudential indicators as part of the authority's general revenue and capital monitoring at the Policy and Resources Committee.

6.7 Annual Review Report on Treasury Management Activity

An annual report will be presented to the Fire Authority at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

a) transactions executed and their revenue (current) effects
b) report on risk implications of decisions taken and transactions executed
c) compliance report on agreed policies and practices, and on statutory/regulatory requirements
d) performance report
e) report on compliance with CIPFA Code recommendations, approved policies and practices, the member approved treasury management strategy and on statutory/regulatory requirements
f) monitoring of treasury management indicators

6.8 Management Information Reports

Management information reports will be prepared every quarter by the Finance Team and will be presented to the Statutory Finance Officer.

These reports will contain the following information: -
a) a summary of transactions executed including brokers used and fees paid and their revenue (current effects);
b) measurements of performance including effect on loan charges/investment income;
c) degree of compliance with original strategy and explanation of variances.
d) any non-compliance with Prudential limits or other treasury management limits.

6.9 Publication of Treasury Management Reports

All reports submitted to the Fire Authority or the Policy and Resources Committee for review and or approval will be available to the public via the following website: Meetings, agendas, and minutes - Modern Authority (moderngov.co.uk).

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain.

The Authority has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Authority's treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

The responsible officer will prepare a three-year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The responsible officer will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators and will report upon and recommend any changes required in accordance with TMP6.

7.3 List of Information Requirements of External Auditors.

- Reconciliation of loans outstanding in the financial ledger to treasury management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from the <<system >>
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations including investment income schedules and movement in capital values.

7.4 Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the responsible officer, whilst a quarterly budget monitoring report goes to the Policy and Resources Committee. The report is intended to highlight any variances between budgets and spend in order that the Authority can assess its financial position. Details of treasury management activities are included within this report.

TMP 8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Authority will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1(i) Liquidity Risk Management.

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared to cover a period of 12 months but are a live document, and updated on a daily basis. The projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

A debt liability benchmark will be created and monitored on a quarterly basis to inform a long-term view of liquidity requirements.

8.2 Bank Statements Procedures

The Authority receives monthly bank statements and a can access daily data from its bank. All amounts on the statement are checked for integrity.
A formal monthly bank reconciliation is undertaken by a member of the Finance Team and Bristol City Council. This must be submitted to the Authority for review by the 15th of the following month, as per the Service Level Agreement in place with the Financial Services Contract.

8.3 Payment Scheduling and Agreed Terms of Trade with Creditors

Our policy is to pay creditors within 30 days (or otherwise agreed terms) of the invoice date, and this effectively schedules the payments.

8.4 Arrangements for Monitoring Debtors / Creditors Levels

The Finance Team is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team at Bristol City Council on an ad hoc basis to assist in updating the cash flow models. This is done when levels of debtors or creditors indicate an expected cash flow outside of the usual course of business or historic trends.

8.5 Procedures for Banking of Funds

All money received by an officer on behalf of the Authority will, without unreasonable delay, be passed to the Senior Finance Assistant to deposit in the Authority's bank account. The Senior Finance Assistant will notify the Finance Team at Bristol City Council of cash and cheques banked, and provide appropriate coding, so that the figures can be taken into account in the daily cash flow and recorded in the nominal ledger.

8.6 Practices Concerning Prepayments to Obtain Benefits

The Authority has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the responsible officer.

TMP 9 Money Laundering

The Authority is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counter-parties and reporting suspicions, and will ensure that staff involved in this are properly trained.

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

9.3 The Money Laundering Regulations 2012, 2015 and 2017

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to do the following: -

- identify and assess the risks of money laundering and terrorist financing
- have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures
- train relevant staff in the subject
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken
- report their suspicions.

9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly the Authority will do the following: -

a) evaluate the prospect of laundered monies being handled by them
b) determine the appropriate safeguards to be put in place
c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
d) make all its staff aware of their responsibilities under POCA
e) establish a process by which any member of staff can report suspicions confidentially. AF&RS has a Whistleblowing Policy (Confidential Reporting Code) in place, intended to encourage and enable staff to raise serious concerns within the Service. The Chief Fire Officer has overall responsibility for the maintenance and operation of this policy. The Authority also operates a Confidential Reporting Line to facilitate the reporting of an concerns of fraud or corruption.
f) in order to ensure compliance is appropriately managed, the Authority will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.

9.5 Procedures for Establishing Identity / Authenticity of Lenders

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on www.fca.gov.uk.

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

In the course of its Treasury activities, the Authority will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA register can be accessed through their website on www.fca.gov.uk).

All transactions will be carried out by BACS for making deposits or repaying loans.

TMP 10 Training and Qualifications

This organisation recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

The responsible officer will ensure that board/Authority members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. The present arrangements, including a knowledge and skills schedule, are detailed below.

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Authority operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Most training will be provided on the job, and it will be the responsibility of the responsible officer to ensure that all staff under his / her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time-to-time cover for absences from the treasury management team.

10.1 Details of Approved Training Courses

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

10.2 Records of Training Received by Treasury Staff

The responsible officer will maintain records on all staff and the training they receive.

10.3 Experience and Approved Qualifications for Treasury Staff (If Applicable)

There is currently no approved treasury qualification.

10.4 Record of Secondment of Senior Management

Records will be kept of senior management who are seconded into the treasury management section (within Bristol City Council) in order to gain first-hand experience of treasury management operations.

10.5 Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.6 Member training records

Records will be kept of all training in treasury management provided to members.

10.7 Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 Use of External Service Providers

The Authority recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons, which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer.

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

The Authority will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house Finance team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Staff involved in treasury management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks an
- The credit ratings of that government support

11.1.1 Banking Services

a) Name of supplier of service is the NatWest Bank.
b) Regulatory status – banking institution authorised to undertake banking activities by the FCA
c) The branch address is:
Bristol City Centre Branch
45/49 Broadmead
Bristol
BS1 3EU
d) The contract commenced in October 2016, running for a period of 5 years. The contract has been subject to two extensions, for two years and then a further year. The contract expires on 30 September 2024. A tendering exercise will be completed by Bristol City Council during 2024/25.
e) Cost of service is variable depending on schedule of tariffs and volumes. This is paid directly by Bristol City Council, with the Authority covering their element as part of the Financial Services Contract.
f) Payments are due quarterly, paid Bristol City Council.

g) No option for early termination of the current banking contract has been exercised. Early Termination details will be considered as part of the upcoming tender process.

11.1.2 Money-Broking Services

The Authority will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers. The performance of brokers is regularly reviewed by Bristol City Council to see if any should be taken off the approved list and replaced by another choice.

11.1.3 Treasury Consultancy Services

The Authority has not directly appointed Treasury Management Consultants.
The Authority will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.
Should Treasury Management Consultants be appointed, their performance of will be regularly reviewed by the Statutory Finance Officer to check whether performance has met expectations.

11.1.4 Credit Rating Agency

Bristol City Council receives a credit rating service through its treasury management consultants. The Authority's cash balances are pooled with Bristol City Council's and therefore the Authority adopts the same minimum criteria as the Council for investment.

11.2 Procedures and Frequency for Tendering Services

See TMP2

TMP 12 Corporate Governance

12.1 List of Documents to be Made Available for Public Inspection

a. The Authority is committed to the principle of openness and transparency in its treasury management function and in all its functions.

b. It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

c. The following documents are available for public inspection from 2024/25: -

- Treasury Management Policy Statement
- Treasury Management Strategy Statement
- Annual Investment Strategy
- Minimum Revenue provision policy statement
- Annual Treasury Review Report
- Treasury Management monitoring reports (e.g. half yearly, quarterly)
- Annual accounts and financial instruments disclosure notes
- Annual budget
- Three Year Capital Plan
- Capital Strategy
- Medium Term Financial Plan
- Minutes of Authority / committee meetings

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MINIMUM REVENUE PROVISION STATEMENT 2024/25

Supported and Un-Supported Borrowing incurred prior to 1 April 2008

For support borrowing, the Minimum Revenue Provision will be calculated using the regulatory method (option 1). Minimum Revenue Provision will therefore be calculated using the formulae in the old regulations, requiring the amount to be set aside to be equal to 4% of the Authority's Capital Financing Requirement.

Un-Supported Borrowing incurred after to 1 April 2008

The Minimum Revenue Provision in respect of unsupported borrowing under the prudential system will be calculated using the asset life method (option 3). The Minimum Revenue Provision will therefore be calculated to repay the borrowing in equal annual instalments over the life of the class of assets which it is funding. The repayment period of all such borrowing will be calculated when it takes place and will be based on the finite life of the class of asset at that time and will not be changed.

Finance Lease and PFI

In the case of Finance Leases and on balance sheet PFI schemes, the Minimum Revenue Provision requirement is regarded as met by a charge equal to the element of the annual charge that goes to write down the balance sheet liability. Where a lease of PFI scheme is brought, having previously been accounted for off-balance sheet, the Minimum Revenue Provision requirement is regarded as having been met by the inclusion of the charge, for the year in which the restatement occurs, of an amount equal to the write-down for the year plus retrospective writing down of the balance sheet liability that arises from the restatement. This approach produces a Minimum Revenue Provision charge that is comparable to that of the Option 3 approach in that it will run over the life of the lease or PFI scheme and will have a profile similar to that of the annuity method.

Minimum Revenue Provision will normally commence in the financial year following the one in which the expenditure was incurred. However, when borrowing to construct an asset, the authority may treat the asset life as commencing in the year in which the asset first becomes operational. It may accordingly postpone the beginning to make Minimum Revenue Provision until that year. Investment properties will be regarded as becoming operational when they begin to generate revenues.

Minimum Revenue Provision Overpayments

A change introduced by the revised MHCLG Minimum Revenue Provision Guidance was the allowance that any charges made over the statutory Minimum Revenue Provision, Voluntary Revenue Provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2023 the total Voluntary Revenue Provision overpayments were £nil.

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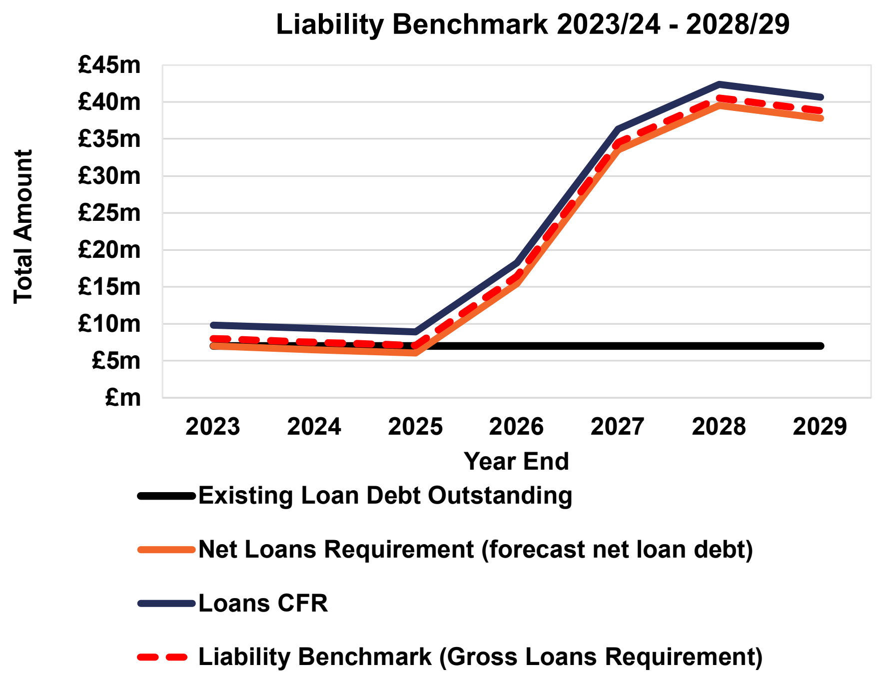
Prudential Indicators

Prudential Indicators - Incl PFI	**2024/25 Estimated £'000**	**2025/26 Estimated £'000**	**2026/27 Estimated £'000**
Capital Expenditure	**5,484**	**9,940**	**18,880**
PFI VRP	293	319	335
PFI Interest	116	90	62
Loan MRP	446	416	778
Loan Interest	221	417	990
Total Financing Costs	**1,076**	**1,242**	**2,165**
Net Revenue Stream	**52,924**	**53,235**	**54,174**
Financing Costs to Net Revenue Stream	**2.0%**	**2.3%**	**4.0%**
External Debt Outstanding as at 31 March			
Borrowing	7,000	16,781	35,636
Other long term liabilities	1,018	699	364
Total External Debt	**8,018**	**17,480**	**36,000**
Deferred borrowing	2,391	1,975	1,197
Total External Debt Requirement	**10,409**	**19,455**	**37,197**
Capital Financing Requirement			
CFR brought forward	11,148	10,409	19,455
Change during year	- 739	9,046	17,742
CFR at end of year	**10,409**	**19,455**	**37,197**
Total Debt requirement must not exceed CFR	-	-	-
Financing costs as a % of Revenues			
Revenues	52,924	53,235	54,174
Financing costs	1,076	1,242	2,165
Financing costs as a % of Revenues	2.03%	2.33%	4.00%
Operational Boundary for external debt	**10,409**	**19,455**	**37,197**
Authorised limit for external debt	**11,409**	**20,455**	**38,197**

Note: These indicators do not take into account the impact of IFRS16

<u>Treasury Management Indicators</u>



Maturity Structure of Borrowing

	Lower	Upper
Under 12 months	0%	40%
12 months to 2 years	0%	40%
2 years to 5 years	0%	50%
5 years to 10 years	0%	50%
10 years and above	25%	100%

AVON FIRE AUTHORITY

MEETING:	**Avon Fire Authority**
MEETING DATE:	**Monday 19 February 2024**
REPORT OF:	**The Clerk**
SUBJECT:	**Fire Authority meeting dates 2024/25**

1. SUMMARY

The purpose of this report is to present for Fire Authority approval the proposed schedule of meetings for the Municipal Year 2024/25.

2. RECOMMENDATIONS

The Avon Fire Authority is asked to:

a) Approve the proposed Schedule of Meetings for the Municipal Year 2024/25.

3. BACKGROUND

3.1 Every year proposed meeting dates for the next Fire Authority Municipal Year are published as early as possible; to give Members sufficient notice of their diary commitments. Those dates have been fixed to ensure that they align with key financial and other deadlines and may be subject to amendment to avoid clashes, once all the Unitary Authorities have published their Municipal Year meeting dates for 2024/25 for Council and Cabinet meetings.

4. FINANCIAL IMPLICATIONS

4.1 This report has no financial implications, as the cost of community venues for meetings will be met from existing budgets.

5. KEY CONSIDERATIONS

5.1 The proposed dates for the Municipal Year 2024/25 are set out in the table below:

Meeting	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25
AFA	Wed 12 AGM				Wed 2				Fri 14 (am)	Wed 19		
PRC		Thu 25			Tues 1			Thu 30			Wed 16	
AGOC	Wed 19			Fri 20		Thu 28				Fri 14		
LPB		Tues 9						Thu 23				
MEMBER BRIEFINGS		Fri 5			Fri 25			Fri 17			Fri 11	

5.2 The dates and timings follow the previous arrangements with the Fire Authority meeting on a Wednesday (save for the budget meeting) and committee meetings later in the week, where possible. Member briefings/training will take place on separate dates to enable sufficient focus on key issues for individual and organisational development.

5.3 Most meetings will take place either at the main conference room at Police & Fire Headquarters in Portishead, or at the training facility in Severn Park, as those venues are the most cost-effective. However, where possible, other venues will be considered across the Authority area (subject to room availability, capacity, and cost) and will include at least one meeting at a Fire Station to ensure that Members have the opportunity to experience a working Fire Station.

5.4 The proposed dates will be checked against the Council and Cabinet meetings of the Unitary Authorities when these are available to avoid any clashes, with any necessary adjustments reported to a future meeting of the Fire Authority.

6. RISKS

6.1 Ensuring that Members have sufficient notice of meeting dates and key decisions which need to be taken ensures that there is effective governance and manages any risk that governance is not sufficiently robust.

7. LEGAL/POLICY IMPLICATIONS

7.1 The meeting schedule ensures that key dates in the annual governance cycle are met, and robust and transparent governance arrangements are in place.

7.2 Under Standing Orders, the Fire Authority shall meet at least once a quarter and the Annual Meeting of the Fire Authority shall be held each year after the annual meetings of the constituent Authorities and within a month.

7.3 Appropriate measures will be taken to ensure that venues have suitable access for those with a disability who need or wish to attend Fire Authority or Committee meeting.

8. BACKGROUND PAPERS

None.

9. APPENDICES

None

10. REPORT CONTACT

Amanda Brown, Clerk to Avon Fire Authority, ext. 347.

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