



15 March 2018

**(1) MEMBERS OF THE AVON FIRE AUTHORITY**

Councillors Abraham, Ashe, Barber, Barrett (N), Butters, Davies (C), Davies (D) (Chair), Davis, Dudd, Garner, Hale, Jackson, Jama, Lake, Massey, Morris, Phipps, Pomfret, Scott, Shah, Shelford, Tyrrell, Williams, Wilton and Windows.

**(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 **Friday 23 March 2018 commencing at 2.30pm**.

The meeting will be held in the Main Conference Room, Police and Fire HQ, Valley Road, Portishead, Bristol, BS20 8JJ.

The Agenda is set out overleaf.

As part of the Member Development Programme there will be a Members' Training Session at **12 noon** covering "15 Minutes of Fame", the Institution of Fire Engineers' database on firefighter safety, the new Learning and Development Strategy and the work of the Operational Assurance Team. Please make every effort to attend this.

At **2.15pm** there will be a 15 minute tutorial for Members on how to use Basecamp.

Yours sincerely

**Guy Goodman**  
Clerk to the Fire Authority

**PROVIDING AVON FIRE & RESCUE SERVICE**



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**Working in partnership with the Gambia Fire & Rescue Service (GF&RS)**

## **Notes**

**Attendance Register:** Members should sign the Register which will be circulated at 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 whilst the matter is considered.

### **Emergency Evacuation Procedure:**

- If the fire alarm sounds Members must leave the building by the nearest exit.
- The assembly point is situated in the Visitor's car park.

**Exempt Items:** Members are reminded that any Exempt reports as circulated with the agenda for this meeting 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 Kathlin Baty on 0117 926 2061 ext. 231 or at Police and Fire HQ, Valley Road, Portishead, Bristol, BS22 8JJ but only by appointment and during normal office hours.

**Public Access:** under Standing Order 21 and providing 2 clear working days' notice has been given to the Clerk ([the.clerk@avonfire.gov.uk](mailto: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) to present a petition, make a statement, or as leader of a deputation. This is a time limit of 30 minutes for Public Access

**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**

- 1. Apologies for Absence**
- 2. Emergency Evacuation Procedures**
- 3. Declaration of Interests**
- 4. Chair's Business**
- 5. Minutes of the Fire Authority held on 9 February 2018**
- 6. Public Access**
- 7. Minutes of Committees**

### **7.1. Employment Committee held on 1 March 2018**

*Cllr Hale to move the recommendations in:*

1) Minute 13 - Annual Review of the Remuneration of the Chief Fire Officer / Chief Executive

- a) *The new CFO's salary should be set at £137,623 (this is the average basic pay of CFOs across the UK as set out in the 2017 pay survey from the LGA).*
- b) *Existing postholders below CFO will continue to be paid at their current salaries.*
- c) *However, for any new appointments the differentials with the new CFO's salary will be restored.*
- d) *The annual pay award from the NJC will be paid in accordance with the Gold Book.*

2) Minute 14 - Pay Policy Statement 2018/19

*Approve the proposed Pay Policy Statement 2017/18 subject to any changes resulting from the Fire Authority's decision on Minute 13.*

### **7.2. Performance Review and Scrutiny Committee held on 9 March 2018**

#### **8. Urgent Action under Standing Order 5.1**

**8.1.** To note that the Clerk, after consultation with the Chair, arranged for inaccurate comments concerning a member of staff to be muted in the published recording of the Fire Authority meeting of 9 February 2018.

**8.2.** To note that the Clerk, after consultation with the Chair and Group Leaders, arranged for the following vacancies to be filled:

- a) Audit, Governance and Ethics Committee - Cllr Morris.
- b) Performance Review and Scrutiny Committee - Cllr Ashe.

#### **9. Integrated Risk Management Plan (presentation only)**

#### **10. Apprenticeship Levy**

- 11. Treasury Management and Capital Programme**
- 12. Date of next meeting: Friday 8 June 2018 (2pm)**
- 13. Exclusion of the Press and Public**

To resolve that the public be excluded from the meeting during the following items of business on the grounds that they contained exempt information pursuant to Schedule 12A, Part I of the Local Government Act 1972 and that in accordance with Schedule 12A, Part II, paragraph 10 of the Local Government Act 1972 the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

- 14. Fire and Rescue Indemnity Company Ltd**
- 15. Sale of HQ (verbal update)**

**AVON FIRE AUTHORITY**

**9 February 2018**

**Present:** Councillors Abraham (left at 4.30pm), Ashe, Barber, Barrett (left at 3.55pm), Butters, Davies (C) (4.05pm), Davies (D), Davis, Dudd, Garner, Hale (left at 3.55pm), Jackson, Massey, Morris, Phipps, Pomfret (left at 4.20pm), Scott, Shelford (left at 3.50pm), Tyrell, Windows and Wilton.

**61. APOLOGIES FOR ABSENCE**

Apologies were received from: Councillors Lake, Jama, and Shah. Councillor Williams was absent.

**62. EMERGENCY EVACUATION PROCEDURES** - the Interim Chief Fire Officer / Chief Executive (CFO) outlined the arrangements.

**63. DECLARATION OF INTERESTS** - the Chair drew attention to the requirements of the code of conduct as set out in the Agenda.

The Clerk advised that members of the Service Management Board and the Interim Treasurer should declare an interest in Item 7.1 and withdraw for consideration of that item.

Cllr Hale requested that Item 10 should be referred to the Audit, Governance and Ethics Committee. The Clerk advised that this request should be made when Item 10 was considered.

**64. CHAIR'S BUSINESS**

a) **Improvement Working Group**

The Chair reminded Members that the Improvement Working Group would be meeting in the Main Conference Room, Police and Fire HQ, Valley Road, Portishead, on 1 March 2018. All Members are welcome.

b) **Firefighters Graduation Ceremony**

The Chair had recently attended the graduation ceremony for the first group of trainee firefighters since 2008. He was impressed to see much public support for them; he now looks forward to the graduation of the next group of new firefighters, those currently being recruited.

The CFO had presented the Silver Axe Award to Ellesse Pearce who had been selected as the best recruit.

c) **Fleur Lombard**

The Chair asked the meeting to observe one minute's silence in memory of Firefighter Fleur Lombard who died 22 years ago on 4 February 1996. Fleur was the first female firefighter to die on duty in peacetime Britain when she was called to a serious fire in Leo's supermarket in the Staple Hill area of Bristol.

Fleur was posthumously awarded the Queen's Gallantry Medal and Chief Fire Officer's Commendation in recognition of her bravery. Two of her colleagues who were with her that day were also awarded the George Medal and the Queen's Commendation for Bravery.

As a keen windsurfer, Fleur's ashes were interred at St Enodoc Church in Trebetherick, Cornwall, which overlooks Daymer Bay - a windsurfer's haven. There is also a memorial to Fleur in Staple Hill.

On graduating in 1994, Fleur received the Silver Axe Award, for most outstanding recruit on her training school. After Fleur's tragic death a trust fund was set up as a fitting tribute to her bravery, courage, dedication and professionalism. The Fleur Lombard Bursary Fund aims to keep Fleur's values alive, helping others progress their careers in the fire and rescue service. The Bursary gives fire and rescue service staff the opportunity to apply for a scholarship to fund study into firefighting and learning from other services across the world.

## **65. MINUTES OF THE FIRE AUTHORITY**

### **65.1 Extraordinary Meeting held on 26 June 2017 (Revised)**

These were agreed as an accurate record of the meeting and signed by the Chair.

### **65.2 Ordinary Meeting held on 1 December 2017**

Cllr Barrett stated that there was an omission in the minutes. During the meeting he had requested copies of all correspondence between Members of the Authority and MPs. This request had not been minuted and he had not received any copies of correspondence. The Clerk requested that the member provide a form of words with which to amend the minutes. Cllr Wilton stated that Cllr Barrett should use the Freedom of Information mechanism rather than this meeting to secure copies of the correspondence sought.

The Chair stated that Cllr Barrett should consult the Clerk on any Freedom of Information request.

With the exception outlined above, the minutes were agreed as an accurate record. Cllr Barrett agreed to supply a form of words with which to amend the minutes.

**66. PUBLIC ACCESS** - No requests have been received.

## **67. MINUTES OF COMMITTEES**

Members of the Service Management Board and the Interim Treasurer withdrew for consideration of minute 67.1.

### **67.1 General Purposes Committee - ordinary meeting held on 11 January 2018.**

Cllr Davies (D) introduced the recommendations in Minute 22:

67.1.1 Appointment of a substantive Chief Fire Officer / Chief Executive - to determine between:

Option 1: Appoint a new CFO on a like-for-like basis; or,

Option 2: Appoint a CFO or a Chief Executive.

The Chair stated that the Home Office had indicated that the preferred option would be to open the position to applicants who do not have an operational background. This would further the inclusivity agenda, encouraging a wider range of applicants for the post. He reminded Members that there are currently two current chief executives working for fire authorities in the UK who are not firefighters. He asked Members to consider the matter.

Cllr Davis proposed Option 1. He believed that firefighters would prefer a firefighter as their boss, other professionals are represented in other roles within the fire service.

Cllr Hale stated that a uniformed service should be led by a uniformed officer. Cllrs Shelford, Windows and Davies (C) agreed.

Cllr Wilton queried what financial impact would be made by the decision. He was concerned that if Option 2 was selected, the organisation would still need a CFO, so there would be a negative impact on the HR budget. The Chair replied that this was not the case.

Cllr Abraham stated that it would be wrong at this stage to restrict the candidates to uniformed officers. Many authorities are led by people with experience in local government; it would be best to encourage applications from a whole range of people.

The Chair agreed that this advertisement is the very first stage of recruitment and there is an argument for remaining open to the maximum number of applicants.

Cllr Garner stated that all reasonable people would accept that a civilian could not apply for a senior army position; he stated that this is a comparable situation and therefore a uniformed operational appointment would be most appropriate

Cllr Dudd stated that a uniformed CFO would be preferable in this post. He asked what percentage of CFOs are female within the UK. The Chair replied that he believed 3 out of 45 fire services are currently led by female CFOs. Cllr Dudd suggested that a certain number of females could be shortlisted for interview.

Cllr Jackson stated that his preference was for Option 1.

Cllr Davis stated that it would be more appropriate to ask how many Deputy CFOs are female, i.e. those in positions who are most likely to apply for a chief position. The Chair stated that he believed this was the same number, i.e. there are three DCFOs in the UK.

Cllr Jackson stated that as the Avon Fire Authority was larger than many other authorities, it was possible that an existing CFO would apply for the CFO post within Avon, as it would be a promotion for many CFOs.

**RESOLVED** to appoint a new CFO on a like-for-like basis (Option 1).

67.1.2 Appointment of a Substantive Treasurer - Extend the current interim arrangements until the issues around the new CFO are resolved.

**RESOLVED** to extend the current interim arrangements until the issues around the new CFO are resolved.

**67.2 Performance Review and Scrutiny Committee - Ordinary Meeting held on 19 January 2018 (Inquorate).**

Following an issue raised by Cllr Shelford as to the reporting line for the Transport and Procurement Improvement Board it was agreed that the Board could bring recommendations directly to the Fire Authority rather than reporting to a committee. There is a different route for signing off the Action Plan recommendation which is via the Improvement Working Group, the Performance Review and Scrutiny Committee (PRSC) and then the full Fire Authority.

Cllr Wilton felt decisions that have a material impact should be made by the full Fire Authority. The Chair drew comparison with local Councils where not all decisions are made by Council but delegated to committees to manage the workload.

The Treasurer reminded Members that limits for procurement are set out in Standing Orders, and therefore all significant spending decisions will necessarily return to the full Fire Authority.

**RESOLVED** with one abstention to:

- a) Approve the establishment of the Improvement Working Group, its terms of reference and elect the Chair of the PRSC its Chair.
- b) Approve the sign off of recommendations 11, 28, 46, 47, 48, 50 and 51 of the action plan.

**68. Urgent Action under Standing Order 5.1**

68.1 **NOTED** that the Clerk after consultation with the Chair, approved a Tenancy at will in favour of the Police and Crime Commissioner (PCC) for Avon and Somerset as an interim solution to support Avon and Somerset Constabulary operational response in Southmead.

Cllr Hale Asked if the PCC would be paying rent. The Clerk replied that the PCC would contribute a percentage of the running costs, the same principle which has applied to Avon Fire Authority's occupancy of the Police Headquarters at Portishead.

68.2 **NOTED** that the Clerk, after consultation with the Chair, approved the award of a pre-construction Contract to Morgan Sindall to incorporate RIBA stages 0 - 4 subject to the Fire Authority:

- 1 Accepting at its February 2018 meeting Morgan Sindall's bid as main contractor for the whole project; and,
- 2 Proceeding with the redevelopment of Avonmouth Fire Station.

The Clerk explained that this was a preliminary decision only, to allow the project to continue within specified cost restrictions.

- 68.3 **NOTED** that the Clerk, in consultation with the Chair, approved an extension to the secondment arrangements for the Interim Chief Fire Officer/ Chief Executive until 31 August 2018.

**69. Budget 2018/19 and Medium Term Financial Plan (MTFP)**

The Treasurer asked Members to set the Revenue Budget and Council Tax for 2018/19. He drew Members attention to the addendum which had been circulated in order to take into account the latest information available, namely:

1. The conclusion of the Government's consultation on the proposed Local Government finance settlement which confirms there are no changes for Avon Fire Authority.
2. Revised estimates from South Gloucestershire and Bath and North East Somerset Councils in relation to their Collection Fund positions and the income due from business rates. The net impact of these changes is that additional savings of around £81,000 will be required in 2018/19. At this stage the assumption has been made that these additional savings will be identified.

The Treasurer explained that these changes do not affect the bottom line, but they do change the necessary statutory calculation, and that was why the addendum had been circulated. He added that with regards to setting the revenue budget and council tax for 2018/19, two options have been set out in the report. Members were asked to consider the financial position of the Fire Authority over the next four years as set out in the MTFP. Members were reminded that:

- The Fire Authority had accepted the government's offer of a four year settlement in 2016/17.
- The four year settlement includes further reductions in government funding of £1.5m (12.3%) over the next two years - 2018/19 and 2019/20.
- Whilst agreeing to the four year settlement the Fire Authority had also agreed in principle to increase Council Tax by 2% per annum in line with the indicative referendum limit that was included within the four year settlement at that time. The Government has more recently revised the council tax referendum limit from 2% to 3% in 2018/19 and 2019/20 to reflect the current levels of inflation which are: Retail Prices Index (RPI) 4.1%, and Consumer prices Index (CPI) 3.0%.

The Fire Authority was in the middle of a very difficult and uncertain period. Members were asked to note:

1. Pay Awards - the Government removed the 1% public sector pay cap in 2017. The budget assumes a 2% increase in pay awards over the period of the MTFP.
2. An actuarial review of the Firefighters' Pension Scheme is currently being undertaken by the Government. The results of this will not be known until next year but the latest indications suggest that this may have a significant impact on the employers' contribution rates effective from 1 April 2019, with a 2 - 4% increase possible.
3. The current four year Local Government Finance Settlement period ends in 2019/20. The Government have announced that they will be undertaking a

fair funding review which will set new baseline funding allocations for all authorities from 2020/21.

Members were asked to consider the two options identified:

Option 1: Increase council tax by 3% to £71.35, an increase of £2.07, or less than four pence per week.

Option 2: Increase council tax by 2% to £70.66, an increase of £1.38, or less than £3 per week.

Whichever option is chosen, the MTFP has identified that there will be a funding gap which will require further savings to be made over the medium term. With Option 1 the funding gap is estimated to be £1.2m, whilst under Option 2 the funding gap is estimated to be £1.8m.

The level of savings required to fund this gap will present a significant challenge and will need to be addressed in the new Integrated Risk Management Plan (IRMP) and risk mapping exercises.

An impact on frontline services is expected. Members were asked to note that:

- The level of reserves held by the Fire Authority is already amongst the lowest compared to other fire and rescue authorities.
- Members were reminded that in making their decision the Fire Authority is required to have regard to the Treasurer's Section 25 report in the report.
- Given the uncertainty being faced, and to reduce the potential impact on frontline services, it is important to maintain a robust financial base.

The Treasurer therefore recommended the most prudent approach is for members to select Option 1, an increase in the basic amount of Council Tax of below 3%.

The CFO stated that savings were being applied to an already lean organisation. Without doubt, further savings will affect the frontline.

Cllr Shelford asked for further information about the £350,000 savings identified in Item 5.2, and the additional premium savings identified in Item 3.7 of £90,000. He wanted to know if these were two separate amounts of savings. The Interim Treasurer confirmed that these are separate blocks of savings. These figures reflect the fact that additional savings will be made once the Temple Back HQ site is sold.

Cllr Wilton asked when the HQ site would be sold and how the money would be used. The Interim Treasurer replied that it was anticipated the sale would go through next week. The capital receipt will be used to improve capital reserves, repay debt and will pay for the redevelopment of the fire stations at Avonmouth, Weston-super-Mare and Bath. The anticipated sale of Temple Back has already been factored into the MTFP.

Cllr Jackson stated that the Fire Authority was in a difficult financial situation. He had initially favoured Option 2, but now favoured Option 1. He asked for further information about pension liability. The Interim Treasurer replied that the Government has now scrapped the 1% pay cap; the employers had offered 2% to firefighters (and then 3% subject to further funding). Further national negotiation is underway; meanwhile a 1% interim payment has been made to firefighters with effect from December 2017. With regards to pensions, the Interim Treasurer noted that

employees' contributions had gone up considerably over the years, there is still a shortfall in the pension scheme but it is not yet clear who will fund the shortfall. It is most likely that employers will have to fill this gap. The actuarial valuation and confirmation of government plans will help the Fire Authority determine what actions are necessary in the future.

Cllr Jackson asked what the cost of a 4% pay settlement would be, and the Interim Treasurer confirmed that this would be in the region of £300,000. Cllr Jackson observed that £300,000 was the approximate cost of 30 fighter jobs. He was also concerned that pension benefits have been increased, thus encouraging many firefighters to retire. The net effect was that there were now fewer working firefighters paying for more retirees. The Interim CFO stated that making provision for a 3% pay rise is a prudent and realistic measure.

Cllr Abraham stated that there was a need for stability and increases in pay to maintain frontline services. He had begun his consideration of the matter favouring a 2% increase in precept but like Cllr Jackson had changed his mind. He now felt that a 3% increase in the precept was necessary. However, he was very mindful that the Fire Authority should not underestimate the impact on ratepayers who would already be facing increased bills from local authorities. It was therefore imperative that local taxpayers should be offered the very best service, with priority given to the frontline. Even with a 3% increase in precept, significant savings would be necessary. Pension funding is a big problem. The Member felt that firefighters should not bear the whole burden of the pension issues. Cllr Abraham believed that the priority must be the maintenance of frontline services, to maintain the safety of the public. This 3% increase would increase the burden to the taxpayer but is justified in this case.

Cllr Hale stated that if the Fire Authority chooses to raise the precept by 3% it must ensure that it provides the very best service. He is aware that for many local residents the local authority, police and parish precepts would be increasing. He felt that there was scope to opt for a 2% increase this year with the option of revising that figure next year, he believed that this might then encourage other authorities not to excessively increase their own charges. The Interim Treasurer responded that the Government had already indicated that the referendum level for next year will be set at 3%. It will not be possible to revisit the precept next year and "use up" unused increases from previous years. He pointed out that the Government had raised the limit because there had been a higher rate of inflation, therefore if the Fire Authority did not choose the higher rate there would be an effective cut to the organisation's finances.

The Chair noted that the total difference across the authority area was not trivial; however the difference between Option 1 (3%) and Option 2 (2%) for a band D property would be 69p per annum.

Cllr Shelford stated that local residents were going to be hammered with local taxation increases. After consideration he had changed his preference from Option 2 to Option 1.

Cllr Scott noted the significant cut to the Local Government Finance Settlement, paid by Central Government to the Fire Authority. He blamed the Government for the cuts.

Cllr Jackson said that Option 1 (3%) would only reduce the impact of losses; it would not represent a real terms increase. That was why he had changed his mind to support Option 1.

Cllr Pomfret said that Option 1 represented a small additional amount for local taxpayers but would produce fewer problems further down the line. She noted that her local parish council has reduced its precept for next year.

Cllr Wilton said that he agreed that the difference was not a material amount. He reflected that the inspection was not good, it is clear that protection of the frontline is imperative. It should be possible going forward to share more back office functions with the Police, and he noted that one in seven of the Fire Authority staff were not uniformed. He therefore favoured Option 2.

Cllr Jackson stated that sharing back office functions would not necessarily make significant savings. Cllr Wilton noted that £400,000 of savings had been created by sharing a building with Avon and Somerset Constabulary.

The Chair noted that the Fire Authority had to contribute to the cost of running the Police headquarters. The capital sum generated by the sale of Temple Back will be used for financing the rebuilding of three fire stations. He noted that Avon and Somerset Constabulary may not be in a position to share back office services.

Cllr Davis said that he was in favour of Option 1 (3%). He said that it was a priority to provide an efficient fire service for the people of Avon.

Cllr Dudd asked for further information about how the significant windfall of the sale of Temple Back will be used. He was concerned if all of the money was to be used to pay down debt. The Interim Treasurer responded that the Fire Authority had agreed in its meeting in June 2016 to use half of the receipts from the sale of Temple Back to repay debt. This would enable revenue savings to meet targets and drive down the cost of debt. In addition three stations had been identified which were in dire need of works; it would be cheaper to rebuild them than patch them up.

The Treasurer gave the approximate anticipated rebuild costs for the three fire stations as follows:

- Avonmouth - £3m
- Bath -£6m
- Weston-super-Mare - £4m.

Cllr Barrett noted that 69 pence per annum could be critical to the health and safety of local residents.

**RESOLVED** by a majority with one against, and two abstentions, to approve an increase in council tax for 2018/19 of less than 3% in line with the government's latest announced referendum limit (Option 1).

**FURTHER RESOLVED** with two abstentions to:

- a) Note the information contained in the report and the high level of unidentified savings within the Medium Term Financial Plan which will impact on Frontline services going forward.
- b) Note that Option 1 will provide greater financial stability for the Fire Authority over the Medium Term Financial Plan.
- c) Agree the revenue budget and Band D precept level for 2018 /19 at less than 3%.

- d) Agree the capital programme set out in Appendix 2.
- e) Make the statutory determination which is set out in Appendix 1.

**70. PROPOSED CONSULTATION ON THE COMPOSITION OF THE MEMBERSHIP OF THE FIRE AUTHORITY**

Cllr Hale proposed that this item should be referred to the Audit Committee. This was seconded by Cllr Shelford.

The Chair responded that this matter had been discussed at the General Purposes Committee (GPC) in January 2018. The item concerned solely the consultation on the size of the Fire Authority, there will not be any decision made today regarding the numbers of Members on the Fire Authority in the future. There is, therefore, no point in sending this matter to the Audit Committee at this stage.

Cllr Wilton stated that the reference to 13 Members was misleading, as it was in reality 10 Members plus 3 further appointees as advised by the Independent Improvement Programme Board (IIPB).

The Chair said that the Statutory Inspection Report encouraged the Fire Authority to move to a smaller number of elected Members. Also that the Fire Minister agreed that the Fire Authority should reduce its number of Members in 2019 after three out of four of the constituent authorities had had elections. Advice has been sought from the Home Office regarding the number of elected Members, and it has been confirmed that it is up to the Fire Authority how many there should be, up to the maximum stated in the Combination Order. The Clerk confirmed that this was an accurate statement of the law.

At an IIPB meeting last autumn the Chair was invited to discuss numbers of elected Members with Unitary Authority Leaders. Therefore, a meeting has been requested; this has not yet taken place.

The Chair also confirmed that at the present time it was not possible for the Fire Authority to have 3 independent members. Before such a change could be made, it would be necessary to make a change in the Combination Order to give such co-opted members a vote. Until then they would only be able to make comments or give advice, but not participate in decision making. Only one Leader has advised the Chair of his opinions regarding numbers of elected Members.

Cllr Dudd was concerned that the minutes of the GPC indicated that too much weight was being given to the opinions of the PCC. The Chair reminded Members that the PCC's area of elected responsibility was not coterminous with the Fire Authority. This would make combination of the Police and Fire Authority difficult. The Chair confirmed that he felt there was no push to amalgamate with the police service.

Cllr Garner said he felt it was delusional to expect members of the public to express an opinion about the size of the Fire Authority. He asked who had determined the various numbers of Members suggested for consultation in the document. He also asked for more information regarding whether the four Leaders had had any input, and asked who would actually make the final decision about the size of the Fire Authority.

The Chair answered:

- The Chair had suggested the various numbers of Members for the consultation after speaking to advisors.
- No substantive proposals about numbers had been made by Unitary Authority Leaders.
- The Fire Authority will make the final decision about its own size.

Cllr Wilton stated that he had on five occasions asked for, and been denied access to, progress reports made to the Fire Minister. The Chair replied that he does not keep correspondence concerning the Fire Authority at home and that he was not hiding anything. It was not up to him to supply documents which were already available to Members.

Cllr Wilton noted that it had been stated that the Unitary Authority Leaders feel that 10 Members on the Fire Authority would be insufficient. He said that this was untrue, and that the Leaders had previously agreed to have a 4:2:2:2 distribution of Members on the Fire Authority, by Unitary Authority, with 3 additional co-optees.

Cllr Wilton stated that three out of the four constituent authorities had emailed him to indicate that 10 Members would be acceptable..

The Chair noted that he had agreed with the Fire Minister to review the numbers on the Fire Authority in time for the May 2019 elections. The Chair had been waiting since November 2017 for such a meeting with the Leaders, but no date has been set, and it was therefore incumbent upon him to progress the matter.

Cllr Jackson asked for the three Leaders who have expressed an opinion to be identified

Cllr Abraham made a point of order requesting that Councillors returned to the discussion of the consultation paper.

Cllr Wilton noted that the numbers being presented in the consultation paper were: 13, 18 or 25. He noted that 10 was a number not even being considered. He queried the Chair's understanding that the Home Office was content that the Authority should continue with its present number of Members until May 2019, as that was not his own understanding.

The Chair confirmed that this was the case; the Home Office's primary requirement is that the people of Avon should be kept safe; changing the number of Members is not the biggest priority, and hence a timetable for the completion of the reduction in size has been agreed for May 2019.

Cllr Abraham stated that the matter of reducing the number of Members had been on the agenda for four years. The previous Fire Minister had made it clear that if Fire Authorities would not reduce their own numbers, then he would do it for them. Cllr Abraham noted that a number of authorities have already reduced their numbers, and would be able to share their experiences of achieving that reduction. Although there are elections in 2019 in three of the authorities, the Bristol City Council local authority elections will be in 2020. He said it was time to get on with the job, and consider how each constituent authority can be properly represented by commencing the consultation. He noted that although the Leaders could make suggestions about the number of Members on the Fire Authority, at the end of the day it would be the Fire Authority itself which would decide. He stated that the size of the Fire Authority is important and the continuing delays on this matter were shaming, his view was that

the delays indicated that the Fire Authority was not a fit body to decide its own future. The matter should be now moved to the vote.

Cllr Hale proposed, and Cllr Wilton seconded that a fourth option should be added to those put forward for consideration: 10 Members.

Cllr Dudd proposed and Cllr Tyrell seconded that Option 3 should be amended from 18 to 20 Members.

Cllr Abraham requested that the paper should be redrafted, to clearly state the impact of the different numbers of Members in each of the proposals.

Cllr Scott stated that the intention of the proposal was already obvious and a huge response from respondents was unlikely. He suggested that the consultation should proceed as set out in the paper. Cllr Jackson agreed that a large response was unlikely.

Cllr Abraham said the principal consideration is whether the Fire Authority should reduce its number of Members as other authorities have already done.

Cllr Davis stated that there was a danger in reducing the Authority size to only 10 Members. The Authority had been criticised previously for having a ruling clique and reducing the numbers to 10 would make that situation more likely to recur. He noted that currently committee meetings were often inquorate, a situation which would not be helped by having a very small number of Members. He noted that the Leaders had persistently not replied to the Chair, he felt they were delivering a message that the Fire Authority was not their priority. He said that the Chair should talk to Government to request more guidance on the numbers of Members.

Cllr Hale said that the Members should recognise the authority of the Chair, and that the Chair represents the whole Fire Authority. He stated that contact with the Leaders should be through the Chair, and that information must come back to the Fire Authority through one accepted source.

Cllr Wilton agreed that the Chair should represent the Fire Authority. He was concerned that as the Chair had not yet had a meeting with Unitary Authority Leaders, and the Fire Minister; he stated that the proposed options were half baked and premature.

**RESOLVED** with 11 votes in favour and 3 against to agree that the consultation document should be presented to the public with the following options:

1. 25 Members
2. 20 Members
3. 10 Members

## **71. REINVESTING FOR THE FUTURE**

The Interim Director of Corporate Services (DCS) outlined the previously agreed business case for the redevelopment of Avonmouth Fire Station, and provided an update on the project outlining programme timescales and the project budget. The DCS requested that Members consider the information provided and recommended

that the project proceeded with the initiation of the pre-construction phase including the award of a pre-construction contract to the main contractor for the scheme. An update on both the Bath and Weston-super-Mare Fire Station projects was also included in the report.

A business case has been made for the investment of £4m in this project. At present the estimated budget for this project is £3.6m. At this stage Members' approval is sought for the next stage of the construction project i.e. the design stage with a budget of £250,000.

The DCS noted that the present Avonmouth Fire Station has high running costs, and also presents other urgent issues which must be addressed to maintain it as a viable and safe working environment.

Cllr Jackson stated that the Ambulance Service should also contribute to the cost of the project, as they share the same site.

The Chair noted that the condition of the three sites (Avonmouth, Weston and Bath) was affecting service delivery. On a recent visit to Weston he had noted the inefficient layout of the site.

Cllr Morris noted that the Fire Authority had a duty of care to firefighters and should provide them with good working conditions

Cllr Jackson proposed that the recommendations contained in the report were agreed on the proviso that other emergency services will be asked to contribute to the three developments. The CFO stated that there would be collaboration and cost sharing with the other services where possible.

Cllr Garner said that the Fire Authority should consider whether it would be cheaper to refurbish rather than rebuild the existing premises. He noted that lighting maybe more expensive at one premises than another for straightforward reasons which can be easily rectified. He said that a new building is not necessarily the best answer.

The Chair stated that it was important to provide staff with a workplace that was fit for purpose.

The DCS said that the new build fire stations in the estate were far more energy efficient; if fire stations were refurbished rather than rebuilt, the levels of energy efficiency and cost savings would not be achieved.

Cllr Butters thanked Members for their support of the Bath Fire Station rebuild. He stated that it is a complicated site involving the Ambulance Service located next door, a further complication is that the Ambulance Service may move. Cllr Jackson noted that in the case of Bath, the Fire Station does need to move.

The CFO said that the Fire Authority will consider all aspects of the Fire Stations at the three locations such as:

- Whether they are in the right place to deliver the service?
- If not, where would be a better location?
- Is a rebuild rather than a refurbishment the right choice?

Cllr Abraham said that this matter under consideration was critical. He would prefer a full presentation. He noted that the Weston-super-Mare site had many problems, but presented opportunities for the future too. He asked for more information about the possibilities of merging with the Ambulance Service on this site.

The DCS responded that recommendations b) and c) were requesting approval for the production of a full business case for the redevelopment and potential relocation of Weston-super-Mare and Bath Fire Stations, including options for co-location with South West Ambulance Service. The business cases once delivered will present further information regarding the feasibility of alternative sites, and include options such as selling and renting land. She noted that recommendation a), covering Avonmouth, is a project which has progressed further, the business case has already been made and agreed, hence the request for approval of construction costs.

Cllr Wilton noted that the Bath Fire Station was not in a good place for the Fire Service, but it was a valuable site. He asked whether it would be possible to sell the Bath site. The CFO stated that the possibility of selling the Bath site will be investigated as part of the full business case for that location.

Cllr Wilton noted that the recommendation only sought the approval for a business case for the redevelopment of Bath Fire Station, not a possible relocation. The CFO confirmed that there was no assumption that the Bath Fire Station would continue to operate from the same location in the future; the business case would consider all options.

Cllr Tyrrell noted that as a new member it was good to receive assurance that there are many options being considered for the delivery of the fire service in these areas in the future.

Cllr Jackson said that it may be beneficial to move the Avonmouth Fire Station to Nova Way.

**RESOLVED** with one abstention to:

- a) Approve the Avonmouth redevelopment project and a total maximum budget of £4m subject to final approval of the construction costs in the summer of 2018.
- b) Approve the production of a full business case for the redevelopment of Bath Fire Station to be presented to the Fire Authority in the summer of 2018.
- c) Approve the production of a full business case for the redevelopment and potential relocation of Weston-super-Mare Fire Station, including options for co-location with Southwest Ambulance, to be presented to the Fire Authority in winter 2018.

## **72. FIRE AND RESCUE NATIONAL FRAMEWORK FOR ENGLAND - CONSULTATION**

The CFO presented the report, asking Members to consider and approve the proposed response to the Home Office consultation on the new draft Fire and Rescue National Framework for England. He noted that the consultation had commenced on 27 December 2017, and that responses must be submitted by 14 February 2018. In view of the short timescale he asked that if Members had anything additional to add to the drafted response they should respond to the Clerk by Tuesday 13 February 2018.

Cllr Jackson stated that the Fire Authority was not funded for water rescue, although the organisation performs this service, he felt feedback that water rescue is not funded should be included in the Fire Authority's response. Cllr Wilton disagreed with Cllr Jackson's views: he felt that water rescue was included.

**RESOLVED** with one abstention to approve the draft response to the Home Office's consultation on the new draft Fire and Rescue National framework for England, subject to any further additional comments from Members.

### **73. HMICFRS PROPOSED FIRE AND RESCUE SERVICES INSPECTION PROGRAMME AND FRAMEWORK 2018/19 - CONSULTATION**

The CFO introduced the report asking Members to consider and approve the proposed response to Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service's consultation on its proposed Fire and Rescue Services Inspection Program and Framework 2018/19. He noted that the four following principal themes will be examined:

- How effective each fire and rescue service is at preventing and responding to incidents;
- Whether the service provides value for money;
- Whether the service understands where future risks lie; and
- The ability of the service to train staff, embrace diversity, and develop a positive working culture.

The CFO noted that senior staff had been to briefings to understand the process as the Fire Authority is in the first tranche for inspection.

Cllr Jackson said that he was happy with the response. Cllr Wilton said he would have preferred more time to respond. Cllr Jackson responded that the report had been out for some months.

The CFO stated that Members had until 19 February to send any further comments to the Clerk.

**RESOLVED** to approve the proposed consultation response for submission to HMICFRS.

### **74. FUTURE MEETING ARRANGEMENTS**

The Chair reminded Members that all Fire Authority meetings were currently scheduled to take place at Police HQ in Portishead, other committees were planned to take place throughout the area, and panels would be convened in appropriate locations as necessary. He asked Members for their feedback on the future meeting arrangements.

Cllr Morris said that the meetings should be open to the public, as they were for constituent local authorities. She said it should be possible to use local authority council chambers, circulating the Fire Authority meetings around the area and increasing accountability. Cllr Jackson agreed.

Cllr Scott asked that the meetings should start at midday.

Cllr Dudd said that Police HQ was not a suitable building for a public meeting given the security restrictions at the gate, and at reception.

Cllr Windows asked if there will be a charge if the Fire Authority met in local authority premises. He also noted that Friday afternoon was probably not the best time for meetings from a travel point of view, particularly given the proximity of Police HQ to the M5. He would prefer the meeting started earlier in the day.

The Chair proposed that the June Fire Authority meeting should take place at Police HQ as previously advertised; he would like the Clerk to try to relocate the September meeting to a different venue. Members would then have the opportunity to review arrangements again.

Cllr Wilton said that an evening meeting would be better to increase public accessibility. Cllr Jackson noted that Temple Back was a very accessible venue within range of public transport but the Fire Authority had not been overwhelmed with public attendance.

Cllr Morris suggested that Members should email the Clerk with their preferred days and times for Authority meetings so that a decision could be made which enabled the majority of Members to attend.

**RESOLVED to:**

- a) Hold the June Fire Authority meeting at Police HQ, Portishead.
- b) Invite the Clerk to arrange a different venue for the September Fire Authority meeting.
- c) Invite the Clerk to seek the views of Members on their favoured time and day for Fire Authority meetings.
- d) Agree that Committees hold their meetings at the Fire Stations set out in paragraph 3.4.
- e) Agree that Panels hold their meetings at the most convenient location.

**75. SERVICE DELIVERY - RISK REDUCTION UPDATE**

The Assistant CFO (Service Delivery) introduced the report which highlighted the work of the Risk Reduction Department within the context of the Fire and Rescue Services Act 2004, the National Fire and Rescue Framework July 2012, and the Fire Authority's educational engagement programme with young people in mainstream education, which also includes road safety. In addition, the report also highlighted the work being undertaken with regard to the Fire Setter Intervention Programme, Fire Investigation and Technical Fire Safety.

**Resolved** to note the report.

**76. FIRES AND OTHER INCIDENTS**

The Assistant CFO (Service Delivery) introduced the report which highlighted the work of the Risk Reduction Department within the context of a report updating Members on fires and incidents which took place between December 2017 and January 2018. He particularly drew Members' attention to the incident at the Fry Building, Bristol University, on Saturday 6 January. Multiple crews responded to the report of a fire which attracted considerable attention on social media. The building

was under renovation and no one was believed to be inside at the time. The fire was brought under control within one hour.

The Chair noted the assistance delivered to Bristol Airport by the USAR team on Friday 22 December. The team had assisted in the recovery of an aircraft, working alongside airport staff and a specialist recovery firm. The team helped the airport to reopen quickly. The ACFO informed Members that a special service charge was made to Bristol Airport for the assistance delivered in this case.

**77. DATE OF NEXT MEETING**

The next Avon Fire Authority meeting will take place on Friday 23 March 2018 at 2pm.

**78. EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED** to exclude the press and public from the meeting during the following item of business on the grounds that it contains exempt information pursuant to Schedule 12A, part 1 of the Local Government Act 1972 and that in accordance with Schedule 12a, Part 2, paragraph 10 of the Local Government Act 1972 the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**79. AVONMOUTH FIRE STATION REDEVELOPMENT - APPOINTMENT OF MAIN CONTRACTOR AND AWARD OF A PRECONSTRUCTION CONTRACT**

The DCS presented the report asking the Fire Authority to make a decision on the appointment of a main contractor and confirm the award of Preconstruction Contract for the redevelopment of Avonmouth Fire Station. She said it was proposed that the Preconstruction Contract should be granted to Morgan Sindall which is an experienced public sector building contractor; also experienced in the building of fire stations. The credit check score was good. If the proposal was approved by Members, Morgan Sindall would produce the detailed design for the new Avonmouth Fire Station. This Preconstruction Contract was a precursor to the construction phase which would follow.

Cllr Wilton asked for more information regarding the assessment of bids, he was informed that the contract was tendered using the Southern Construction Framework.

The Chair commented that he was disappointed to see Kier on the list of contractors considered, given their history of blacklisting union activists via The Consulting Association.

**RESOLVED** to approve the appointment as Main Contractor, and the award of Preconstruction Contract for the redevelopment of Avonmouth Fire Station, to Morgan Sindall.

Meeting closed at 4.45pm

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Chair

## AVON FIRE AUTHORITY

### EMPLOYMENT COMMITTEE

1 MARCH 2018

**PRESENT:** Councillors Davis (substituting for Davies (C)), Davies (D) (arrived at 10:38am) (substituting for Lake), Garner, Hale (Chair), and Shelford (substituting generally to ensure quorum).

The meeting started at 10:00 am.

#### 6. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Abraham, Jackson, Jama, Lake, Scott, and Windows.

#### 7. EMERGENCY EVACUATION PROCEDURE

The Chair drew attention to the emergency evacuation procedures as set out in the Agenda.

#### 8. DECLARATION OF INTERESTS

The Chair drew attention to the Code of Conduct set out in the Agenda.

The Clerk advised that he had an interest in Items 8 and 9, as his own remuneration was based on a percentage of the Chief Fire Officer's remuneration. As the author of the reports to be considered for each of these agenda items he would need to be present for the consideration of both items to assist the Committee.

#### 9. CHAIR'S BUSINESS – None.

#### 10. MINUTES OF THE MEETINGS OF THE EMPLOYMENT COMMITTEE

##### 10.1 ORDINARY MEETING HELD ON 22 MARCH 2017

Cllr Garner sought clarification from the Clerk and then requested a change to the minutes at Item 7. The words "Salaries for Operational Staff up to Area Manager position are based on Grey Book conditions" should be changed to: "Salaries for Operational Staff up to and including Area Manager position are based on Grey Book conditions".

##### 10.2 EXTRAORDINARY MEETING HELD ON 9 AUGUST 2017

**RESOLVED** that the amendment outlined above should be accepted and both sets of minutes be approved as a true record and signed by the Chair.

#### 11. PUBLIC ACCESS – None.

#### 12. RECRUITMENT OF A SUBSTANTIVE CHIEF FIRE OFFICER / CHIEF EXECUTIVE

The Clerk presented the report to the Committee and dealt with the issues under the following four headings.

a) **Appointment of a professional advisor to assist with the recruitment and selection process.**

The Clerk had asked the Chair of the National Fire Chiefs' Council (NFCC) for a recommendation for a suitable professional advisor to advise the Committee on the shortlisting and selection of candidates for the position of Chief Fire Officer / Chief Executive (CFO). The NFCC had recommended Greston Associates Ltd, an organisation established last year by two former CFOs, Dave Etheridge and Andy Fry. In the discussion which followed the following points were made.

Cllr Hale pointed out that the Fire Authority was refreshing itself. He wanted to be sure that two recently retired CFOs would encourage change and a new approach.

Cllr Garner asked if Messrs Etheridge and Fry would be hands-on with the process or if the matter would be delegated to their staff. The Clerk replied that they would be personally doing the work.

Cllr Garner asked if there were any alternative suitable candidates for the role of advisor. The Clerk replied that the matter had been given careful thought, the Committee needed advice from someone with a fire sector background and that effectively limited the potential advisors. He was satisfied that Greston Associates were the best option.

Cllr Davis stated that whether the advice given was "old school" or "new school" was irrelevant. The Committee must make the choice of the new CFO itself; any advisor was only giving advice, not making the decision.

Cllr Davies stated that he would have preferred a non-uniformed Chief Executive to have remained as an option at this stage of recruitment; however he accepted the Fire Authority's decision. He had no complaint about the suggestion to use Greston as the professional advisor; however he suggested that it would be helpful to also secure advice from someone who was a senior manager in a different public sector organisation. He pointed out that the criticisms of the Fire Authority had been predominantly about the management of the service, not about the operational fire and rescue elements of the organisation. He therefore felt that senior management advice was more necessary than operational fire sector advice.

Cllr Shelford pointed out that sometimes external management experts do not have the solutions for an organisation which they do not understand intimately. He felt that it was wise to list an MBA as a desirable qualification for the new CFO. He would be happy to accept a further advisor as suggested by Cllr Davies.

Cllr Garner felt that Members brought common sense to the process, and that further interventions by another external senior manager were unnecessary. He stated that on a previous occasion there had been excessive emphasis placed on the presentations given by candidates, he was more interested in seeing common sense applied in the selection of the best candidate for the role.

Cllr Davis said that the Fire Authority had been through a traumatic process, it would therefore be useful to have a uniformed CFO. He suggested that one of the Unitary Authority (UA) chief executives could provide useful senior management input into the selection process.

**RESOLVED** that the Clerk invite Amanda Deeks (Chief Executive, South Gloucestershire Council) to become involved, along with Greston, in setting the framework for the recruitment, shortlisting and selection, of the new CFO.

## **b) Job Description / Person Specification**

The Clerk asked Members to consider the draft updated job description and person specification for the CFO role.

Cllr Shelford said that he would like to see the maintenance of morale included. He also asked for more information about the physical standards which would be required of the CFO, he felt it was important that a uniformed CFO should be held to appropriate physical standards and lead by example in this area. The HR Manager replied that physical standards could be included. The standards applied would be those which apply to current serving officers. The medical would be a different test. Both would be applied after the successful candidate had been identified.

Cllr Garner said that there was a danger of going too far. He queried whether the CFO needed a high level of fitness and asked what would happen if an applicant had a disability. The HR Manager replied that reasonable adjustments would be made in the case of disability.

Cllr Davies said that it was important that physical tests should be applied to the CFO, as they are also applied to Firefighters. Cllr Shelford agreed. He said that the CFO should be leading from the front in terms of personal physical fitness not just on recruitment but through their service. The standards applied should be appropriate to age and rank. The HR Manager said that it would be straightforward to include a physical test. She said that it would be appropriate for the selection process to proceed and identify the successful candidate; an offer of employment would then be made subject to satisfactory medical and physical tests. The Clerk confirmed that the physical test could then be included as part of the pre-employment checks.

All present confirmed that a physical test should be included as part of the pre-employment checks made once the best candidate for the post of CFO has been identified.

Cllr Shelford restated that he would like to see responsibility for the overall morale of the service to be included in the job description. Cllr Garner suggested that this would be best included in the "Oversee" section, it was important that morale was maintained but the CFO would be expected to achieve this mostly through overseeing others. Cllr Hale said that he would expect the CFO to visit every fire station during the course of a year to enthuse the workforce in person. Cllr Davis said he would expect the CFO to have overall control of every aspect of the organisation. It was therefore appropriate to ask the CFO to take responsibility for the maintenance of morale.

Cllr Davies said he was concerned that suitable individuals from other parts of the world should be able to apply; he was concerned that the items listed under "Context" were too specific. Cllr Shelford suggested that the words "or equivalent" should be added to the job description. The Clerk indicated that equivalence would be considered particularly in respect of a candidate from outside the UK.

**RESOLVED** to approve the JD/PS with the addition of having overall responsibility for ensuring the morale for the whole organisation and maintaining fitness throughout their service.

## **c) Timetable**

The Clerk suggested dates for shortlisting, and Members agreed that shortlisting would take place on 9 April 2018 at 2pm.

Cllr Davis noted that Committee meetings are often not fully attended he asked that Members should arrange for substitutes. Cllrs Shelford and Davies stated that they would both hold the date in case they were required as substitutes.

The Clerk suggested that interviews should be held between 17 and 19 April 2018.

**RESOLVED** to carry out shortlisting on 9 April 2018 at 2pm and to conduct interviews on a single day between 17 and 19 April 2018 (inclusive).

**d) External Stakeholders**

The Clerk asked the Committee to consider whether external stakeholders should be included in the selection process for the new CFO.

Cllr Shelford suggested that the four UA leaders and the Police and Crime Commissioner (PCC) should be involved in some way. He stated it was important to include these important stakeholders in the process to develop and maintain good relations with them. He suggested that one of the UA leaders and the PCC should participate in the interviews. However, the Committee should be wary of making the interview panel too much bigger.

Cllr Davies suggested that a panel of external stakeholders chaired by Hugh Jakeway, Chair of the External Independent Improvement Board, should be asked interview the candidates and provide a summary of their opinions to Committee.

Cllr Hale was concerned at the idea of another panel developing an opinion about the candidates when it is the Committee which must make a decision.

Cllr Davies said that working with the stakeholders on the Independent Improvement Programme Board (IIPB) would be an important part of the CFO's role. It would therefore be beneficial if candidates had the opportunity to meet the stakeholders before accepting the job.

The Clerk suggested that organising a social event on the day before the interviews to which all Members of the Fire Authority and members of the IIPB could be invited might be a solution.

Cllr Hale asked why the Committee should involve the PCC. Cllr Shelford said that there is a huge push to amalgamate the police and fire services. Therefore, the PCC is a stakeholder and it is important to develop and maintain a good relationship with her.

Cllr Davis approved of the social event idea. He would like to be sure that there will be ethnic minority presence and input. He stated that the selection of the candidate must be the responsibility of the Committee.

The Clerk replied that BME input could be assured through the involvement of the IIPB at which SARI is represented.

Cllr Shelford said that thought must be given as to how the feedback from attendees at the social event is incorporated into the process. Cllr Davies said

that comments should be delivered by attendees to the Clerk. Cllr Davis stated that the Committee would have to make the decision itself, having listened to feedback. It would be useful for the candidates to meet key stakeholders informally. Cllr Garner said that objections to any candidates would be passed on by stakeholders, but stakeholders could not veto any candidate.

The Clerk suggested that an afternoon social function could be convened for invited guests. The guests could be asked to give feedback to the Clerk, who would collate any key issues.

Cllr Shelford noted that interviews are a notoriously poor method of selecting candidates. He asked what other tests would be incorporated in the selection process. The Clerk replied that the Committee would determine the tests to be used, in the light of recommendations made by Greston.

**RESOLVED** that the Clerk should arrange an afternoon social function as part of the selection process, allowing the input of external stakeholders and other Members of the Fire Authority.

### **13. ANNUAL REVIEW OF THE REMUNERATION OF THE CHIEF FIRE OFFICER / CHIEF EXECUTIVE**

The Clerk introduced the report, and asked the Committee to consider the recommendations of the report.

Cllr Hale noted that the AFA's current CFO salary level was £10,000 per annum more than the average for CFOs across the country. Cllr Davies asked for clarification about the pay levels of DCFOs. The HR Manager stated that all members of the Service Management Board (SMB) were paid as a percentage of the CFO's salary.

Cllr Hale stated that the salary of the CFO was gold-plated for historic reasons, and that this had had a knock-on effect all the way down the line to the pay for other posts. The pay for all postholders tended to be higher than their peers in other fire authorities. He noted that the Chief Constable for Avon and Somerset was paid £158,000 per annum and had responsibility for 6000 staff, whereas the CFO was paid £146,000 per annum and was responsible for only 800 to 900 staff. Cllr Hale said it was necessary to correct this imbalance and drive down the salary, taking advice if necessary on how to do that.

Cllr Shelford said that immediate action was necessary. Salary levels of all SMB staff should be frozen, and the new CFO salary should be set at the national average level. He went on to present information to the Committee regarding pay ratios in the Army. In particular he noted that the pay multiple between a Rifleman (£18,000) and the commanding officer of a battalion (£74,000) was 4.1, whereas in the Fire Authority the pay multiple between the CFO and the lowest paid member of staff was 8.7. He stated that although this differential was insignificant compared to the ratio in the City of London, it was a significant differential for a public sector employer and should be addressed urgently. Cllr Hale asked how this could be addressed.

The Clerk replied that the full Fire Authority would have to authorise any change to SMB salaries. The HR Manager said that the salaries could be frozen unilaterally, but they could only be reduced by mutual agreement. Cllrs Hale and Davis stated that a salary freeze would be appropriate. The HR Manager outlined the process through which salaries could be reduced if there was not mutual agreement. Notice would have to be given to postholders, and ultimately new contracts of employment issued. It would not be a straightforward process.

Cllr Davis noted that comparisons between the sizes of organisations and salaries were not necessarily appropriate, for example chief officers had to set a budget. Cllr Hale agreed that the type of work overseen by the two senior post holders was different.

The Clerk stated that if the Committee wanted to select a lower salary for the incoming CFO then the advert would say that the salary was subject to agreement by the Fire Authority and a decision made by the Fire Authority at its March meeting.

Cllr Hale suggested that the new CFO salary should be set at £140,000. He noted that the national average was £137,000. Cllr Shelford noted that the current Band 3 average was £143,834, whilst the current Band 2 average was 131,423: a difference of £12,000. The Clerk stated that the Authority was on the cusp of Band 2 and Band 3 in terms of size of population served.

Cllr Garner said that the future is uncertain. The CFO salary should be reduced to the incoming post holder, and then the percentages altered to maintain the payments to other SMB post holders. The Fire Authority should reserve the right to reduce other salaries in the future.

Cllr Davies said that salary levels of SMB should be frozen and taken out of the percentage scheme.

Cllr Davis said that he did not object to a reduction in salary for the incoming CFO and asked for more information about the Bands. Cllr Hale pointed out that the population of the Avon area is increasing and this may have an impact on the Band level comparison.

The Clerk confirmed that Band 2 authorities have a population up to 1 million whilst Band 3 authorities have a population between 1 million and 1.5 million. The Avon area is around the 1 million mark.

Cllr Shelford restated his proposal that the incoming CFO should be paid the national average of £137,623.

Cllr Davies said that the Fire Authority had a budget of circa £40 million. The current CFO salary level was excessive and he would welcome a reduction in the pay level.

The Clerk confirmed that any frozen salaries would still be subject to the NJC annual pay award under the provisions of the Gold Book.

**RESOLVED** to recommend to the Fire Authority at its meeting on 23 March 2018 that:

- a) The new CFO's salary should be set at £137,623 (this is the average basic pay of CFOs across the UK as set out in the 2017 pay survey from the LGA).
- b) Existing postholders below CFO will continue to be paid at their current salaries.
- c) However, for any new appointments the differentials with the new CFO's salary will be restored.
- d) The annual pay award from the NJC will be paid in accordance with the Gold Book.

#### 14. PAY POLICY STATEMENT 2018/19

The Clerk introduced the report, and asked the Committee to consider the recommendations of the report.

Cllr Shelford said that the Fire Authority should aim to adjust pay to achieve a pay ratio of 4.1; this would draw up the pay of the lowest paid. The Clerk stated that the lowest paid staff were support staff, rather than firefighters.

Cllr Davies pointed out that many organisations outsource support work (such as cleaning and catering) and then claim that they have reduced their pay ratios; this is misleading.

The Clerk said that on the current pay scale arrangements, when the lowest paid received pay increases the whole pay structure moves up for others too.

Cllr Garner said that this could be considered in the future.

The HR Manager said that the organisation was having more difficulty recruiting Hay Grade support staff than other staff groups.

**RESOLVED** to recommend to the Fire Authority the approval of the proposed Pay Policy Statement 2017/18 subject to any changes resulting from the Fire Authority's decision on Minute 13.

**15. DATE OF NEXT MEETING – Thursday 8 November 2018 (10.30 am)**

The meeting closed at 11.55am.

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Chair

## **AVON FIRE AUTHORITY**

### **PERFORMANCE REVIEW AND SCRUTINY COMMITTEE**

**9 MARCH 2018**

**PRESENT:** Councillors Davis (Chair), Dudd, Phipps, and Shelford.

The meeting started at 10.29am.

#### **50. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Barrett and Ashe. Councillor Williams was absent.

**51. EMERGENCY EVACUATION PROCEDURES** – The Chair drew attention to the emergency evacuation procedures as set out in the Agenda.

**52. DECLARATION OF INTERESTS** – None.

#### **53. CHAIR'S BUSINESS**

The Chair expressed concern about the number of Councillors who missed meetings. He asked if there was any information indicating how many Councillors were interacting with Basecamp but it was indicated that this information was not yet available.

Cllr Shelford noted that prior to the next full Fire Authority meeting training could be provided to Members so that they could gain confidence in interacting with Basecamp.

The Clerk stated that there is a facility on Basecamp which enables Members to leave comments, so that they can have input even if they cannot attend meetings.

The Chair noted the comments made and asked all Members present to push other Members both to attend meetings and to use Basecamp to scrutinise the Improvement Plan.

#### **54. MINUTES OF THE INQUORATE MEETING OF THE PERFORMANCE REVIEW AND SCRUTINY COMMITTEE HELD ON 19 JANUARY 2018**

The minutes were ratified as an accurate record of the meeting.

**55. PUBLIC ACCESS** – None.

#### **56. PERFORMANCE REPORT**

The Corporate Performance Manager (CPM) introduced the Performance Report which presented a range of metrics against targets for the period April 2017 to January 2018.

Members' attention was particularly drawn to the following matters.

There has been progress against fire targets after a difficult start to the year which began with an upswing in the number of accidental fires, deliberate fires and deliberate car fires. In more recent months there have been reductions in the numbers of these events, although they remain above target.

The number of fire alarms caused by automatic fire detection attended is now nearly back on target. It should be noted that the Fire Authority attends such alarms unless there is contact to confirm that the fire alarm is a false alarm. Other Fire and Rescue Authorities (FRAs) require confirmation that it is a genuine alarm prior to attending, so it is difficult to compare statistics with other FRAs.

In taking this approach the Fire Authority is seeking to balance the risks of attending most automatic fire alarms (unnecessary call out factors) with the risk of not attending all of them.

Cllr Dudd noted that there could be reputational damage if the Fire Authority required a separate confirmation prior to attending automatic fire alarms.

The CPM explained that the Fire Authority works with premises managers where there are regular or frequent false automatic alarms, and helps to develop action to drive down these unnecessary callouts. The response to automatic alarms provides assurance to communities and ensures that the Fire Authority is proactive in reducing the number of false alarms (especially accidental alarms).

Cllr Dudd asked about the response to schools where deliberate false alarms may be commonplace. The CPM explained that the Call Challenge policy helped the call room establish risk level and identify how many appliances should be despatched.

Cllr Phipps asked what the policy was for care homes and hospitals. The CPM explained that Sleeping Risk was a significant factor in assessing risk. Other information was also used, such as knowledge about 24 hour site attendance. Good communication work with building occupiers is essential to reduce risk and increase knowledge about building use and layout.

Gary Spindler (FBU) stated that:

- Crews approaching an alarm understand the likelihood and types of risk on a site. They therefore drive appropriately.
- There are positive aspects to false alarms: walking around sites increases familiarity and enables Firefighters to consider the effectiveness of fire risk assessments; interacting with key holders provides useful information about the level of risks on sites and often results in the provision of buildings for training exercises.

Cllr Shelford asked for more information about the assessment of premises risk. The CPM explained that a risk scoring matrix was used annually to identify levels of risk in buildings within the Avon area; annual visits are then scheduled to a particular number of high-risk sites and a different number of medium-risk sites.

Cllr Shelford asked for a presentation to be delivered to the Committee in the future about the scoring mechanism and its application in the Avon area. He requested that the following areas were covered:

- The framework for inspections.
- The statutory requirements for inspections.
- Identification of any further additional “good practice” elements currently included in the Fire Authority’s inspection programme.
- Identification of any additional inspection activities which the Fire Authority could or should be working towards.
- Information about high risk premises and medium risk premises (numbers, ratios, examples).

Cllr Dudd asked if there was still a problem with bike and car fires in the Southmead area of Bristol. The CPM replied that this was not a huge issue, but there were periodically such fires. The previously used Quality of Life Survey had identified that the rapid removal of burnt out vehicles was a significant factor in the quality of life of local residents (making them feel more positive about their areas), removing the burnt out vehicles also prevented secondary burnings.

Cllr Shelford asked for more information to be provided to the Committee regarding deliberate fires. He requested the following information:

- What percentage of deliberate fires take place post-crime?
- What percentage of deliberate fires is carried out for “fun”?
- Separate information for car and vehicle fires.
- Detail about local fire stations working with Police to reduce deliberate fires.

Cllr Phipps and Cllr Shelford asked for more information about the removal of burnt out vehicles.

The CPM confirmed that:

- Usually Local Authorities remove the vehicles, although if there is criminality involved then the Police would remove the vehicle.
- Local Authorities are involved due to application of environmental policies, set out in their own environmental strategies or as required by the Community Safety Partnership.
- In the case of arson the Fire Authority works with the Police in partnership, examining data analytics.

- Recently central government funding has been secured to develop an arson app which will enable the import of different data sets and in turn help analyse fires and road traffic accidents.
- All deliberate fires are reported to the Police.

Cllr Shelford asked for more information about the liaison process with the Police.

The Interim Treasurer said that there had been a successful Car Clear Scheme. Unfortunately the Police and Local Authorities had withdrawn from the scheme. The Assistant Chief Fire Officer (Service Delivery Support) (ACFO) said that there continued to be joint working with Local Authorities.

The CPM informed Members that the volume of deliberate fires is much reduced over the last 10 years. They are now not commonplace.

The CPM noted that Response Times are on target. Customer perception of response time is surveyed in the Customer Survey. Most respondents feel that the response time is in line with expectations or quicker than anticipated.

The CPM said that sickness rates are off target. For the last three years it had been much better, but more recently has deteriorated. The two-year target is that no more than 7.5 days should be lost per person per annum.

Cllr Shelford said that:

- Good leadership can reduce sickness.
- Sometimes sick days can be regarded as extra leave and this may show itself as a pattern of sick days taken during school holidays or at other times of the year.
- He wanted more information to know whether the sickness was a small number of people with severe injuries or a larger number of people taking odd days off.
- He also wanted to know whether the sickness pattern was distributed evenly across all fire stations or concentrated in particular locations.
- It would be good to drill down through the statistics and understand more about the sickness figures.

The Interim Director of Corporate Services (DCS) replied that:

- The figures requested by Cllr Shelford would be available in the report to be published at the end of March.
- The causes behind the sickness figures will be analysed in the report which will be available before the next Committee meeting.
- The new Capability Policy will assist with attendance management and start to move sickness figures in the right direction. It is expected to take longer than 12 months, hence the two-year target.
- Return to Work interviews are taking place. These require managers to look back and look forward with the employee. A manager cannot

complete a Return to Work interview without looking for patterns of sickness absence.

- 84% of PDRs have also been completed.

The Chair noted that long-term sickness was much more significant than short-term sickness, representing twice as much time lost. He said that one person off on long-term sickness can skew the figures for a whole team, and that this can be demoralising for the whole group of staff.

Mr Spindler said that:

- Short-term sickness figures were significantly improved and long-term sickness had deteriorated.
- He felt sickness figures were associated with morale and self-worth.
- He said that the oldest fire stations had the worst sickness figures as they were depressing, cold and damp. He hoped the planned redevelopment of the three worst fire stations would help.
- Staff have not had a pay rise and feel undervalued.
- The sickness figures are surprisingly good.
- Staff should not be punished; they should be helped to come to work.

The ACFO said that:

- Approximately 20 people were on long-term sick leave, some were off work with mental health or musculoskeletal injuries.
- The process of making reasonable adjustments to help people get back to work was being changed.
- There was support for staff on long term sick leave which included regular contact, the Medical Intervention Fund, and input from the Fitness Advisor.
- The aim was to get staff back their usual work more quickly or help them return to other meaningful employment within the Fire Authority.

The Treasurer said that the Fire Authority accepts that being a firefighter is a strenuous job. The retirement age has been increased and older staff are more likely to acquire injuries.

Cllr Shelford said that:

- It was necessary to put in systems to improve the situation for staff.
- A particular focus on the problems of older workers may be necessary.
- He was concerned about the mental health sick leave. The quality of leadership is critical and supervisors must know their staff.
- He would be interested to assess if a mental health nurse within the Fire Authority would be helpful. He felt that such a person who was a regular part of the team would be approachable, enabling appropriate help to be given to individuals.

The DCS said that there were two new projects to help with mental health matters. Further information about these projects will be included in the report:

- 1) Blue Light Campaign – 50 mental health champions are being trained. The champions will be the first port of call for local colleagues and be able to sign-post to local services.
- 2) TRiM (Trauma Risk Management) – a training provider is being sought to help the Fire Authority to provide better and more speedy support to staff at risk of PTSD.

Cllr Shelford asked for more information about the cost of lost shifts to the Fire Authority. He stated that this would facilitate cost-benefit analysis which can assess possible solutions.

The DCS said that such a cost-benefit analysis would be produced for work-related injuries. The direct cost of sickness was a significant figure. However, indirect costs were also important (such as management time).

Cllr Dudd asked for more information about adjusted duties and helping those with a long-term sickness issue return to work.

The ACFO said that each case was assessed individually. Placements may be in the community or in the office, may be Monday to Friday and avoid a shift pattern, or follow a shift pattern. At present there is no opportunity for firefighters to work in non-operational roles, however two fixed-term roles have recently been created to help those with long-term conditions return to work. The costs to the organisation must be considered but it is hoped that these posts will utilise skills which staff have and enable them to return to work.

Mr Spindler said:

- The pension scheme had changed in 2006, meaning that firefighters can only retire at 60, but only now were these two roles becoming available.
- Firefighters' conditions of service have been attacked.
- He welcomed the two roles, saying that places such as these two roles were important to retain people with valuable skills.

The Chair concluded the discussion, saying that it had been useful. It was encouraging that many people understand the situation well and want the Fire Authority to improve in this area.

**RESOLVED** to note the report.

## **57. IMPROVEMENT PROGRAMME – RECOMMENDATIONS FROM THE IMPROVEMENT WORKING GROUP**

The Temporary Area Manager introduced the report, reminding Members that the Improvement Working Group (IWG) was a working group of this Committee. The IWG had looked at the seven work packages set out in the

Appendix. All Fire Authority Members had been invited to examine the work packages in Basecamp and to attend the IWG.

**RESOLVED** to accept the recommendations of the IWG that all the work packages forwarded for scrutiny should be signed off and accepted.

## **58. REPLACING THE ANCILLARY FLEET WITH ALTERNATIVE FUELLED LOW EMISSION VEHICLES**

The Temporary Property Services Manager (PSM) presented the report to Members. In November 2017, Members had requested a feasibility study about the cost of ownership of alternative-fuelled vehicles. Subsequently a Transport and Procurement Improvement Board (T&PIB) (involving all relevant departments) has been established and it is recommended that a comprehensive consideration of alternative-fuelled ancillary vehicles should be integrated into the work of the T&PIB.

He noted that although the ancillary fleet contributes 15% of carbon emissions and approximately 10% of the cost of travel, it is the appliance fleet which is the most significant contributor to carbon emissions and fuel costs.

Cllr Dudd asked what the options were for fuelling appliances. The PSM replied that there are some examples of appliances which are alternative-fuelled, but these are limited. It will be necessary to balance cost and maintenance considerations when deciding on future fleet matters. Leasing may be considered too. He noted there were some biofuel appliances in Scandinavia.

The Environmental Project Officer (EPO) said that it was important that an evidence-based risk profiling exercise should guide front line vehicle selection.

Cllr Shelford stated that:

- A methodical and careful process was necessary to assess matters such as whether Nitrous Oxides (NOx) could be reduced by retro-fitting emissions systems.
- It was important to ensure that further issues in the fleet were not created down the line, for example by necessitating future carbon cleaning activity.
- In the bus fleet in Bath and North East Somerset it was hoped to make a step change straight to electric vehicles as hybrid vehicles are proving to have problems.
- He wanted to see the Fire Authority generating 10% of its own electricity, enabling it to power its own vehicles and not just lighting.
- As a power shortage is predicted by Central Government statistics, a clear understanding of the issues is necessary.

The PSM replied that the Fire Authority is a small player, however energy storage technology is improving and he would like to examine the options.

The EPO stated that the Fire Authority purchases renewable electricity; and also provided further information about the fleet:

- New vehicles meet the Euro 6 diesel standards for exhaust emissions of NOx and other pollutants.
- Older vehicles which were compliant with Euro 3 diesel standard compliant vehicles will shortly be disposed of and Euro 2 diesel standards have already been removed from the fleet.

Cllr Dudd stated that there would shortly be charges for all vehicles which were not compliant with Euro 6 diesel standards in central Bristol. No exemptions were anticipated, and there would be a high charge to drive behaviour change. Bristol City Council had very recently commenced a consultation on the charge.

Mr Spindler said that an exemption to such a charge was necessary, an additional cost would affect the response, and the Fire Authority did not have the money to pay the charge. Although he was committed to environmental improvement, it was essential that an exemption was granted to avoid the risk to lives.

Cllr Dudd replied that vehicles purchased after 2010 were likely to be compliant. The Treasurer indicated that appliances were replaced when they reached 17 years of age.

Cllr Shelford said that it was possible to retrofit an older diesel vehicle with an emission system to make it compliant with the Euro 6 diesel standards. Such a system would cost approximately £20,000, but could add 10 years of life to the vehicle.

Cllr Dudd said that funds may be available from the Department for Environment, Food and Rural Affairs to assist with transitional expenses.

**RESOLVED to:**

- a) Recommend to the Interim Chief Fire Officer / Chief Executive (CFO) that the alternative fuel work stream including the scope of work outlined in 3.11 is fully integrated into the work of the Transport and Procurement Improvement Board.
- b) Invite the CFO to update the Committee on the progress of the “alternative fuel” work stream in 12 months’ time.

**59. DATE OF NEXT MEETING – THURSDAY 10 MAY 2018 (10.30am)**

The meeting closed at 11.50pm.

.....  
Chair

<b>MEETING:</b>	<b>Fire Authority</b>
<b>MEETING DATE:</b>	<b>23 March 2018</b>
<b>REPORT OF:</b>	<b>Interim Chief Fire Officer / Chief Executive</b>
<b>SUBJECT:</b>	<b>Apprenticeship Levy</b>

**1. SUMMARY**

This report highlights the changes to the way that the Government funds apprenticeships in England that came into force as of 6 April 2017. It highlights the Fire Authority’s contribution, through a new apprenticeship levy which all employers pay, that has an annual wage cost of over £3m. The report highlights options available to the Fire Authority to maximise its return on the levy and how it can see a return on its investment.

**2. RECOMMENDATIONS**

The Fire Authority is asked to:

- a) Approve Option 5 as the preferred approach at this time.
- b) Approve Options 3 and 4 for adoption in 2019.

**3. BACKGROUND**

**Introduction**

- 3.1. As from April 2017 the Government changed the way in which it funds apprenticeships in England with the introduction of an apprenticeship levy. This requires all employers operating in the UK, with a salary cost of over £3m to invest in apprenticeships.
- 3.2. The levy is charged at 0.5% of the annual wage bill. The Fire Authority’s annual wage bill is approximately £30m meaning that levy is around £150,000 per year. The levy is paid on a monthly basis through the PAYE system and collected by HMRC. Each employer paying the levy has to set up an approved digital account in order to manage the levy.

- 3.3. The amount entering the account will be how much the Fire Authority has to spend on apprenticeship training. Each organisation manages their own apprenticeship accounts, including how the funding is spent on apprenticeships.
- 3.4. The Government will apply a 10% “top up” to the amount the Fire Authority has to spend on apprenticeships. This will be applied on a monthly basis at the same time as the levy funds enter the apprenticeship account.
- 3.5. Each levy payment will expire 24 months after they enter the account unless they are spent on apprenticeship training with a recognised provider. Whenever a payment is made to a provider the account service automatically uses the funds that entered the account first. This will minimise the amount of expired funds and will happen automatically. If funds are about to expire, i.e. they have not been spent within the 24 month period, the account holder will be notified in good time so that they can be spent if needed.
- 3.6. The online apprenticeship service will allow all employers to:
  - Select apprentice frameworks or standards.
  - Choose the training provider(s) they want to deliver the training.
  - Choose the organisation that will assess the apprentices.
  - Post apprenticeship vacancies.

### **Buying Apprenticeship Training**

- 3.7. Once a decision has been made to buy apprenticeship training through the levy, the funds will be taken from the account each month to pay the training provider and the assessment organisation. A training provider must be a recognised organisation that is Government approved as being suitable to provide the training required.
- 3.8. There are two different types of apprenticeship training that the Fire Authority can choose from:
  - Apprenticeship standards – each standard covers a specific job role and sets out the core skills, knowledge and behaviours the apprentice will need to be fully competent in their job role and meet the needs of the employer. Standards are developed by the employer and known as “trailblazers”
  - Apprenticeship frameworks – a series of work related vocational and professional qualifications, with workplace and classroom based training.

### **What is an Apprenticeship?**

- 3.9 An apprenticeship is a genuine job with an accompanying skills development programme. Through their apprenticeship, apprentices gain the technical

knowledge, practical experience and wider skills they need for the immediate job and future career. The apprentice gains this through a wide mix of learning in the workplace, formal off the job training and the opportunity to practice new skills in a real work environment.

3.10 The description provided for a genuine job is that:

- The apprentice must have a contract of employment long enough for them to complete the apprenticeship successfully.
- The cost of the apprenticeship wages must be met by the employer.
- The apprentice must have a job role within the organisation that provides the opportunity for them to gain the knowledge, skills and behaviours needed to achieve the apprenticeship.
- The apprentice must have appropriate support from within the organisation to carry out their job role.

3.11 Public sector bodies with 250 or more staff have a target to employ an average of at least 2.3% of their staff as new apprenticeships for the period of 1 April 2017 to 31 March 2021. This equates to about 18 apprenticeships within the Fire Authority based on 798 employees (full time equivalents). The Government considers the duty to “have regard” to the target, which means public bodies should actively consider apprenticeships when making workforce planning decisions, either for new recruits or as part of a career development for existing staff.

### **Options available to the Fire Authority**

3.12 Option 1

The levy can be paid into the account and not used at the end of the 24 month rolling timeframe. This would mean that the levy will disappear from the account into the government resulting in a financial loss each month the levy is not used. If the levy is not used the Fire Authority will not be able to maximise value for money from the levy and it would continue to be debited from the digital account month on month. This in turn will see the Fire Authority paying the levy without any additional benefits to the organisation for either new entrants or existing staff. This would be a loss of £150,000 per year

3.13 Option 2

The levy can be paid into an account and used to subsidise one or more of the four Unitary Authorities’ apprenticeship levy. The money paid by the Fire Authority will be used to fund other “associated” organisations’ apprenticeships in an area of business of their choice. This is similar to Option 1 in that whilst local employers will benefit from the contribution into the levy, the Fire Authority itself will not see a return on the investment internally. With this option the Fire Authority would miss the option of

investment in the development of its own employees. This would be a loss of £150,000 per year.

### 3.14 Option 3

The levy can be used to train new recruit apprentices as community safety fire firefighters and staff, in a number of non-operational roles across the organisation, and would also include workshops, finance, human resources, administration, and community safety roles. This would not cover the additional costs of salary which will need to be covered by revenue spending. Community Safety Firefighters would follow a 2 year development pathway learning about the role of a fire fighter before progressing into operational roles after their apprenticeship pathway. The Fire Authority is already seeking opportunities to employ apprentices in these areas with a recent vacancy in the Finance Department being allocated to an apprenticeship standard. This provides the option for the authority to utilise the levy for training and development in role specific skills.

### 3.15 Option 4

The levy can be used to fund the training of new recruits into a pathway for operational firefighter roles as part of a whole-time firefighter recruitment strategy. These programmes currently operate in other Fire and Rescue Authorities (FRAs) and are being used to fund the development of community firefighters through a national recognised standard. The standard has recently been approved and covers the full role of a firefighter and is similar in process to a public services qualification.

This current programme requires the apprentice firefighters to allocate at least 12 months of the 24 month apprenticeship programme learning about other areas of the organisation and fire role away from any operational duties. Apprentices are not attached to an operational fire station until at least 12 months after their appointment.

The Learning and Development Team are currently planning to include apprentice firefighters as part of a blended approach to recruitment for the year 2019

### 3.16 Option 5

The levy could be used to train current staff as part of an apprenticeship scheme which forms a development programme for specific role qualifications. This could be used as pathways for career advancement following assessment centres, promotion or interviews for vacant job roles. This type of programme operates in other FRAs and is known as a trailblazer programme.

The Learning and Development Team have secured an apprentice provider from the national digital account service and in 2018 all operational

promotions from supervisory level will follow an apprenticeship pathway and a level 3 supervisory qualification aligned to leadership and management in the workplace. The apprenticeship pathway will run alongside the development pathway for operational skills aligned to the specific role map for that level.

By using the apprenticeship levy the Fire Authority is able to provide existing staff with additional development and skills that build individual and organisational development for leadership in a sustainable way.

Apprenticeship standards are also being developed to be introduced for each managerial level up to and including strategic manager where qualifications can be achieved through various academic levels of level 3 through to level 7 (masters degree)

#### **4. CONSIDERATIONS**

##### 4.1. Contribution to Key Policy Priorities

Apprenticeship programmes are included in the People and Development Strategy.

##### 4.2. Financial Implications

a) The financial obligations in respect of the levy are set out in the report. Any new system will require administration support to manage the apprenticeship programme and as such could be considered as growth within the organisation at a time of reconfiguring and financial reductions. Administration is being undertaken by the Learning and Development Team at Lansdown.

b) The levy does not cover the cost of any salaries for apprentices and only the cost of training. Therefore, salary commitments for new entrants who are employed on an apprenticeship scheme must be met from the current revenue budget.

##### 4.3. Legal Implications

None

##### 4.4. Equality & Diversity Implications

The apprenticeship scheme could be used to target underrepresented groups by providing opportunities for employment and training.

##### 4.5. Corporate Risk Assessment

This report takes regard to Corporate Risk 4 – recruitment and training.

##### 4.6. Environmental/Sustainability Implications

None

4.7. Health & Safety Implications

None

4.8. Crime & Disorder Implications

None

5. **BACKGROUND PAPERS**

None

6. **APPENDICES**

None

7. **REPORT CONTACT**

Simon Shilton, Assistant Chief Fire Officer (Service Delivery Support),  
extension 234.

<b>MEETING:</b>	<b>Fire Authority</b>
<b>MEETING DATE:</b>	<b>23 March 2018</b>
<b>REPORT OF:</b>	<b>The Interim Treasurer</b>
<b>SUBJECT:</b>	<b>Treasury Management and Capital Programme</b>

**1. SUMMARY**

The proposed Treasury Management Strategy and Plan for the period 2018-2022 is included at **Appendix 1**. The relevant limits and indicators are detailed within the Executive Summary in paragraph 6 of this Appendix.

In addition to the Treasury Management Strategy and Plan the Fire Authority is also required to set out its Treasury Management Policy in a clear statement and this has been set out in paragraph 9.2.

The Capital Programme for the period 2018-2022 and proposed funding was presented to Members at their meeting on 9 February 2018. This programme has been updated to reflect the estimated slippage from the current year 2017/18.

Members are required to consider the affordability and impact of the four year Capital Programme, including the impact of past capital investment and funding decisions. The affordability and impact are measured through a range Prudential Indicators which are set out in paragraph 6.2.

**2. RECOMMENDATIONS**

The Fire Authority is asked to:

- a) Approve the Treasury Management Strategy and Plan 2018-2022, including approving the relevant limits and indicators as set out in the executive summary.
- b) Approve the Treasury Management Policy Statement.
- c) Approve the Prudential Indicators reflecting the 4 year Capital Programme 2018/19 to 2021/22

- d) Note the Capital Programme 2018-2022, including slippage, and proposed funding.
- e) Note the affordability and impact of the capital investment and option appraisal decisions as detailed within the Prudential Code Indicators.

### **3. BACKGROUND**

#### **Introduction**

- 3.1. The 4 year Capital Programme for 2018/19-2021/22 was presented to Members on 9 February 2018 and the revenue effects of this programme were included within the approved 2018/19 Revenue budget and Medium Term Financial Plan (MTFP).
- 3.2. The Government has advised that the grant in respect of the threat of marauding terrorist firearms attacks will be all paid as revenue. The Capital Programme 2018/19 – 2021/22 has been adjusted accordingly.
- 3.3. The Fire Authority has the power to borrow to fund capital schemes but, before it uses these powers, it is required to determine whether or not it is prudent to do so. The procedure 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 and sets out the overall limits governing the treasury management activities. The Code has also been revised to reflect the changes required to fully comply with International Financial Reporting Standards
- 3.4. Treasury Management is defined by CIPFA as “the management of the organisation’s 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.”
- 3.5. Elements of the Treasury Management function are undertaken on behalf of the Fire Authority by Bristol City Council under the guidance of the Treasurer and in accordance with the terms of the Financial Services Contract.

#### **Capital Programme**

- 3.6. The table below sets out the latest capital programme 2018/19 to 2021/22, as agreed at the meeting on 9 February 2018, updated for the estimated slippage from 2017/18. The Capital Programme has been developed in accordance with the Fire Authority’s approved Corporate Plan and Integrated Risk Management Plan (IRMP). This table also sets out the proposed funding for the capital programme. The revenue effects of this programme, including those of prudential borrowing, have been included within both the Revenue Budget and MTFP approved by Members.

<b>Estimated Capital Programme 2018/19 to 2021/22 (including slippage)</b>				
<b>Investment Area</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Premises - General	787	500	500	500
Operational Equipment	180	90	90	90
Fleet	1,949	1,410	1,410	1,410
IT	200	200	200	200
Unallocated	521	0	0	0
<b>Total</b>	<b>3,637</b>	<b>2,200</b>	<b>2,200</b>	<b>2,200</b>
<b>Funded by</b>				
Grant	0	0	0	0
Capital Receipts \ Capital Reserves	1,937	0	0	0
Revenue Contribution to capital	0	200	200	200
Prudential Code	1,700	2,000	2,000	2,000
<b>Total</b>	<b>3,637</b>	<b>2,200</b>	<b>2,200</b>	<b>2,200</b>

*Note: The above programme will be adjusted to reflect actual slippage from 2017/18 once the accounts have been finalised*

- 3.7. Capital schemes, by their general nature, are large projects which are likely to take a significant period of time to complete and may well span different financial years. The budget allocated to 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. This allows for the accurate monitoring of expenditure against the agreed budget for that scheme
- 3.8. Where the budget allocated to a specific capital scheme is not spent in the financial year then it will be slipped forward to the following financial year automatically without the need for further approval.
- 3.9. Members have previously agreed that part of the capital receipt from the disposal of the existing Headquarters site will be utilised to fund investment in three potential sites at Avonmouth, Bath and Weston. Detailed proposals and costings will be presented to Members for approval before being added to the Capital Programme.

### **Prudential Borrowing and Funding**

- 3.10. As part of the Fire Authority's ongoing Treasury Management Strategy and Plan approved prudential borrowing to fund the Capital Programme has continued to be delayed. This has been achieved by utilising internal sources of funding which at the end of last financial year stood at £9.8m.
- 3.11. Excluding funding of the Joint Training Centre which is under a PFI arrangement, the Fire Authority's underlying borrowing requirement to fund its Capital Programme is shown in the table below:

<b>Underlying Capital Borrowing requirement (excluding PFI)</b>				
	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
Brought forward	15,677	17,758	18,202	18,646
New expenditure funded by borrowing	3,637	2,000	2,000	2,000
Repayment (MRP + Addl)	-1,556	-1,556	-1,556	-1,556
<b>Total</b>	<b>17,758</b>	<b>18,202</b>	<b>18,646</b>	<b>19,090</b>

- 3.12. The previous table includes the impact of the estimated slippage from 2017/18 which impacts on the underlying capital borrowing requirement. The proposed funding mix is analysed in the table below:

<b>Analysis of Borrowing</b>				
	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
<b>Bristol City Council</b>				
Brought forward	0	0	0	0
Repaid	0	0	0	0
<b>Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>PWLB</b>				
Brought forward	7,000	7,000	7,000	7,000
Loan Maturities	0	0	0	0
New Loans	0	0	0	0
<b>Balance</b>	<b>7,000</b>	<b>7,000</b>	<b>7,000</b>	<b>7,000</b>
<b>Internal</b>	<b>10,758</b>	<b>11,202</b>	<b>11,646</b>	<b>12,090</b>
<b>Total</b>	<b>17,758</b>	<b>18,202</b>	<b>18,646</b>	<b>19,090</b>

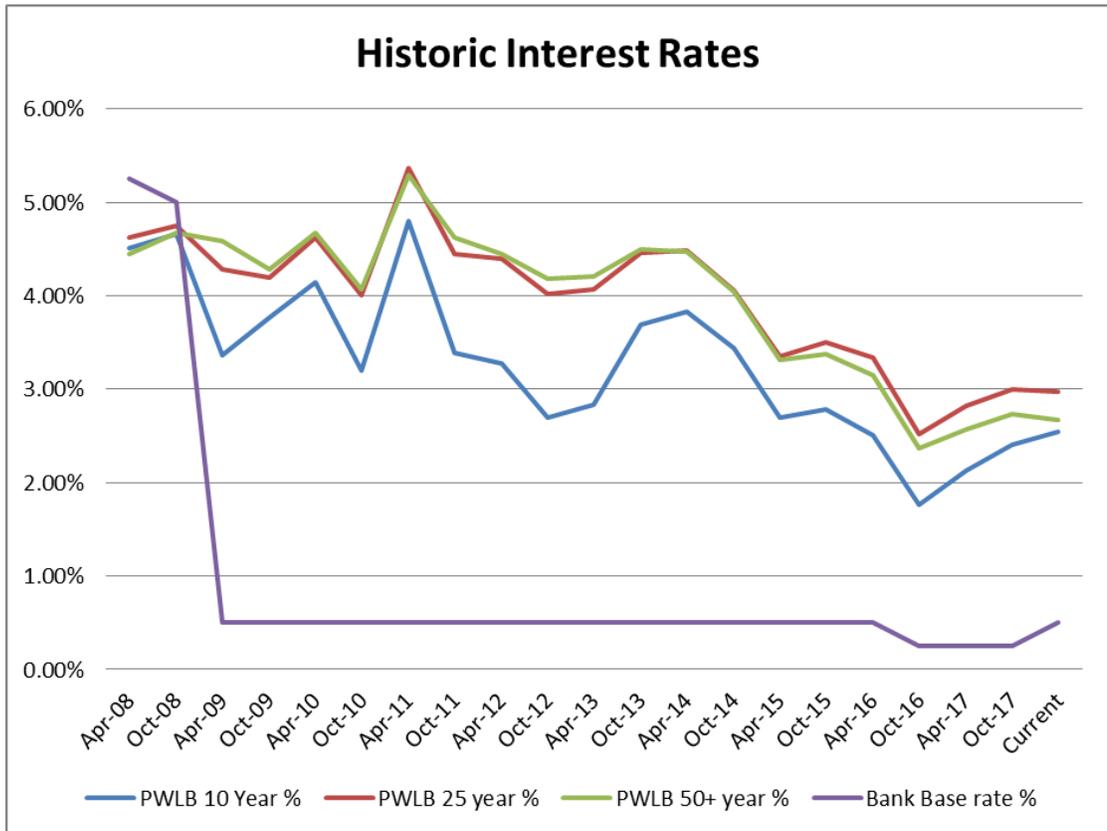
- 3.13. In addition to mitigating the risks associated with lending surplus funds to external counter parties the strategy of using internal resources to provide funding for capital expenditure has produced substantial savings to the Fire Authority. For the current financial year the savings are estimated to be around £262,000.
- 3.14. An analysis of the estimated available internal sources of funding over this period is shown in the table below:

<b>Sources of available Internal funding \ Investments</b>				
	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
<b>Cash Backed Reserves etc</b>				
Fund Balance	-1,500	-1,500	-1,500	-1,500
Usable Revenue Reserves	-4,215	-3,648	-3,648	-3,648
Provisions	-590	-590	-590	-590
Capital Receipts Reserve	-11,503	-14,503	-14,503	-14,503
Capital Grants Unapplied				
<b>Amount available for funding \ investment</b>	<b>-17,808</b>	<b>-20,241</b>	<b>-20,241</b>	<b>-20,241</b>
Required Bank balance for day to day activities	1,000	1,000	1,000	1,000
<b>Amount available for capital funding \ investment</b>	<b>-16,808</b>	<b>-19,241</b>	<b>-19,241</b>	<b>-19,241</b>
<b>Amount used for capital funding</b>	<b>10,758</b>	<b>11,202</b>	<b>11,646</b>	<b>12,090</b>
<b>Amount available for short term investment</b>	<b>6,050</b>	<b>8,039</b>	<b>7,595</b>	<b>7,151</b>

- 3.15. At this stage the estimated expenditure profile included in the proposed capital programme above does not include any expenditure to fund the investment in the three potential sites at Avonmouth, Bath and Weston. Once detailed proposals and costings have been approved by Members then the Capital Receipts Reserve will be utilised to fund this expenditure. This expenditure is likely to be incurred over the next three years and the Fire Authority may need to undertake further external borrowing in early 2020/21 as it will not have sufficient internal resources available.
- 3.16. The above figures are based on the assumption that the previous HQ site at Temple Back is sold during the current financial year. At this stage the estimated capital receipt for the HQ site is based on the valuations previously reported to Members and the potential phasing of the capital receipt. Members will be updated on the latest position on the disposal of the HQ site as part of a separate report.

#### ***Historic Interest Rates***

- 3.17. The Public Works Loan Board (PWLB) interest rates fluctuate on a day to day basis. A sample of historic interest rates since April 2008 are shown in the table below:



**Prudential Code and Indicators**

3.18. The Prudential Code recognises that, in making its capital investment decisions, the Fire Authority must take into consideration its strategic objectives included in its Corporate Plan, IRMP and asset management plans. The code allows the Fire Authority to evaluate the funding options available to ensure value for money.

3.19. The relevant indicators are shown in the table below:

<b>Prudential Indicators on IFRS Basis - Incl PFI</b>	2018/19	2019/20	2020/21	2021/22
	Estimated £,000	Estimated £,000	Estimated £,000	Estimated £,000
<b>Capital expenditure</b>	<b>3,637</b>	<b>2,200</b>	<b>2,200</b>	<b>2,200</b>
<b><u>External Debt Outstanding as at 31 March</u></b>				
Borrowing	7,000	7,000	7,000	7,000
Other long term liabilities	2,418	2,223	2,021	1,815
<b>Total external debt</b>	<b>9,418</b>	<b>9,223</b>	<b>9,021</b>	<b>8,815</b>
Deferred borrowing	10,758	11,202	11,647	12,091
<b>Total external debt requirement</b>	<b>20,176</b>	<b>20,425</b>	<b>20,668</b>	<b>20,906</b>
<b><u>Capital Financing Requirement</u></b>				
CFR brought forward	18,275	20,176	20,425	20,668
Change during year	1,901	249	243	238
<b>CFR at end of year</b>	<b>20,176</b>	<b>20,425</b>	<b>20,668</b>	<b>20,906</b>
<b><u>Financing costs as a % of Revenues</u></b>				
Revenues (£'000)	41,843	42,478	43,515	44,569
Financing costs (£'000)	1,807	1,825	1,864	1,850
<b>Financing costs as a % of Revenues</b>	<b>4.32%</b>	<b>4.30%</b>	<b>4.28%</b>	<b>4.15%</b>
<b><u>Impact on Council Tax Levels of unsupported capital expenditure</u></b>				
Revenue costs (£'000)	906	963	1,100	1,238
Tax base	360,779.14	365,363.00	370,135.00	374,746.00
<b>Impact on Council Tax Levels of unsupported capital expenditure</b>	<b>£2.51</b>	<b>£2.64</b>	<b>£2.97</b>	<b>£3.30</b>
<b>Operational Boundary for external debt</b>	<b>20,176</b>	<b>20,425</b>	<b>20,668</b>	<b>20,906</b>
<b>Authorised Limit for external debt</b>	<b>21,176</b>	<b>21,425</b>	<b>21,668</b>	<b>21,906</b>
<b><u>Net external borrowing</u></b>				
Supported borrowing	4,598	3,611	2,754	2,032
Unsupported borrowing	2,402	3,389	4,246	4,968
Cash balances	(7,050)	(9,039)	(8,595)	(8,151)
<b>Net external borrowing</b>	<b>-50</b>	<b>-2,039</b>	<b>-1,595</b>	<b>-1,151</b>

3.20. Key points to note are:-

- **Capital Financing Requirement** – the level of borrowing and long term liabilities is estimated to gradually climb to a high of £20.9m in 2021/22.
- **The cost of financing debt** is currently estimated to remain fairly constant over the period at around £1.8m. The utilisation of part of the capital receipt from the disposal of the HQ site and the continuing delay in undertaking long term borrowing has meant that the cost of financing debt is lower than previously forecast. The target for debt as a percentage of revenues is 6% and it is estimated that the Fire Authority will remain within target during the period.

- **The level of prudential debt** - £7m of long term borrowing from PWLB was undertaken in March 2015. Deferred borrowing is anticipated to increase to over £12m by the end of 2021/22 giving an overall level of borrowing of around £21m.
- **Financing costs** are contained within the medium term revenue budget.
- **Appendix 2** contains further clarification of the indicators and their use.

### **Treasury Management**

- 3.21. To ensure effective treasury management, the Fire Authority develops and maintains:
- An Annual Strategy and Plan outlining expected treasury activity.
  - A Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities (see below).
  - Suitable treasury management practices, setting out the manner in which the Fire Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

### **Annual Treasury Management Strategy and Prudential Indicators**

- 3.22. The Fire Authority's strategy for the forthcoming 4 years is attached as **Appendix 1**. A key requirement of this report is to explain both the risks, and the management of the risks associated with the treasury function.
- 3.23. The Fire Authority has adopted the CIPFA publication *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* revised in 2017.
- 3.24. There are four key Treasury Management indicators which limited treasury activity. These are now included within the Strategy and Plan.
- 3.25. The key issues contained within the Strategy can be summarised as follows:
- **Interest Rate exposures** (paragraphs 52 and 53) – this is concerned with the balance between fixed and variable rate loans and the associated risk in interest changes.
  - **Maturity Structures** (paragraphs 52 and 53) – concerning the profile of loan repayment periods and associated risks of refinancing.
  - **Investment Objectives** (paragraph 25) – the prioritisation of key objectives i.e. return v risk v liquidity which provides the strategic direction.

- **Management of counterparty risk** (paragraphs 37- 50) - to minimise the risk of loss on investments.
- **Liquidity** (paragraphs 34) - to ensure adequate availability of funds to meet short term needs as they arise;
- **Return on investments** (paragraph 34) – to set out investment return targets and performance.

3.26. The Fire Authority has overall responsibility for the implementation and regular monitoring of its treasury management policies and practices. The responsibility for the execution and administration of these is delegated to the Treasurer. Monitoring of performance against targets will be reported to Members as part of the normal quarterly budget monitoring process.

### **Treasury Management Policy**

3.27. The Fire Authority is required to set out its Treasury Management Policy in a clear statement. As such the current policy can be summarised as follows.

3.28. The Fire Authority defines its treasury management activities as:

- The management of the Fire Authority's 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.

3.29. 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.

3.30. 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.

### **Treasury Management Practices**

3.31. The Treasury Management function is undertaken on behalf of the Fire Authority by Bristol City Council in conjunction with the Finance Team, under the terms of a Financial Services Contract. The current contract ends on 31 March 2018 but, following an Invitation to Tender exercise undertaken in 2017, the Fire Authority has awarded a new Financial Services contract to BCC with effect from 1 April 2018. The new contract is for the period of three years with an option to extend this for a further two years until March 2023.

## 4. **CONSIDERATIONS**

### 4.1. Contribution to Key Policy Priorities

There are no specific issues arising from the content of this report. As the details of any proposals for change are developed, such as for those included within the IRMP, due regard will be given to the potential impact on the organisation, its staff, and external agencies. The current and future forecasts set out above will need careful managing over the medium term.

### 4.2. Financial Implications

The financial impact of the capital programme for 2018 - 2022 has been included within the Revenue budget 2018/19 and MTFP and has been assessed to ensure that proposals are both affordable and sustainable.

### 4.3. Legal Implications

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.

### 4.4. Equality & Diversity Implications

The Capital Programme supports a range of equalities work and initiatives.

### 4.5. Corporate Risk Assessment

There are many risks associated with the Capital Programme, funding and financial impacts, and the Treasury Management activity. These are set out within the report. The risks are reduced by ensuring that:

- Options appraisals are undertaken for all significant capital projects to demonstrate value for money.
- Asset Management Plans and Policies are in place to demonstrate stewardship of the Fire Authority's assets.
- Strategic planning is undertaken to demonstrate objectives prioritisation.
- External borrowing implications are considered to demonstrate prudence.
- An achievable and realistic forward plan is in place .
- The impact on council tax is understood to demonstrate affordability.

### 4.6. Environmental/Sustainability Implications

The Capital Programme supports a range of environmental work and initiatives.

4.7. Health & Safety Implications

The Capital Programme supports a range of Health and Safety staff and initiatives.

4.8. Crime & Disorder Implications

None.

5. **BACKGROUND PAPERS**

Held within the Finance Department

6. **APPENDICES**

1. Treasury Management Strategy and Plan 2018-2022
2. Prudential Code Explanations

7. **REPORT CONTACT**

Martyn Wallberg, Interim Treasurer and Finance Manager, extension 266.

# **Avon Fire Authority**

## **TREASURY MANAGEMENT STRATEGY AND PLAN 2018/19 -2021/22**

# TREASURY MANAGEMENT STRATEGY AND PLAN

## INTRODUCTION

1. Treasury Management is defined as the management of the Fire 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.
2. In accordance with the terms of the Financial Services Contract elements of the Treasury Management Function is undertaken on behalf of the Avon Fire Authority by Bristol City Council under the guidance of the Treasurer. The current contract ends on 31 March 2018 but, following an Invitation to Tender exercise undertaken in 2017, the Fire Authority has awarded a new Financial Services contract to BCC with effect from 1 April 2018. The new contract is for the period of three years with an option to extend this for a further two years until March 2023.
3. Local Authorities treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). The Fire Authority has adopted the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes revised in 2017.
4. 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.
5. 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.

## EXECUTIVE SUMMARY

6. The key limits and indicators which are included within the Fire Authority's Treasury Management Strategy and Plan are summarised in the table below.

Key Treasury Management limits and indicators						Reference																																													
1	The Fire Authority has adopted the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes revised in 2017.					Para 3																																													
2	<p><b>Borrowing</b></p> <table border="1"> <thead> <tr> <th></th> <th>2017/18</th> <th>2018/19</th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> </tr> </thead> <tbody> <tr> <td></td> <td>Upper</td> <td>Upper</td> <td>Upper</td> <td>Upper</td> <td>Upper</td> </tr> <tr> <td>Limits on fixed</td> <td>100%</td> <td>100%</td> <td>100%</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Limits on variable</td> <td>30%</td> <td>30%</td> <td>30%</td> <td>30%</td> <td>30%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="3">Maturity Structure of fixed interest rate</th> </tr> <tr> <th></th> <th>Lower</th> <th>Upper</th> </tr> </thead> <tbody> <tr> <td>Under 12 months</td> <td>0%</td> <td>30%</td> </tr> <tr> <td>12 months to 2 years</td> <td>0%</td> <td>40%</td> </tr> <tr> <td>2 years to 5 years</td> <td>0%</td> <td>40%</td> </tr> <tr> <td>5 years to 10 years</td> <td>0%</td> <td>50%</td> </tr> <tr> <td>10 years and above</td> <td>25%</td> <td>100%</td> </tr> </tbody> </table>						2017/18	2018/19	2019/20	2020/21	2021/22		Upper	Upper	Upper	Upper	Upper	Limits on fixed	100%	100%	100%	100%	100%	Limits on variable	30%	30%	30%	30%	30%	Maturity Structure of fixed interest rate				Lower	Upper	Under 12 months	0%	30%	12 months to 2 years	0%	40%	2 years to 5 years	0%	40%	5 years to 10 years	0%	50%	10 years and above	25%	100%	Paras 52 & 53
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10 years and above	25%	100%																																																	
3	<p><b>Investments</b></p> <p>Key Objectives:</p> <ol style="list-style-type: none"> <li>i. Safeguarding the re-payment of the principal and interest of its investments on time</li> <li>ii. Liquidity – adequate cash resources, borrowing arrangements, overdraft or standby facilities are available, to achieve the Fire Authority's business/service objectives</li> <li>iii. The investment return</li> </ol> <p>The Fire Authority's over-riding risk consideration has always been that of counterparty security risk and this is even more relevant in the current economic investment climate.</p>					Para 25																																													

	<p>Counterparty risk</p> <table border="1" data-bbox="378 191 1226 898"> <thead> <tr> <th></th> <th>Rating</th> <th>Money Limit £m</th> <th>Time Limit</th> </tr> </thead> <tbody> <tr> <td>Banks 1 Higher Quality</td> <td>AAA</td> <td>£5m</td> <td>5 years</td> </tr> <tr> <td>Banks 1 Medium Quality</td> <td>AA-</td> <td>£2m</td> <td>3 years</td> </tr> <tr> <td>Banks 1 Lower Quality</td> <td>A-</td> <td>£1m</td> <td>1 Year</td> </tr> <tr> <td>Banks 2 – part nationalised</td> <td>n/a</td> <td>£15m</td> <td>1 Year</td> </tr> <tr> <td>Limit 3 Category – Bristol City Council's banker (not meetings bank1 / 2 )</td> <td>-</td> <td>£100k</td> <td>liquid</td> </tr> <tr> <td>Other Institutions limit*</td> <td></td> <td>£10m</td> <td>1 Year</td> </tr> <tr> <td>DMADF</td> <td>AAA</td> <td>unlimited</td> <td>1 year</td> </tr> <tr> <td>Local authorities</td> <td></td> <td>£10m</td> <td>5 years</td> </tr> <tr> <td>Money Market Funds (Including CNAV, LVNAV &amp; VNAV)</td> <td>AAA</td> <td>£10m</td> <td>liquid</td> </tr> </tbody> </table> <p>*The Other Institution Limit will be for Gilt and Supranational investments. These are all considered high quality names. No limit applies to investments with BCC.</p> <p>Liquidity</p> <p>Bank overdraft - £0.1m (this facility will only be utilised for short periods)</p> <p>Liquid short-term deposits of at least £1.5m available within a week.</p> <p>The Weighted Average Life benchmark is expected to be a minimum of a day with a maximum of 3 years.</p>		Rating	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	£15m	1 Year	Limit 3 Category – Bristol City Council's banker (not meetings bank1 / 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	<p>Paras 37-50</p> <p>Para 43</p> <p>Para 34</p>
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4	<p>Return on investments</p> <p>The Fire Authority's benchmark for return on investments is the 7 day LIBID rate</p>	<p>Para 35</p>																																								

## ECONOMIC FORECAST AND INTEREST RATE MOVEMENTS

7. Bristol City Council, the Fire Authority's Treasury Management advisors, in conjunction with their professional advisors have provided the following forecast:

The expected movement in interest rates are detailed the table below:

	<b>Bank</b>	<b>PWLB</b>			
	<b>Rate</b>	<b>5 year</b>	<b>10 year</b>	<b>25 year</b>	<b>50 year</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
31-Mar-18	0.50	1.60	2.20	2.90	2.60
31-Mar-19	0.75	1.80	2.50	3.10	2.90
31-Mar-20	1.00	2.10	2.70	3.40	3.20
31-Mar-21	1.25	2.30	3.00	3.60	3.40

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Counterparty risks appear to have eased but market sentiment remains changing and economic forecasts uncertain.
- Investment returns are likely to remain relatively low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year.
- The overall longer run trend is for gilt yields and PWLB rates to rise gently.
- The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this will be continually reviewed to avoid incurring higher borrowing costs in later times when the Fire Authority will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

Further commentary on economic outlook can be found in Annex 1b to this Appendix

## **BORROWING STRATEGY 2018/19 - 2021-22**

8. The current cash flow forecasts, which includes the anticipated capital receipt from the disposal of the HQ site, show that the Fire Authority will not have a borrowing requirement over the medium term financial plan (MTFP) period. However at this stage the estimated expenditure profile included in the proposed Capital Programme above does not include any expenditure to fund the investment in the three potential sites at Avonmouth, Bath and Weston. Once detailed proposals and costings have been approved by Members then the Capital Receipts Reserve will be utilised to fund this expenditure. This will impact on the net cash flow position and the net borrowing position will need to be reviewed.
9. At the end of 2017/18 it is estimated that the Fire Authority will have deferred borrowing of £8,700,000 and this will increase to £12,100,000 by the end of 2021/22. The most significant consideration from a treasury management perspective is the timing and duration of that borrowing. Should the financial environment change and borrowing is deemed advantageous the Fire Authority will seek to borrow long-term loans (25 year) below a target rate of 3.00% and short-term medium term (10–15 year) loans below a target rate of 2.50%.
10. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Fire Authority will take a cautious approach to its treasury strategy.
11. The Fire Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Fire Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.
12. Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
  - if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity 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

13. Any decisions will be reported to Members at the next available opportunity.

- Long-term and short term fixed interest rates are expected to rise modestly over the medium term. The Treasurer, 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 forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term.
- The option of postponing borrowing and running down investment balances strategy has been applied throughout 2017/18, and this approach will continue to be applied in future years until balances are reduced to adequate liquidity requirements unless it was felt that there was a significant risk of a sharp rise in interest rates. The level of prudential borrowing in future years will be largely dependent on the progress made on the investment in the three potential sites at Avonmouth, Bath and Weston, identified within the IRMP, and the level and timing of the capital receipt achieved from the disposal of the existing headquarters site.
- The Fire Authority's borrowing strategy will give consideration to new borrowing in the following ways:
  - The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking loans at long term rates which will be higher in future years;
  - PWLB loans for up to 10 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing, which will spread debt maturities away from a concentration in longer dated debt;
  - PWLB loans in excess of 10 years where rates are considered to be low and offer the Fire Authority the opportunity to lock into low value long-term finance;

- Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio;
- Long term borrowing from the Municipal Bond Agency if available and appropriate and rates are lower than those offered by the Public Works Loan Board (PWLB).
- Rates are expected to increase marginally during the year so the timing of new borrowing will be considered with the appropriate treasury management risks;

14. At this stage it is anticipated that there will be no new borrowing over the next four years. This will be dependent on the timing of the sale and associated capital receipt arising from the disposal of the existing headquarters site and the progress made on the investment in the three potential sites at Avonmouth, Bath and Weston. The position will continue to be closely monitored.

<b>New Borrowing Net of Repayments</b>				
	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
New Borrowing	0	0	0	0
Repayments	-1,556	-1,556	-1,556	-1,556
<b>Net New Borrowing</b>	<b>-1,556</b>	<b>-1,556</b>	<b>-1,556</b>	<b>-1,556</b>

15. **Temporary Borrowing** - The Fire Authority will seek to undertake temporary borrowing (less than one year) loans to cover day-to-day cashflow requirements as and when required. Such a decision will be based on the availability of and access to cash in deposit account(s) and money market funds (held with Bristol City Council) to cover the cashflow requirement, whilst also considering the most efficient method for the Fire Authority.
16. The Treasurer will be kept informed of any temporary loans outstanding by BCC. If required an interim temporary loans strategy will be developed by BCC and agreed by the Treasurer.
17. **Policy on Borrowing in Advance of Need** - The Fire Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. 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 Fire Authority can ensure the security of such funds.

18. In determining whether borrowing will be undertaken in advance of need the Fire Authority will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rates available, the most appropriate borrowing period and repayment profiles to use
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

19. 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 Fire Authority can ensure the security of such funds.

20. 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.

21. **Debt Rescheduling** - Prior to 2014/15 all long term borrowing was undertaken through BCC using a "Pool Rate" system. This allowed the Fire Authority to have a relatively stable long term interest rate structure and debt profile which would not otherwise have been easily achievable. Now that this relatively stable base has been achieved the Treasurer will determine the most suitable method of borrowing for all future borrowings in accordance with the established borrowing limits.

22. **Municipal Bond Agency** - It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Fire Authority intends to make use of this new source of borrowing as and when appropriate.

## **INVESTMENT STRATEGY - 2018/19 - 2021/22**

23. **Current Strategy 2017/18**- 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 effectively is at zero risk. Interest is then paid on these balances based on the 7 day LIBID rate which is currently 0.36%. In addition the Fire Authority strategy is to postpone additional new borrowings and fund the existing capital programme by utilising 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. Where the cashflow analysis identifies balances exceeding £1.5m for a period of more than 30 days the Treasurer will consider investing an amount in accordance with the limits set out in Annex B1 with UK financial institutions that meet BCC's recommended approved credit rating criteria as well as those institutions that have been part/semi/fully nationalised by the UK Government.

24. The Fire Authority's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

25. **Key Objectives** - The Fire Authority's investment strategy primary objectives are:

- i. Safeguarding the re-payment of the principal and interest of its investments on time;
- ii. Liquidity – adequate cash resources, borrowing arrangements, overdraft or standby facilities are available, to achieve the Fire Authority's business/service objectives.
- iii. The investment return

The Fire Authority's over-riding risk consideration has always been that of counterparty security risk and this is even more relevant in the current economic investment climate.

26. **Interest Rate Outlook** – Bank Rate is forecast to remain unchanged at 0.50% until quarter 4 of 2018 and not to rise above 1.25.% by quarter 1 of 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18      0.50%
- 2018/19      0.75%
- 2019/20      1.00%
- 2020/21      1.25%

27. The overall balance of risks to these forecasts is currently to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

28. The Fire Authority will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this Fire Authority.

29. The budget for interest on investments is as follows:

- 2018/19                      £86k
- 2019/20                      £69k
- 2020/21                      £21k
- 2021/22                      £22k

Note: The timing of the capital receipt from the disposal of the HQ site, progress made on the investment in the three potential sites at Avonmouth, Bath and Weston and any new borrowing will have a material impact on the above budgets and the Treasurer will monitor the position closely.

30. For its day to day cash flow generated balances, the Fire Authority will seek to invest all of these with Bristol City Council (BCC), the Fire Authority's Financial Services provider, which effectively is at zero risk. Where cash balances exceed £1.5m for more than 30 days surplus cash may be invested with a credit worthy financial institution that meets the Fire Authority's lending criteria in the form of long-dated fixed term deposits in order to benefit from the compounding of interest.

31. **Risk Benchmarking** –. Yield benchmarks are currently widely used to assess investment performance including discrete security and liquidity benchmarks.

32. These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that the Fire Authority will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with supporting reasons in the quarterly monitoring reports or Annual Report.

33. Security - The Fire Authority's maximum security risk benchmark for the current cash investments, when compared to these historic default tables, is:

- 0.00% Bristol City Council

In respect of the other financial institutions that meet Bristol City Council's approved credit rating criteria, BCC advise that their historic default table is:

- 0.00% (AAA rated) to 0.07% (A rated) historic risk of default when compared to the whole portfolio.

34. Liquidity – All cash balances are currently invested with BCC and are available on demand.

For liquidity and cash flow purposes the Fire Authority’s balances are aggregated with those of BCC and are managed by them on a day to day basis.

- Bank overdraft - £0.1m (this facility will only be utilised for short periods)
- Liquid short-term deposits of at least £1.5m available within a week.
- The Weighted Average Life benchmark is expected to be a minimum of a day with a maximum of 3 years.

The above limits will include the liquidity requirements for the Fire Authority.

35. Yield - Local measures of yield benchmarks are:

- Investments – 7 day LIBID rate
- Debt Borrowing – average rate of interest compared to 25 year PWLB rate.
- Debt – Average rate movement year on year.

36. The security benchmark used by BCC for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum Credit Risk	0.07%	0.19%	0.36%	0.55%	0.78%

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

As previously indicated the risk of default for the Fire Authority’s cash balance investments in BCC is effectively zero. The above benchmark would be applicable if the Fire Authority chose to revise its current investment strategy.

37. **Investment Counterparty Selection Criteria** - The primary principle governing the Fire Authority’s investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Fire Authority will ensure:

- 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.
- 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 Fire Authority's prudential indicators covering the maximum principal sums invested.

38. As part of the Treasury Management service BCC maintain a counterparty list in compliance with the following criteria. The criteria are monitored and will be revised if necessary and submitted to the Fire Authority for approval. The criteria are separate to that which chooses Specified and Non-Specified investments as it provides an overall pool of counterparties considered high quality that the Fire Authority may use rather than defining what its investments are.
39. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the agreed 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 minimum criteria, the other does not, that institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.
40. Credit rating information is supplied to BCC, by their treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list maintained by BCC. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to BCC's officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to a counterparty at the minimum approved criteria could result in that counterparty being suspended from use, with all others being reviewed in light of market conditions and the applicable action taken by BCC's treasury management team.
41. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:
  - Banks 1 - Good Credit Quality – BCC only use banks which:
    - i. Are UK banks;
    - ii. Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAAnd have, as a minimum, the following Fitch (or equivalent Moody's and Standard and Poors) credit ratings (where rated):
    - i. Short Term – *F1 (or equivalent)*
    - ii. Long Term – *A- (or equivalent)*
  - Banks 2 – Part nationalised UK banks –Royal Bank of Scotland (including subsidiaries). This bank can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.

- Banks 3 – BCC’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.
- Bank Subsidiary and Treasury Operations – BCC will use these where the parent bank has the necessary ratings outlined above.
- Building Societies – BCC will use all Societies which:
  - i. Meet the ratings for banks outlined above;
- Money market funds (CNAV Constant Net Asset Value) – AAA rated (*sterling*)
- Money Market Funds (LVAV Low Volatility Asset Value) – AAA rated (*sterling*)
- Money Market Funds (VNAV Variable Net Asset Value) – AAA rated (*sterling*)
- UK Government (including gilts and the DMADF)
- Local Authorities, Parish Councils etc.
- Supranational institutions

BCC apply a limit of £100m to the use of Non-Specified investments. The limit applied for the Fire Authority is £10m.

42. Country and sector considerations - Due care will be taken to consider the country, group and sector exposure of investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

- no more than 25% will be placed with any non-UK country at any time;
- limits in place above will apply to Group companies;
- Sector limits will be monitored regularly for appropriateness.

43. Use of additional information other than credit ratings – Additional requirements under the Code require the Authority to supplement credit rating information. Whilst the application of credit ratings provides the pool of appropriate counterparties, before making any specific investment decisions, BCC’s officers will also apply additional operational market information. 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 – Based upon the time and monetary limits set by BCC for institutions on their Counterparty List the time and monetary limits for the Fire Authority are as follows (these will cover

both Specified and Non-Specified Investments). The table illustrates the long-term credit ratings:

	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	£15m	1 Year
Limit 3 Category – Bristol City Council's banker (not meetings bank1 / 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 Institution Limit will be for Gilt and Supranational investments. These are all considered high quality names. No limit applies to investments with BCC.

44. The proposed criteria for Specified and Non-Specified investments are shown in Annex B1 for approval.
45. In the normal course of cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short-term investments.
46. The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Fire Authority's liquidity requirements are safeguarded. This will also be limited by the longer-term investment limits.
47. Economic Investment Considerations - Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.50% rising marginally over the medium term. The Fire Authority's investment and borrowing decisions are based on comparisons between the rises priced into market rates with those forecast by BCC and their advisers.
48. The Fire Authority will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set.
49. The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under exceptional market conditions the Director of Finance Assurance and Asset Management and

Treasurer 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.

50. The Fire Authority normally invests with BCC, who are considered to be zero risk, although investments have previously been made with a 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. The credit criteria have been amended to reflect these facilities, although under the current economic climate the returns from these alternatives may be less than that received from BCC.

### Sensitivity to Interest Rate Movements

51. The Fire Authority’s accounts are required to disclose the impact of risks on the Fire Authority’s treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. For investment income the decrease in interest rates would be to 0% as the current estimate is based upon the estimated 7 day LIBID rate of 0.50%. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

	2018/19 Estimated +1% £'000	2018/19 Estimated £'000	2018/19 Estimated -1% £'000
Interest on borrowing	221	221	221
Investment Income	-259	-86	0
<b>Net Interest Charge</b>	<b>-38</b>	<b>135</b>	<b>221</b>

### Treasury Management Limits on Activity

52. There are three debt related treasury activity limits. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure 30%– This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure 100%- Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Fire Authority’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

53. The relevant limits for the Fire Authority are:

<b>Interest rate exposures</b>				
	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
	Upper	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%	30%

<b>Maturity Structure of fixed interest rate borrowing 2018/19.</b>				
	Lower	Upper		
Under 12 months	0%	30%		
12 months to 2 years	0%	40%		
2 years to 5 years	0%	40%		
5 years to 10 years	0%	50%		
10 years and above	25%	100%		
<b>Maximum principal sums invested &gt; 364 days</b>				
Principal sums invested > 364 days	£10m	£10m	£10m	£10m

### Performance Indicators

54. The Code of Practice on Treasury Management requires the Fire Authority to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Debt – Borrowing - average rate of interest compared to 25 year PWLB rate
- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report.

### Treasury Management Advisers

55. The Fire Authority use BCC to carry out its treasury management function under the terms of a financial services contract. BCC use Link Asset Services as their treasury management consultants and they provide a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing (ad hoc basis);
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies;

56. Although BCC carry out the treasury management function on behalf of the Fire Authority, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Fire Authority. The performance of the services provided under the terms of the financial services contract is subject to regular review.

### **Member and Officer Training**

57. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. BCC has addressed this important issue by:

- a. Organising a Member training session on the basics of treasury management.
- b. Widening training opportunities offered through Bristol City Council's treasury management advisors to include Internal Audit staff involved in auditing the treasury management function and the Executive Member with the responsibility for treasury management.

### **The Treasury Management Role of the Section 112 Officer**

58. The Section 112 officer is responsible for:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;

- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

## **Local Issues**

59. Summary of Risk Management Procedures in Operation- the Fire Authority has adopted the Lowest Common Denominator (LCD) approach to its counterparty management. As a result all three credit rating agencies (Fitch, Moodys and Standard and Poors) are used to develop the list of approved counterparties.
60. BCC on behalf of the Fire Authority has and will continue to act upon rating watches that signal imminent or future rating changes. These notifications are issued automatically by BCC's treasury management advisors upon a credit rate change.
61. BCC has adopted the use of Credit Default Swap (CDS) prices and has incorporated such information into its lending list. The information is made available on its treasury management advisor's website on a daily basis. Due to the fact that CDS are tradeable derivative instruments, caution should be used when interpreting the prices as these can be influenced by the supply and demand of market participants.
62. Good practice, knowledge, experience and information are shared with the Core Cities Treasury Management Group, as well as with the Ex-Avon Authorities Treasury Management Group with both Groups meeting on a regular basis.
63. Member Reporting- The Treasury Management Code of Practice requires reports to be submitted to members as follows:
- a. Annual Strategy (including Investment Strategy)
  - b. Mid year report
  - c. Annual report
  - d. Additional reporting (for scrutiny purposes)
  - e. Treasury management indicators (previously included within the Prudential Code Indicators)
64. The Fire Authority will meet the requirements of the above reporting by implementing the table below:

Reports	Reporting date
Annual Strategy	February \ March
Quarterly budget monitoring reports	September, December and March
Annual Report (for previous financial year)	July
Treasury Management Prudential Indicators	Quarterly as part of budget monitoring reports
Treasury Management Monitor	Quarterly as part of budget monitoring reports

**Nominated Scrutiny Committee For Treasury Management Decisions**

65. The General Purposes Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies

**Ethical Investment Policy**

66. At present the Fire Authority does not have an Ethical Investment Policy on the grounds that it would not be workable and there is no requirement to have such a policy. Bristol City Council Cabinet approved BCC's policy on the 15<sup>th</sup> December 2011(updated 2015), and consideration will be given to this policy when making investment decisions.

## Treasury Management Practice (TMP) 1 (5) – Credit and Counterparty Risk

### Management

The CLG issued Investment Guidance in 2018, and this forms the structure of the Fire Authority's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the guidance is to maintain the current requirement for local authorities to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Fire Authority to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Fire Authority has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Treasurer has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

**Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Fire Authority will use. These are high security (i.e. high credit rating, although this is defined by the Fire Authority, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Fire Authority is:

**Strategy Guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

**Specified Investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Fire Authority has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment

income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds (including CNAV, LVNAV, and VNAV Money Market Funds), rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society) For this category this covers bodies with a minimum short term rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

**Time and Monetary Limits applying to Investments** - The time and monetary limits for institutions on the Fire Authority's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments). The table illustrates the long-term credit ratings:

	Fitch (or equivalent)	Money Limit £m	Time Limit
Banks1 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	£15m	1 year
Limit 3 Category – Council's banker (not meetings bank1 / 2 )	-	£100k	liquid
Other Institutions limit*		£10m	1 Year
DMADF	AAA	unlimited	1 year
Local authorities		£10m	5 years
Money Market Funds (MMF's) including CNAV, LVNAV & VNAV	AAA	£10m	liquid

\*The Other Institution Limit will be for Gilt and Supranational investments. These are all considered high quality names. No limit applies to investments with BCC.

**Non-Specified Investments** – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments is limited to an overall exposure of £10m and would include any sterling investments with:

	<b>Non Specified Investment Category</b>	<b>Limit</b>
a.	<p><b>Supranational Bonds greater than 1 year to maturity</b></p> <p><b>(a) Multilateral development bank bonds</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p><b>(b) A financial institution that is guaranteed by the United Kingdom Government</b> (e.g. The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>AAA long term ratings</p> <p>£10m</p> <p>£10m</p>
b.	<p><b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	£10m
c.	<p>The Fire Authority's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	Subject to satisfying the Fire Authority's minimum credit rating criteria
d.	<p>Any <b>bank or building society</b> that has a minimum long-term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>	£1m

**The Monitoring of Investment Counterparties** - The credit rating of counterparties will be monitored regularly. BCC receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by BCC, and if required new counterparties which meet the criteria will be added to the list.

### Economic Background / Interest Rate forecast

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB view	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB view	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The forecast set out above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Federal Reserve has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Federal Reserve has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Federal Reserve causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Federal Reserve Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

**PRUDENTIAL INDICATOR EXPLANATIONS**

**CAPITAL FINANCING REQUIREMENT**

The Prudential Code requires that estimates of the capital financing requirement should be produced – the balance between use of capital receipts, borrowing and revenue resources.

The starting point for these calculations is the aggregation of certain figures in the latest balance sheet, in this case 31st March 2017. This figure is then affected each year in the following way:

- It increases as capital expenditure is incurred
- It is reduced to the extent that expenditure is financed by government grants, capital receipts, direct revenue funding and use of external contributions
- It is reduced by the statutory charge to revenue (Minimum Revenue Provision) and by any additional voluntary charge to revenue.

Details of planned capital expenditure is included within the capital programme 2018-2022 and this together with the details of how this will be funded form the basis of projecting the estimated Capital Financing Requirement.

**AFFORDABILITY AND IMPACT**

The code requires the Authority to consider the affordability and impact of its capital investment and option appraisal decisions. The two measures required by the code are the ratio of financing cost to revenues and the impact of unsupported capital expenditure.

In the first of these measures, the ratio of financing costs to revenues, the constituent elements of the ratio are as follows:

- Financing Costs refer mainly to:
  - Interest payable on external borrowing and other long-term liabilities.
  - The Minimum Revenue provision and any voluntary contributions
  - Investment income
- Net revenue refers to:
  - The amount budgeted to be met from Government grants and Council Tax payers.

The second of these measures requires the Authority to consider the incremental impact on Council Tax levels of unsupported capital expenditure.

Regulations have been introduced which effectively mean that IFRS adjustments will not impact on Council Tax levels.

## **AUTHORISED LIMIT AND OPERATIONAL BOUNDARY FOR EXTERNAL DEBT**

The code also requires the Authority 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 and the operational boundary. 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.

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.

The Authorised Limit provides headroom over and above the operational boundary to allow for unusual cash movements. It is therefore recommended that the Authorised Limit allows for a £1 million variation (approximately 5%) on the operational boundary to allow for such headroom.

## **NET EXTERNAL BORROWING**

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 the decision was taken to delay new borrowing by using available internal funding. Dependent upon the timing and level of the expected capital receipt from the disposal of the HQ site together with the timing of the proposed investment in Avonmouth, Bath and Weston Fire Stations is estimated that no further borrowing will be required in 2018/19 to 2021/22. This will be closely monitored, and is reflected in the details of the Authority's net external borrowing shown.

## **REPAYMENT OF DEBT – MINIMUM REVENUE PROVISION (MRP) POLICY**

The Authority is required by regulations, issued under the provisions of the Prudential Code, to make "prudent provision" for the redemption of debt. Whilst the term "prudent provision" is not defined in the regulations separate guidance has been issued on the interpretation of this term and the Authority has a legal obligation to comply with this.

For supported borrowing and unsupported borrowing incurred prior to the 1 April 2008, the MRP will be calculated using the regulatory method as permitted under the guidance. The amount required to be set aside under this method is 4% of the Authority's Capital Financing Requirement.

In respect of unsupported borrowing incurred after the 1 April 2008, the debt will be repaid in equal annual instalments over the life of the class of assets that it is being utilised to fund. The balance of outstanding unsupported borrowing taken after 1 April 2008 will be deducted from the Authority's Capital Financing Requirement to allow the Minimum Revenue Provision of 4% to be calculated. The repayment of unsupported borrowing based on the life of the assets will then be added to this figure to arrive at the total MRP amount required to be set aside for the repayment of debt each year.