

Due to the current heightened security level at all our premises, Members are reminded to wear their identity badges whilst attending meetings. Any visitors must produce photographic identification at Reception.

FIRE & RESCUE AUTHORITY SUMMONS

SOUTH WALES FIRE & RESCUE AUTHORITY

You are required to attend a meeting of the South Wales Fire & Rescue Authority to be held at **South Wales Fire & Rescue Service Headquarters, Forest View Business Park, Llantrisant, CF72 8LX** on **Monday, 16 September 2019 at 0900 hours**.

A G E N D A

1. Apologies for Absence

2. Declarations of Interest

Members of the Fire & Rescue Authority are reminded of their personal responsibility to declare both orally and in writing any personal and/or prejudicial interest in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.

3. Chairperson's Announcements

4. To receive the minutes of;

- Finance, Audit & Performance Management Committee on 10 June 2019 5
- Fire & Rescue Authority on 29 July 2019 7

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Signature of Proper Officer:

A handwritten signature in black ink, appearing to read 'Clayton', written in a cursive style.

MEMBERSHIP

Councillors:

D	Ali	Cardiff
S	Bradwick	Rhondda Cynon Taff
L	Brown	Monmouthshire
K	Critchley	Newport
D T	Davies	Caerphilly
L	Davies	Merthyr Tydfil
P	Drake	Vale of Glamorgan
S	Ebrahim	Cardiff
C	Elsbury	Caerphilly
S	Evans	Torfaen
J	Gauden	Torfaen
J	Harries	Rhondda Cynon Taff
J	Holt	Blaenau Gwent
A	Hussey	Caerphilly
H	Jarvie	Vale of Glamorgan
A	Lister	Cardiff
D	Naughton	Cardiff
S	Pickering	Rhondda Cynon Taff
A	Roberts	Rhondda Cynon Taff
R	Shaw	Bridgend
V	Smith	Monmouthshire
H	Thomas	Newport
D	White	Bridgend
J	Williams	Cardiff

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SOUTH WALES FIRE & RESCUE SERVICE

MINUTES OF THE FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE MEETING HELD ON MONDAY, 10 JUNE 2019 AT SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS

01. PRESENT

Councillor

Left

S Evans (Chair)

P Drake

V Smith

J Holt

A Hussey

D White

S Ebrahim

J Harries

M Colbran

Torfaen

Vale of Glamorgan

Monmouthshire

Blaenau Gwent

Caerphilly

Bridgend

Cardiff

Cardiff

Merthyr Tydfil

APOLOGIES

K Critchley

Newport

OFFICERS PRESENT: Mrs S Chapman – Monitoring Officer, Mr G Thomas – Head of Finance & Procurement; Mrs S Watkins - Deputy Monitoring Officer; Mr D Rose - ACFO, Service Delivery, Mrs L Mullan, Senior Accountant

02. DECLARATIONS OF INTEREST

All Members declared a personal non-prejudicial interest in each agenda item that affected their Authority.

03. CHAIR'S ANNOUNCEMENTS

There were no announcements from the Chair.

04. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 8 April 2019 were received and accepted as a true record of proceedings.

05. STATEMENT OF ACCOUNTS 2018-19

The Head of Finance and Procurement presented the Statement of Accounts for 2018-19, and gave an overview of the contents.

He advised that completion and approval of the Statement of Accounts is earlier than previous years, and that completion was required by 31 May 2019, with approval by the Fire and Rescue Authority required by the end of July. He advised that the Statement of Accounts are currently undergoing a full audit, the fully audited version will be presented to the fire and Rescue Authority at its meeting taking place Monday 29 July 2019.

He thanked the Senior Accountant and her team for all their hard work in ensuring the Authority met the deadline of 31 May.

RESOLVED THAT

- 5.1 Members note the Statement of Accounts for 2018/19; and
- 5.2 the Treasurer be given authority to make any necessary amendments that may be required as a consequence of the audit process.

06. FORWARD WORK PROGRAMME

The Monitoring Officer requested that Members consider the draft Forward Work Programme for 2019/20, for discussion at the next meeting.

RESOLVED THAT

Members noted the draft Forward Work Programme for 2019/20 and agreed to consider in more detail at the next meeting.

07. TO CONSIDER ANY ITEMS OF BUSINESS THAT THE CHAIRMAN DEEMS URGENT (PART 1 OR 2)

There were no items of urgent business for Members to consider.

SOUTH WALES FIRE & RESCUE AUTHORITY
MINUTES OF THE FIRE & RESCUE AUTHORITY MEETING
HELD ON MONDAY 29 JULY 2019 AT
SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS

13. PRESENT:

Councillor	Left	Authority
D T Davies (Chair)		Caerphilly
S Bradwick (Deputy Chair)		Rhondda Cynon Taff
D Ali		Cardiff
L Brown		Monmouthshire
M Colbran		Merthyr Tydfil
P Drake		Vale of Glamorgan
S Ebrahim		Cardiff
C Elsbury		Caerphilly
S Evans		Torfaen
J Gauden		Torfaen
J Harries		Rhondda Cynon Taff
J Holt		Blaenau Gwent
A Hussey		Caerphilly
H Jarvie		Vale of Glamorgan
A Lister		Cardiff
D Naughton		Cardiff
S Pickering		Rhondda Cynon Taff
A Roberts		Rhondda Cynon Taff
R Shaw		Bridgend
H Thomas		Newport
J Williams		Cardiff

APOLOGIES:

K Critchley	Newport
V Smith	Monmouthshire
D White	Bridgend

ABSENT:

OFFICERS PRESENT:- CFO H Jakeway, DCO S Chapman – Monitoring Officer, ACFO D Rose – Director of Service Delivery, ACFO R Prendergast – Director of Technical Services, Ms A Reed – Director of People Services, Mr C Barton – Treasurer, Ms S Watkins – Deputy Monitoring Officer, Ms A Butler – Wales Audit Officer

The Chair extended a warm welcome to Ms A Butler who was representing the Wales Audit Office.

14. DECLARATIONS OF INTEREST

Each Member declared a personal non-prejudicial interest in each agenda item which affected their Authority.

15. CHAIR'S ANNOUNCEMENTS

MEMBERS ABSENT DUE TO SICKNESS

The Chair informed Members that unfortunately Councillors Critchley and Smith were both unwell, and were currently recovering at home. He confirmed that on behalf of Members and Officers he had sent a letter and Get Well card wishing them both a speedy recovery.

MEETING WITH MINISTER

The Chair advised Members that he had recently attended a meeting with the Minister and he was disappointed to report that the stance by the Minister regarding the consultation to the White Paper was identical to the previous Minister. It had been decided, therefore, that the Fire Authority would wait for the publication of all of the responses to the consultation in full before determining a response which would be evidence based.

ROYAL VISIT TO JOINT FIRE CONTROL

The Chair was pleased to inform Members that it had been a pleasure to represent the Fire & Rescue Authority at South Wales Police Headquarters, where he met His Royal Highness the Prince of Wales on the Royal Visit to Joint Fire Control.

PASS OUT PARADE

The Chair took the opportunity to thank all Members who attended the recent Pass Out Parade for 20 Wholetime recruits, at the Service's Training & Development Centre. He also thanked Councillor Joel Williams for providing the opening address at the ceremony on behalf of the Chair and the Deputy Chair, who were both unavailable to attend.

CADET AND STAFF PRESENTATION EVENINGS

The Chair informed Members that he had attended a number of presentation evenings for the Fire Cadets. He confirmed it was very pleasing to see the younger generations embracing the opportunities of the Fire Cadet Programme, which would hopefully assist in diversifying the Service's recruitment and staffing profile.

The Chair also reported that he had attended a very successful staff Presentation Evening at the beginning of July. The event highlighted some of the outstanding work being achieved by staff for the benefit of the communities they served. The date would be circulated shortly for next year's event, and he encouraged Members to diarise the date as soon as possible.

STATION 20

The Chair reminded Members that the first of three episodes following Station 20, Barry, was aired recently, and the second episode was being aired this evening. The programme followed Station personnel as they attended incidents within their community, and highlighted the breadth of work undertaken. The Chair was pleased to report that feedback on the programme had been very positive.

MEMBER SALARIES

The Chair advised Members that their recent pay had not been adjusted to take account of the Independent Remuneration Panels uplift from the date of the Annual General Meeting. He assured Members that this would be rectified in next month's payment.

MEMBER TRAINING

The Chair advised Members that a 'Member Training Session' would be arranged for after the summer holiday period for all Members of the Fire & Rescue Authority. All Members would be expected to attend the training which would cover an overview of the responsibilities of the Authority, and how it currently discharged those responsibilities through the Service.

EMERGENCY SERVICES WEEKEND

The Chair informed Members that following on from the success of the UK Organisation Championships held in Cardiff in 2018, it had been agreed to organise a combined Emergency Services weekend which would be held in Cardiff Bay on 21 and 22 September, 2019. On Saturday, 21 September, there would be a family engagement and activities event, and on Sunday, 22 September there would be a family fun run in aid of the Stephen Siller Foundation and the Firefighters Charity. All ages were welcome to run, jog or leisurely walk the 5km route.

PLASTIC DRINKING BOTTLES

The Chair advised Members that in order to save costs and reduce our impact on the environment on continually replacing disposable plastic water cups, plastic drinking bottles were now available.

FATALITY IN TORFAEN

Councillor Stephen Evans took the opportunity to thank all the operational personnel who attended the recent fatal incident in the Torfaen area. He wished to thank staff for their professionalism and for providing local Members with regular updates and information throughout the incident.

16. MINUTES OF PREVIOUS MEETINGS

The following minutes were received and accepted as a true record of proceedings:-

- Local Pension Board Committee meeting held on 21 January, 2019

- HR & Equalities Committee meeting held on 18 February, 2019
- Fire & Rescue Authority meeting held on 29 April, 2019
- Annual General meeting held on 10 June, 2019
- Finance, Audit & Performance Management meeting held on 8 April, 2019

17. UPDATE ON ACTIONS

For the benefit of new Members, the Deputy Chief Officer provided a brief overview and update on each of the following outstanding actions, which included minute numbers:- 17/18-55.4, 18/19-28.1, 19/19-54.1 and 18/19-54.2.

18. REPORTS FOR DECISION

18.1 REPORT ON DRAFT PROPOSED STRATEGIC THEMES AND OBJECTIVES 2020/2021

The Deputy Chief Officer presented a report which updated Members on the pre-consultation and engagement that was conducted with the Service's stakeholder panel, staff, and key partners, and to approve the draft proposed objectives for 2020/2021 and long term Strategic Themes for publication in the Service's Annual Improvement Plan Stage 2 for formal consultation.

RESOLVED THAT

- 18.1.1 Following a question and answer session on the possibility of reducing the number of objectives, Members agreed to note the contents of the report on the pre-consultation and engagement undertaken to shape the Service's Strategic Themes and Objectives.
- 18.1.2 Members agreed to approve the proposed draft Strategic Themes and Objectives for engagement events and publication in the 'Consultation Document' – Stage 2 of the Annual Improvement Plan on the

South Wales Fire & Rescue Service internet site by 31 October, 2019.

- 18.1.3 Members agreed to approve delegations to the Deputy Chief Officer and Head of Corporate Support to review and refine the draft Strategic Themes and Objectives as necessary for the public consultation.
- 18.1.4 With reference to increasing the number of Fire Cadet Branches within local city areas, the Chief Fire Officer agreed to send Members further detailed information on the Fire Cadet Programme.

18.2 REFURBISHMENT OF PONTYCLUN

The ACO People Services informed Members that the £150,000 refurbishment budget for the Occupational Health Unit to occupy Pontyclun for a limited period of two years had changed. The Occupational Health Unit would now occupy Pontyclun for a minimum of seven plus years. The refurbishment brief was amended to reflect the extended occupation period, and the cost of the refurbishment had increased to £250,000.

RESOLVED THAT

Following consideration, and a question and answer session on costs and the potential for collaboration in the future, Members agreed to approve the increase in the Capital Programme to refurbish Pontyclun from £150,000 to £250,000.

19. REPORTS FOR INFORMATION

19.1 STRATEGIC RISK REGISTER REPORT – HEALTH CHECK 2018-19 QUARTER 4

The Deputy Chief Officer presented to Members the Strategic Risk Register Report Health Check 2018-2019 Quarter 4.

RESOLVED THAT

Members agreed to note the information contained within the report on the Strategic Risk Register Report – Health Check 2018-2019 Quarter 4.

19.2 WALES AUDIT OFFICE ANNUAL IMPROVEMENT REPORT 2018/2019

The Deputy Chief Officer informed Members that the presented report concluded the Wales Audit Office review of the Authority's delivery and evaluation of services in relation to 2018/2019, and whether it believed that the Authority was likely to make arrangements to secure continuous improvement for 2019/2020.

RESOLVED THAT

Following a question and answer session on the cost of the Wales Audit Office fees, Members agreed to accept the Wales Audit Office Annual Improvement Report 2018/2019 for the Authority.

The Chair also took the opportunity to thank staff for all their hard work in completing the Wales Audit Office reviews on behalf of the Fire & Rescue Authority.

19.3. BUSINESS PLAN ACTIONS REPORT – HEALTH CHECK 2018-2019 QUARTER 4

The Deputy Chief Officer presented to Members the Business Plan Actions Report – Health Check 2018-2019 Quarter 4.

RESOLVED THAT

19.3.1 Following a question and answer session and discussion on implementing an electrical vehicle infrastructure within the Service, Members agreed to note the information contained within the report on the Business Plan Actions - Health Check 2018-2019 Quarter 4.

19.3.2 Officers agreed to send Members a copy of the stats which applied to each of their respective Unitary Authorities.

19.4 WELSH LANGUAGE STANDARDS UPDATE – JULY 2019

The ACO People Services presented a report which provided Members with an overview of the current position with regard to meeting the legal requirements contained within the Welsh Language Standards Compliance Notice issued to the Authority by the Welsh Language Commissioner on 30 September, 2016.

RESOLVED THAT

- 19.4.1 Members agreed to note the information contained within the report.
- 19.4.2 Following lengthy debate, Officers agreed to provide Members with the arbitrary costs for the Service on the provision of Welsh Language Standards.

19.5 OPERATION ATEGOL

The ACFO Technical Services informed Members that pay and the Conditions of Service for Grey Book staff was determined by the National Joint Council. Despite a pay rise being due on 1 July, no agreement had yet been reached. The Fire Brigades Union had indicated that due to this they were preparing for a trade dispute.

The Civil Contingencies Act 2004 established a range of duties for specified 'Category 1 responders'. These included the duty of Fire & Rescue Authorities to assess, plan and prepare for impacts that may affect the business continuity of service delivery. One such foreseeable business continuity event was the loss of staff. 'Operation Ategol' was the Service's plan to respond to Industrial Action.

RESOLVED THAT

- 19.5.1 Members agreed to note the content of the report and the principles of the plan for loss of staff.
- 19.5.2 Members also agreed to note the update from the Chair and the Chief Fire Officer confirming that on 1 July, 2019, no offer had been received from Employees regarding an increase in the 'Cost of Living' award.

19.6. STATEMENT OF ACCOUNTS 2018/2019

The Treasurer and Wales Audit Officer informed Members that the Appointed Auditor was required to give an opinion on the financial statements for the year ended 31 March, 2019. The presented report considered the statutory ISA260 report, the final statement of accounts, and the letter of representation.

As the audit continued to the end of July, the documents were circulated to Members electronically prior to the Fire Authority meeting, and hard copies were available prior to the meeting.

The Treasurer also requested the delegation of those tasks to the Finance, Audit & Performance Management Committee in future.

It was noted that the report was for Members decision and not for information as detailed on the agenda.

RESOLVED THAT

- 19.6.1 Members agreed to receive the ISA260 report of the Appointed Auditor, and noted the letter of representation contained therein (provided electronically).
- 19.6.2 Members agreed to note the audited Statement of Accounts provided electronically and in hard copy at the meeting.
- 19.6.3 Members agreed the delegation of the approval of the Statement of Accounts and associated reports to the Finance, Audit & Performance Management Committee for future years.

The Chair, Treasurer, and Wales Audit Officer took the opportunity to thank all members of the Finance team for their efforts in meeting the tight timescales and deadline, and finalising the Statement of Accounts by 31 May 2019.

19.7 FORWARD WORK PROGRAMME

For the benefit of new Members, the Deputy Chief Officer provided a brief overview of the Forward Work Programme for 2019/2020.

RESOLVED THAT

Members agreed to note the Forward Work Programme for 2019/2020.

20. TO CONSIDER ANY ITEMS OF BUSINESS THAT THE CHAIR DEEMS URGENT (PART 1 OR 2)

There were no items of business that the Chair deemed urgent.

The Chair closed the meeting by wishing Members and Officers an enjoyable summer holiday period.

AGENDA ITEM NO 5

UPDATE ON OUTSTANDING ISSUES ARISING FROM PREVIOUS FIRE & RESCUE AUTHORITY MEETINGS

Sally Chapman – DCO
Huw Jakeway – CFO
Dewi Rose – ACFO SD

Chris Barton – Treasurer
Alison Reed – ACO PS
Richie Prendergast – ACFO TS

Minute No	Item	Action	Leading Officer	Current Status:
17/18 – 55.4	Land Adjoining Llantwit Major Fire Station	Dispose of the land at Llantwit Major Fire Station identified as surplus to requirements.	DCO	The sale has now completed. COMPLETED
18/19 – 28.1	Restructure to Meet Future Challenges and Demands	Implement new structure as agreed.	ELT	The vast majority of posts have now been filled, with some knock-on vacancies now being advertised
18/19 – 54.1	Schedule of Member Remuneration 2019/20	Submit the Member Schedule of Remuneration 2019/20 to the Independent Remuneration Panel and arrange for publication on the FRA website	DCO	COMPLETED
18/19 – 54.2	Fire Cover Review 2014 Update	BRIDGEND <ul style="list-style-type: none"> Officers to explore the possibility of a combined emergency service station in Porthcawl if there is a desire from the Police and Welsh Ambulance Service NHS Trust. 	ACFO SD	The opportunity is continuing to be explored through the Joint Emergency Services' Estates Group.

Minute No	Item	Action	Leading Officer	Current Status:
		RHONDDA CYNON TAF <ul style="list-style-type: none"> That officers pursue the refurbishment of the existing Pontypridd station in line with the Service's property strategy. 		Plans and specifications are being prepared for the tender process, with construction due to commence later this year, 2019.
19/20 – 18.1.2	Draft Proposed Strategic Themes and Objectives 2020/21	Publish the draft Strategic Themes and Objectives in the Annual Improvement Plan - Stage 2 on the Service's website.	DCO	The Plan will be published on 31 October 2019.
19/20 – 18.1.4	Draft Proposed Strategic Themes and Objectives 2020/21 – Fire Cadet Branches	Provide Members with detailed information on the Fire Cadet Programme.	ACFO SD	An information pack is being prepared and will be forwarded to Members by the end of August.
19/20 – 19.3.2	Business Plan Actions – Health Check 2018/19 Quarter 4	Provide Members with a copy of their respective Unitary Authority stats.	DCO	COMPLETED
19/20 – 19.4.2	Welsh Language Standards Update	Provide Members with a report of the arbitrary costs to the Service on the provision of Welsh Language Standards	DCO	A report will be submitted to the Fire Authority on 16 December 2019.

AGENDA ITEM NO 6

Reports for Decision

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**MEDIUM TERM FINANCIAL STRATEGY (MTFS), RESERVE STRATEGY
AND BUDGET UPDATE**

SUMMARY

The report includes an update of the Medium-Term Financial Strategy and Reserve Strategy of the Authority together with an update on the Revenue Budget for 2020/21.

RECOMMENDATION

That the Fire & Rescue Authority agrees the report content as the basis of its financial planning framework.

1. BACKGROUND

- 1.1 The Authority operates a Medium-Term Financial Strategy (MTFS) which provides a backdrop to the planning of resource allocation and spending. This report updates the current MTFS (Appendix 1) and Reserves Strategy and discusses the immediate challenges facing the Authority in setting its budget for next financial year and any planning assumptions into the next decade.
- 1.2 The Finance, Audit & Performance Management Committee (FAPM) received a report on the key points within the MTFS at its meeting of 9 September 2019.

2. ISSUES

- 2.1 For over a decade now, the public sector has been subject to the Government's austerity agenda and despite recent signals that the situation is easing, settlements and resources for local government in particular have remained very tight. The MTFS includes historical data on spending and budget reductions within the Service throughout this period.
- 2.2 Brexit continues to dominate the political agenda and the uncertainty this has created in terms of economic forecasts has resulted in short term settlements being the order of the day. No firm forward financial plans have been released by central government whether nationally or regionally. The recent announcement that there would be no real UK Spending Review of any significance allows us to draw a conclusion that little will change in terms of the pattern of funding for next year.
- 2.3 Planning for fire services in Wales is further compromised by the ongoing review of governance and funding being undertaken by Welsh Government. Until this review has concluded, the number and structure

of Fire Authorities in the future is uncertain as is the method of funding the services they provide.

- 2.4 The MTFs attached at Appendix 1, identifies the operational context in which the financial management of the Authority takes place currently and sets out the challenges, risks and responses which are relevant in the short to medium term where this is possible.
- 2.5 The MTFs can only plan on the basis of knowns and accordingly, no attempt has been made to forward project further until the outcome of the governance and funding review is known. If that review significantly changes the constitution and / or funding of Fire Authorities, an update of the MTFs will be required.

3 LOCAL GOVERNMENT SETTLEMENT 2020/21

- 3.1 There was no indicative level given for the 2020/21 local government settlement. In the current financial year, Welsh Government heavily skewed additional resources towards the health sector in Wales and accordingly, local authorities were again provided with a reduced real terms settlement. Councils responded with further cuts to services and increases in Council Tax which now accounts for around one quarter of their net spending.
- 3.2 In previous years, the Fire Authority has been informed of the consistent pattern of increases in local taxation which assists in budget setting for Council Services which includes fire and rescue services. Council tax yield has typically increased by an average of around between 4% and 5%.

4 SPECIFIC BUDGET PLANNING CONSIDERATIONS

- 4.1 The Fire Authority approved a revised staffing structure in September 2018 and this now forms the basis of the revenue budget.
- 4.2 In terms of the employee budget of the Authority, pay inflation is the biggest single factor at play. There is ongoing dialogue with representative bodies for grey book (uniformed) staff and whilst there is likely to be a continued commitment to an underlying inflationary pay increase (2% in 2019/20), the pay and conditions and the widening role of the firefighter remain unresolved.
- 4.3 In terms of 2020/21 inflationary pressures, the most significant is likely to be pay awards. 2% seems to have become the norm for public sector now following a large number of years with zero or 1% increases. The

impact of a 2% award is around £1.0m per annum for both grey and green book staff.

- 4.4 Prior to setting the 2019/20 budget, the Fire Authority were kept abreast of the ongoing Firefighters Pension Fund Revaluation. At the time of setting the budget, the Authority had not received confirmation of grant funding to meet the proposed substantial increases in employer pension costs arising from changes imposed by HM Treasury. Following the budget setting meeting, Welsh Government confirmed over £3m of specific grant funding. Since that funding was announced, it has transpired that the increased costs likely to fall on the Fire Authority are approximately £0.7m higher and this is now a matter of ongoing management and discussion with Welsh Government.
- 4.5 In terms of future budgets, these increased pension costs are permanent and the sustainability of the Fire Authority's revenue budget is therefore dependant on Welsh Government continuing to meet them, in full. Failure to do so could add around £3.8m to the revenue budget representing an increase to the contributions budget of around 5%.
- 4.6 The recent legal cases which the Government lost in respect of the tapering arrangements for the firefighters' pension schemes will also have an impact on costs at some future date. The degree and timing of the impact will not become apparent until a solution is agreed. The MTFs does not attempt to quantify this outcome until the situation becomes clearer.
- 4.7 Generally, the Authority has not added inflationary increases to non-staff budgets for a number of years and it is likely that this tack will again be necessary to constrain spending. Such increases have been dealt with through general efficiency savings measures in previous years by reducing activity at the margins as a cost avoidance measure. As each year passes, the scope to continue this type of efficiency activity reduces. The Service has made initial assessments of other spending pressures within the budget including capital financing, property maintenance, energy costs, business rates, ICT, transport and supplies costs.
- 4.8 Based on the first review of pressures within the revenue budget, the contribution budget for 2020/21 could increase as follows:-

+8.7%	With no pension grant from Welsh Government
+4.5%	With pension grant per current year
+3.4%	With pension grant increased to cover full costs

- 4.9 As usual, work will continue to identify potential savings to offset any upward pressure wherever possible.

5. BUDGET TIMETABLE

- 5.1 The Authority has in recent years sought to set its revenue budget requirement at the December meeting of the Fire & Rescue Authority with a consultation period prior to that meeting. This was seen as advantageous to the constituent councils in terms of their budget planning cycles.
- 5.2 Last year, there were a number of factors which conspired against the Authority not least of which was the pension funding question. It may again be necessary to defer this decision until the February meeting.
- 5.3 Welsh Government usually sets its budget in early October with draft local government settlements available in October however, it is uncertain what the 'short' spending review process being undertaken in Westminster will do to this timeframe or indeed the looming 31st October Brexit deadline.
- 5.4 It is therefore appropriate for the Fire & Rescue Authority to review its budget setting timetable for 2020/21.
- 5.5 In order to work towards this approval, the following meetings will consider relevant information.

Date	Meeting	Consideration
9 Sep 2019	FAPM Committee	MTFS and Reserves Strategy
16 Sep 2019	Fire & Rescue Authority	This meeting
7 Oct 2019	FAPM Scrutiny	Revenue Budget Preparation and Assumptions
25 Nov 2019	FAPM Committee	Revenue Budget Preparation and Assumptions
13 Dec 2019	Fire & Rescue Authority	Revenue Budget Update
13 Dec 2019 – 12 Jan 2020	Consultation Period	
13 Jan 2020	FAPM Scrutiny	Draft Revenue Budget and Consultation Feedback
10 Feb 2020	Fire & Rescue Authority	Revenue Budget Approval

6. RESERVES STRATEGY

6.1 The Strategy set out by the Fire Authority was aimed at ensuring that

- all known and quantifiable liabilities were funded within its reserves and provisions
- there was sufficient general reserve to avoid any in year call on constituent council budgets from unforeseen financial risks
- the Authority maintained a flexible investment reserve to facilitate change within the organisation without the need to resort to substantial and inconsistent calls on annual budget contributions.

6.2 The Authority has previously stated that it will not use reserves to effectively operate a budget deficit as this is not a sustainable plan of action. This policy has been successful with the Service maintaining downward pressure on budgets and delivering underspends in most financial years. These underspends have allowed the Authority to create and utilise the 'invest to save' reserve.

6.3 As a result of the 'Faster Closure of Accounts' initiative, the Authority is in a position to confirm its Reserves position at 31st March 2019. There is a reduction of £2.5m over the year mainly due to the planned financing of the Cardiff Gate CFBT facility.

Reserve	Balance at 31/03/19 £000	Purpose
General Reserves	3,000	General financial resilience
Change Management Reserve	5,895	To fund projects aimed at efficiency, service improvement and change
PFI Equalisation Reserve	3,861	To balance out timing difference in grants and costs of the PFI Training Centre project at Cardiff Gate
Managed Under Spend Reserve	116	To meet costs of ongoing projects falling into the next financial year
Joint Control Lease Reserve	600	To finance the contribution to the Joint Control Facility in Bridgend
CFBT Facility	1,976	To finance the building of the new facility at Cardiff Gate
Total Revenue Reserves	15,448	

7. FINANCIAL IMPLICATIONS

7.1 Details of the financial projections are included within the Strategy.

8. EQUALITY RISK ASSESSMENT

- 8.1 There are no equality implications resulting directly from this report. Each significant change in the Authority's budgets will undergo equality and diversity risk assessment by the responsible budget holder as part of the budget planning process.

9. RECOMMENDATION

- 9.1 That the Fire & Rescue Authority agrees the report content as the basis of its financial planning framework.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance and Procurement	Appendix 1 - Medium Term Financial Strategy 2019/20 – 2021/22

Appendix 1

Medium Term Financial Strategy 2019/20 – 2021/22

September 2019

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About SWFRS

South Wales Fire and Rescue Service is one of three Fire and Rescue Services in Wales and is one of the largest fire and rescue service areas within the UK.

Service and Incident Profile

The Service is coterminous with the ten unitary authorities in South and South East Wales, covering an area of 2,800 square kilometres of rural, coastal and urban areas. The Service serves a population of over 1.5 million.

The Service operates out of an HQ, Training Centre, joint control facility and 47 Fire Stations some of which are permanently crewed and others crewed by on-call firefighters. The Service has over 300 operational vehicles including fire appliances, off road vehicles, light vehicles and boats. The service takes around 35,000 emergency calls per year, responding to around 17,000 incidents of which a third are fires. Of these fires, around 70% are deliberate. Besides fires, the Service also responds to road traffic collisions, flooding and water rescues, animal rescues, medical emergencies and environmental incidents.

The Service proactively seeks to reduce risk mainly by prevention through annual early intervention, education and engagement activities. Approximately 20,000 home fire safety checks are undertaken and 50,000 children and young people are met face to face as part of educational and engagement events. As a result of this activity, the Service has been successful in significantly reducing the number of fires over recent years.

Strategic Plan

South Wales Fire and Rescue Service's vision is set out in our strategic plan for 2017-22. This Medium-Term Financial Strategy underpins that vision.

The plan outlines the strategic direction over the five year period and explains how the Service intends to meet its challenges in order to continue to deliver a high quality service that meets the needs of our communities. The long-term strategic Themes and shorter term Priority Actions within the Plan will enable South Wales Fire and Rescue Service to not only deliver a sustainable service but also support our partners in the wider public sector.

The Service's vision remains the key focus; "making South Wales safer by reducing risk." The Service recognises that safer communities can only be achieved by challenging and improving the way it works, through a safe and competent workforce and by effectively managing its resources.

At times of austerity, there is a temptation to concentrate on costs and reduced budgets with no regard to the quality of services delivered. However, the Service has made the decision to concentrate on how improvements can be made with the strongly held belief that efficiencies and savings will result. The key strategic themes are

Key Strategic Theme	Resource impact
Reducing the number of deliberate fires	Reducing fires reduces the need for response and the impact such incidents can have in the wider community
Undertaking engagement to obtain views on service delivery, risk and priorities	Engagement ensures that resources are used on what matters to the public
Ensuring that we attract, develop and retain a suitably resilient workforce that reflects our communities and is capable of delivering services	An effective workforce delivers efficient and effective services
Ensuring ICT systems and services are available to enable efficiency and support service delivery.	ICT systems underpin many of the services we provide and speed up business processes

Working with others to be more efficient and effective	Partnership can avoid duplication or waste
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This financial strategy sets out the approach and identifies how the Service intends to plan and manage its resources in the light of the Government's continued downward pressure on public sector spending. It also focuses on how the Service will remain viable and respond to the various risks and pressures which it will face.

Key Achievements

The Service has been successful in significantly reducing the number of fires and fire related deaths and injuries over recent years. For example, between 2011/2012 and 2016/2017, fires reduced by 33.82%. This has been achieved against a background of reducing resources whilst at the same time, maintaining fire cover and continuing the standards of service expected by the public of South Wales.

Financial Context

Fire and Rescue is a devolved function and Welsh Government therefore have national oversight of the service. The South Wales Fire & Rescue Service is one of three Fire and Rescue Services operating in Wales. That said, both the national UK environment and devolved Welsh Government impact on the finances and operations of the Service.

The UK Context

The Service's financial position is impacted by the wider global economy and this strategic plan is written in this context. However, the Service cannot accurately predict or influence these factors and therefore has to plan on the basis of the best information available to it.

The International Monetary Fund judges that the outlook for growth has improved in advanced economies however, uncertainty around the global outlook is heightened at present, associated among other things, with policy and political risks. UK Government policy on spending has been the key determinant which has set the scene for resources in the UK public sector.

The latest spending review of the UK Government set out parameters for public spending over the medium term. Whilst there have been some signals that austerity is easing, particularly in respect of pay awards, there was no move away from the overall downward pressure on spending.

Significant uncertainty remains about the short and long term financial effects of "Brexit" and the prospect of a "no deal Brexit" on 31st October has further heightened concerns over the economy.

Wales

Overall spending limits set in Westminster determine the Barnett Formula consequential for resources in Wales each year. In the latest budget, the forecast spending limits showed:

- Wales Departmental Resource Budget as £13.4bn in 17/18 and 18/19 and £13.5bn in 19/20
- Wales Departmental Capital Budget as £1.7bn in 17/18, £1.8bn in 18/19 and £1.9bn in 19/20

With no Comprehensive Spending Review now taking place in the autumn of 2019, it is anticipated that departmental budgets will remain significantly unchanged. These limits and the budget agreed by Welsh Government impact the funding of unitary authorities (which in turn meet the costs of Fire

and Rescue Services) together with community safety and other sector specific initiatives which are directly funded through specific grants and contributions.

Welsh Government has now obtained the powers to vary income tax. This MTFS does not assume that these powers will be used to increase revenue and therefore funding.

Unitary Authority Funding

Unitary authorities contribute to the Fire & Rescue Service budget and in consequence, their funding settlement is relevant to the Service. In recent years, the trend in reducing public expenditure has resulted in downward pressure in the un-hypothecated grant resources distributed to unitary authorities.

Current Cost & Budget Structure

The starting point for any Financial Strategy is to understand the cost base of the Service.

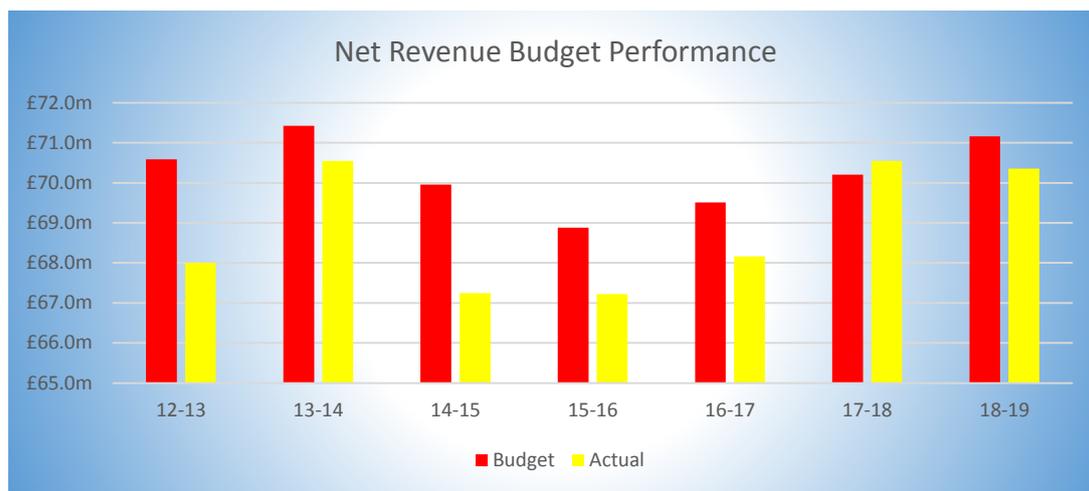
Revenue Budget

The Service's net annual revenue budget in 2019/20 is around £71.8m, the equivalent of less than £50 for each resident of South Wales. It equates to 0.5% of the total public service spending in Wales each year.

The table below shows the breakdown of the annual budget in 2019/20

	£000
Employees	48,459
Indirect Employee costs	10,911
Premises	4,788
Training	1,473
Supplies & Services	3,861
Transport	1,161
Contracted Services	806
Capital Financing	4,449
Gross Budget	72,139
Income	-4,081
Net Budget	71,827

The following chart shows the movement in the net revenue budget since 2008/09 together with the actual spend for each year.



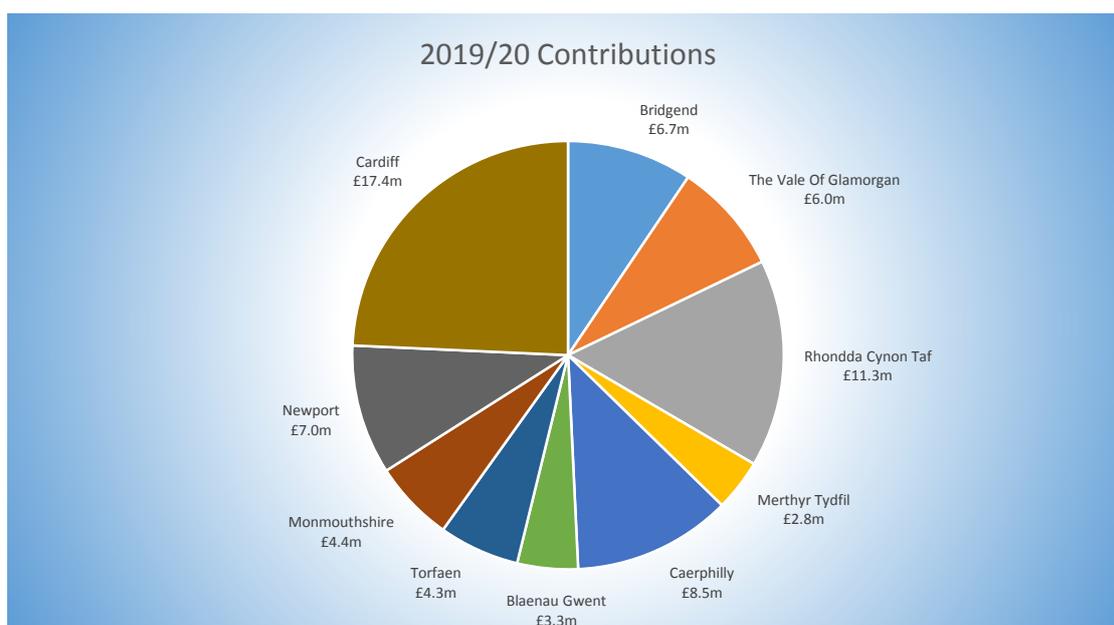
The Service has proactively managed to stay within its budget every year despite numerous challenges to its operations including a sustained period of industrial action. Surpluses generated from the revenue budget are utilised to invest in Service Improvement, asset renewal and efficiency projects which in turn keeps the requirement for annual funding at a lower level than would otherwise be the case.

An analysis of the outturn consistently reveals that staffing budgets are underspent particularly in the retained and whole-time firefighter categories. This stems from an ongoing struggle to recruit, train and retain sufficient numbers of staff whilst at the same time losing experienced firefighters to retirement and other full-time employment.

SWFRS Revenue funding

By virtue of the 1995 Fire Combination Orders, Fire and Rescue Services in Wales are funded from contributions made by constituent unitary authorities within their area. Each year, the Fire and Rescue Service determines its budget requirement and notifies each constituent council of its contribution. Contributions are proportionately split based on population.

The current distribution of funding in South Wales is show below.



The Welsh Government is currently undertaking a review into the governance and funding of fire authorities in Wales. If this review changes the structure, composition or funding of fire authorities, it could significantly impact the MTFS as drafted.

During 2019, HM Treasury amended the SCAPE rates used to underpin Pension Fund Valuations. As a result of this exercise, a significant increase in employer's pension contributions occurred. In Wales, specific grant funding of over £3m was provided to the Authority to meet these costs. The Authority believes this funding to be insufficient to meet the annual cost increase and the lack of a forward commitment to fund these increased costs could significantly impact the MTFS.

Forecast Cost Changes

There are a number of known factors which impact the cost base of the Authority. The main categories are outlined below.

Inflation

The financial strategy includes inflation where this is a contractual obligation but assumes that the majority of other spending is cash-limited. The exceptions include items where prices are generally more volatile than CPI such as vehicle fuel, energy costs and insurance premiums where specific allowances are made. Total inflation of £2.0m is assumed between 2019/20 and 2021/22. An anticipated 2% rise in fees and charges is also built in.

Pay

The Authority is part of the collective bargaining arrangements for 'grey book' (fire fighters) and 'green book' (non-uniformed) employees and therefore implements respective national pay awards as part of its pay policy arrangements. The Authority abides by the statutory Minimum and Living Wage legislation. The cost of pay inflation (including related pension overheads) over the period of the strategy is £2.1m. This is currently assessed with reference to the public sector pay settlements achieved of around 2% per annum. The wider role of firefighters is still subject to ongoing discussion with representative bodies and the outcome of this activity could impact pay levels. The MTFS assumes that such costs agreed on a national basis would be accompanied with funding. This situation will be monitored on an ongoing basis.

Pensions

The Authority operates a number of pension schemes for the benefit of its employees and makes employer contributions to each. Uniformed staff are eligible to join the national Fire Fighters' Pension Scheme (FFPS) and non-uniformed employees are eligible to join the Local Government Pension Scheme (LGPS). The schemes are administered by Rhondda Cynon Taf County Borough Council on behalf of the Authority. Employees are automatically enrolled in the relevant scheme unless they opt out.

Regular actuarial valuations are carried out to determine employer contribution rates to the Schemes. The LGPS is a funded scheme unlike the FFPS which is unfunded and underwritten by Welsh Government.

- The LGPS employers' pension contribution rate is currently 16.3% of gross pensionable pay.
- The FFPS employers' pension contribution rates vary as there are three schemes in operation. Rates are currently between 11% and 21% of gross pensionable pay. The strategy assumes that Welsh Government will continue to fund any scheme deficit over and above the employee and employer contributions and that it will continue to fund the SCAPE costs arising in 2019/20.

The cost of firefighters' pensions is in a state of flux currently with the government having lost legal cases around the tapering transitions from the 1992 to the 2015 scheme. Until a solution becomes clear, it is not possible to quantify the impact on the Service's base budget.

Service Demand

The strategy recognises that there is an increasing population trend in South Wales particularly within the urban areas of Cardiff and Newport. Pressures on the Authority's services will increase as a result of this and other factors.

According to Welsh Government statistical modelling, the population of South Wales has grown by around 6.5% in 10 years and growth forecasts are assumed to continue at a steady rate. This rate includes disproportionate increases in certain at risk groups such as the elderly. As demographics change, the need for fire cover and other rescue services change.

An average growth in population of around 0.66% per annum is not reflected in an annual need to increase expenditure. However, the Authority's cost base may eventually need a step change in response to overall demand. Such changes are traditionally dealt with through ongoing reviews of fire cover and other necessary service provision.

Demographic trends towards and ageing population with more people living alone and with life limiting health conditions are likely to increase demand on services.

Environmental and legislative changes also drive the demand for services in areas such as flooding, wild fires, road traffic collisions and bariatric rescue. The Authority's partnership arrangements also result in an increased number of service calls such as co-responding to medical emergencies. The current climate of terror related incidents also demands a significant training and response capability in the fire service. These specific areas are considered in terms of budget provision as and when spending pressures crystallise.

Capital Financing Costs (Debt repayments and interest)

The strategy includes an increase in the Authority's estimated capital financing costs of £0.3m reflecting the approved capital programme. This programme together with the Treasury Management Strategy of the Authority determines the principal debt repayments and interest costs which will fall on the revenue budget. The programme includes a range of investments aimed at maintaining, renewing and supplementing the Authority's assets to achieve its strategic objectives. Affordability is a key component of the capital programme.

The Authority does not receive separate funding for capital borrowing costs and as such, all borrowing costs must be met from its core revenue budget.

Specific Projects

The nature of the Fire & Rescue Service entails participation in collaborative regional and national initiatives, some of which are sponsored by central government. Changes to the costs and funding within these projects can impact the budget of the Authority. One particular project is currently being monitored in this regard.

- Emergency Services Mobile Communications Platform (ESMCP) is a project aimed at rolling out a new Emergency Service Network (ESN) across the UK. Currently Welsh Government supports the cost of this network in Wales through financial contributions. This equates to around £0.6m per annum in South Wales. The project aims to not only modernise and improve the network but also to reduce ongoing costs. Until the future cost of the ESN is

known for certain, the financial impact of the project is uncertain. Further delays in the delivery of this project will be monitored in terms of their financial impact.

Forecast Funding Changes

Both national and local changes to funding can affect the Service's income streams.

National Funding Changes

The Government's policy direction shows a continued reduction in public spending and likely downward pressure on sector spending both at a Wales and local government level. That said, the scale of the reductions is less certain. Recent analysis of public sector spending in Wales has shown real terms reductions but not necessarily cash reductions in the medium term.

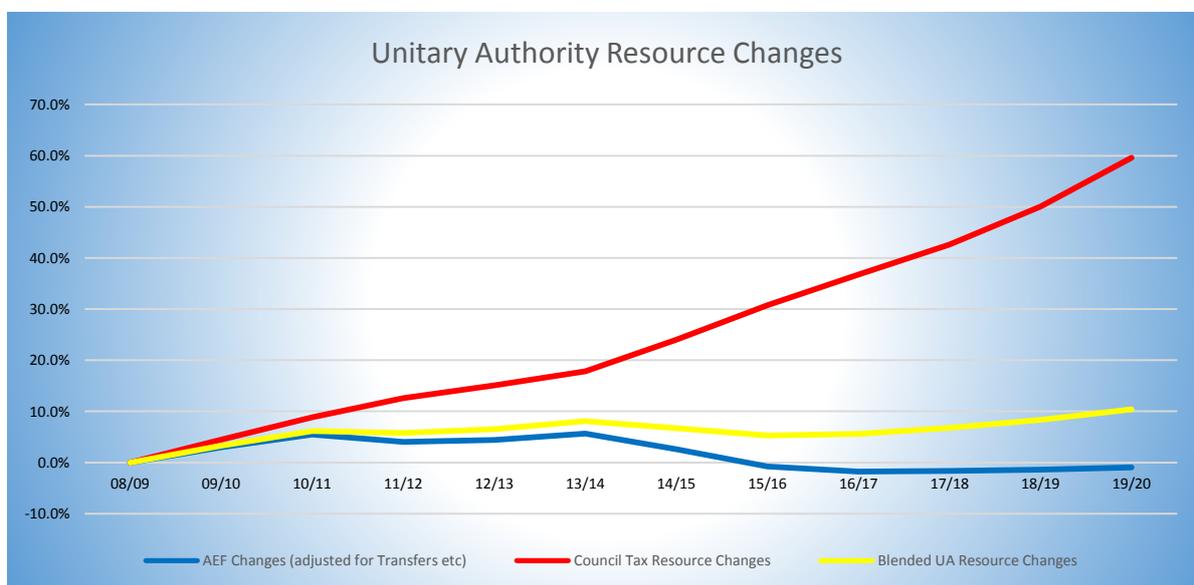
Clearly in the light of Brexit, it is almost impossible to make meaningful assumptions beyond this steady state position.

Welsh Local Authority Settlement Funding Assessment

The outcome of the budget decisions of Welsh Government in terms of health, social care and education will be major determining factors given the relative size of those budgets. In 2019/20, the Welsh Government signalled its priority by significantly increasing health spending to the detriment of local authorities.

Aside from external funding from Welsh Government, Unitary authorities also have revenue raising powers through council tax which they can use to fund local services. The Office of Budget Responsibility forecasts 4% increase in council tax revenues which mirrors the increases seen over the austerity period in South Wales.

The chart below shows the historical changes in unitary authority funding within South Wales.



Based on the Welsh Government and IFS published numbers and the historical patterns of local taxation, the range of settlements for local government in cash terms could be as follows:-

	2020/21	2021/22
Best Case	+1.00%	+1.00%
Worst Case	-1.00%	-1.00%

Beyond 2019/20 there are no projections on which to base assumptions around funding. Previous practice has been to assume a nominal change in settlement in respect of such periods.

Grants and other Funding Streams

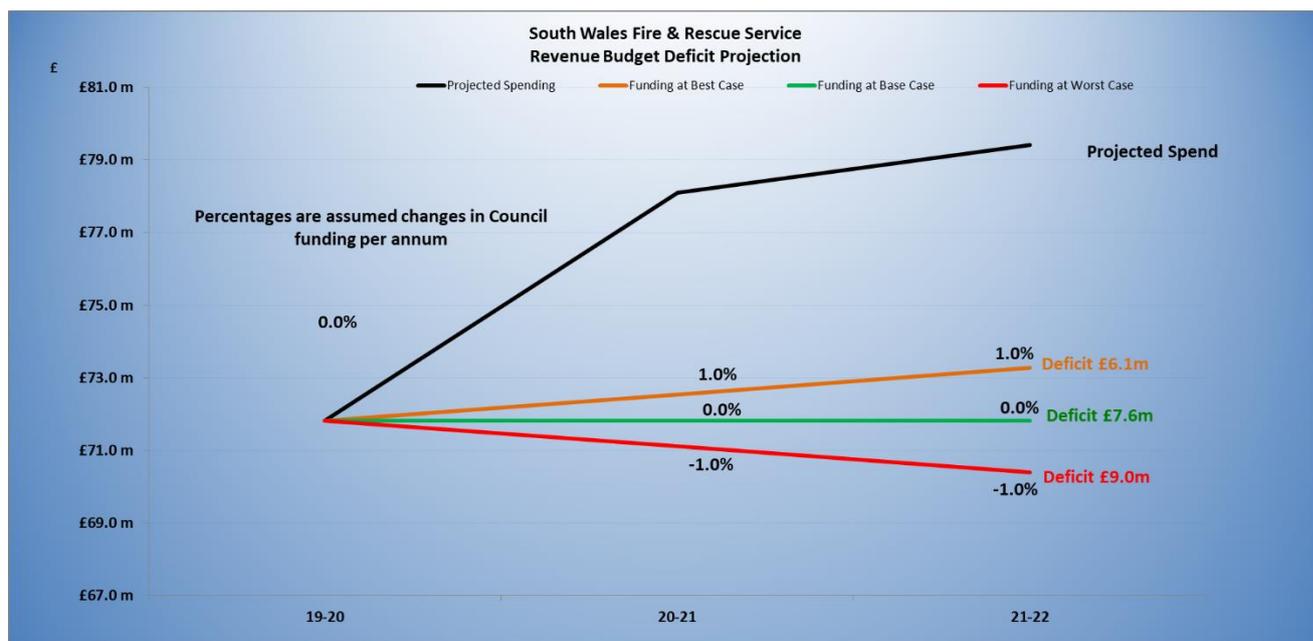
As Welsh Government departments have seen their own budgets cut, there has been a regular trend of reductions or withdrawals of specific grant funding streams. The Service has seen these cuts already in the Community Safety initiatives it operates.

Given the trend and commentary to date on grant funding, it is reasonable to assume that these funding sources may be further withdrawn over the medium to longer term however, in advance of any announcements, it would be wrong to assume such reductions yet. The table below outlines the grants and contributions currently in payment together with the basis of forecasts.

Grant	2019/20 £'000	Received from	Forecast Basis
COMMUNITY SAFETY	518	WG	Continue - cash flat profile
COMMUNITY SAFETY	28	GWENT POLICE	Continue - cash flat profile
NATIONAL RESILIENCE/USAR	1,567	WG	Continue - cash flat profile
FIRELINK	632	WG	Continue - cash flat profile short term until ESMCP implemented
CROWN PREMISES INSPECTOR	TBC	WG	Continue - cash flat profile
PENSION TOP UP GRANT	16,694	WG	Continue – excess funding required met in full by WG
PFI	1,082	WG	Pre-defined grant profile
MOBILE DATA TERMINALS	144	WG	One off
PENSION SCAPE COSTS	3,012	WG	Continue – based on ongoing real costs
TOTAL FUNDING 19/20	23,677		

Estimated Budget Gap

The graph below sets out the Service's estimated budget gap throughout the period of the Strategy. It includes a range of certainty around the extremes of the assumptions included in the plan.



	19-20	20-21	21-22	Deficit	
Projected Spending	£71.8 m	£78.1 m	£79.4 m		
Best Case		£72.5 m	£73.3 m	£6.1 m	8.7%
Base Case		£71.8 m	£71.8 m	£7.6 m	10.8%
Worst Case		£71.1 m	£70.4 m	£9.0 m	12.8%

The worst case deficit position of £9.0m (12.8%) assumes that the Authority would only request funding in accordance with the assessed worst case local authority settlement and that Welsh Government do not continue to fund Pension Scape costs. In practice, the Authority has to request the resources it requires to fund its services regardless of settlements. That said, the Authority has always striven to take account of the climate of public sector budgets in which it operates and to reduce the burden on its constituent councils wherever possible.

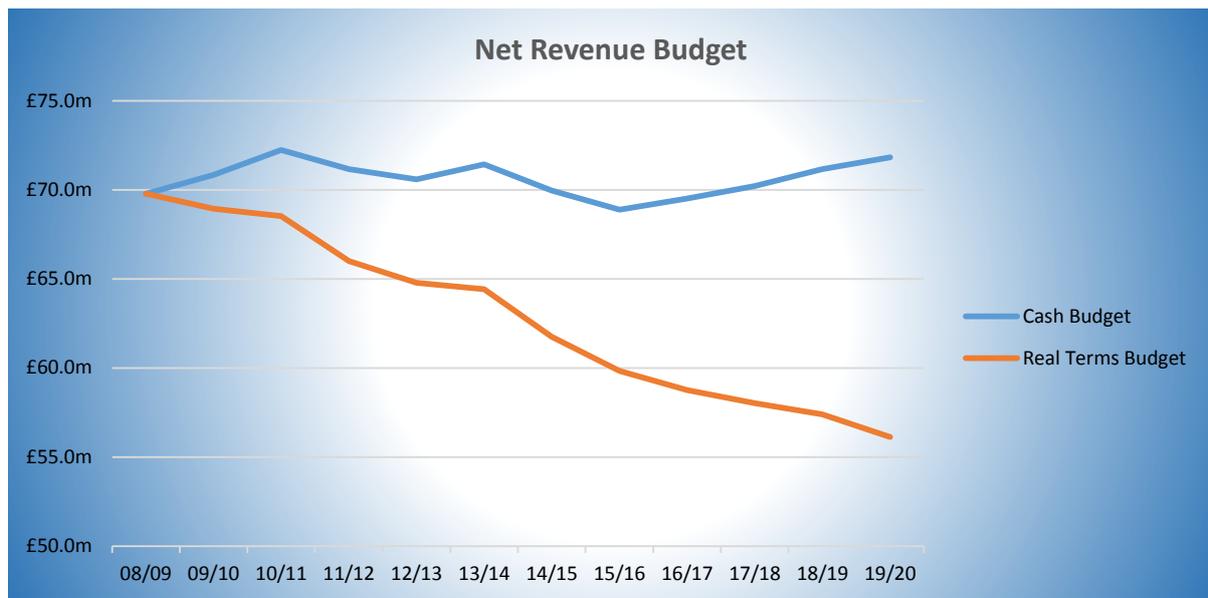
Welsh Government funding of the ongoing SCAPE costs of firefighter pensions is critical to financial position of the Fire Authority and constituent councils.

Medium Term Financial Plan

To address the budget gap identified, the Service intends to manage down risk, unnecessary response, inflationary and other budget pressures whilst maximising income and making business processes as efficient as possible. Some of this work is part of an ongoing business delivery model whilst some of it depends on specific project work targeted at efficiency and savings.

Finance and Efficiencies

Since the commencement of the current economic downturn in 2008/09, the Authority has delivered approximately £15m real terms budget reduction. The budget for 2019/20 is £71.8m which in cash terms is less than in 2010/11. The chart below shows the trend in the revenue budget. It represents an estimated real terms reduction of around 20% in 10 years



The Authority has taken a number of approaches in relation to savings and efficiency over this period including reviews of fire cover, the Shaping Our Future Programme and various efficiency projects focussed on reducing expenditure and increasing income.

If there is a continued downward pressure on expenditure, it will become increasingly difficult to identify further financial savings without significant changes in what services the Authority provides and how it delivers them.

This could have implications for the public, businesses, operational partners and employees. To deliver the Authority's plan to reduce risk, services that are no longer affordable or less impactful may be delivered differently or, in some cases, stopped. Such changes would not be considered or implemented without Fire Authority approval following consultation and engagement.

Fire Cover Reviews

The Service continues to review fire cover across the whole South Wales Area. The most recent whole authority review resulted in the closure of several retained stations and a reduction in crewing at other sites. As part of that review, a number of identified station amalgamations and moves are still being held in abeyance. Availability of potential sites has created a delivery problem but these options remain open.

Shaping our Future Programme

The Authority has devoted resources to reviewing parts of the organisation to identify improvements and efficiencies. The programme continues to look at operational and back office business processes. As part of this coming budget cycle, consideration of areas for investment and savings within the structure of the Authority's staffing is being undertaken. These will be the subject of reports to the Fire Authority for consideration once developed.

Accounting Measures

The Authority, through its Finance, Asset & Performance Management Committee, has reviewed its budget for opportunities to create savings / budget reductions. This has included contingencies, inflation allowances, vacancy provisions, method of manpower budgeting and treasury management practice. The Authority will continue to monitor all of these aspects of the budget to identify further

opportunities to drive down the underlying resource requirement where this is prudent and sustainable.

Reserves Policy

Under the 2003 Local Government Act, the Treasurer is required to make a statement to the Authority on the adequacy of reserves as part of the annual budget setting process. It is good practice for the Authority to have a reserves policy which is reviewed regularly. The Authority follows this practice, ensuring that liabilities and risks are adequately managed from a financial perspective.

General Reserves

General reserves are maintained to ensure financial stability in the longer term thus allowing the Authority time to plan, mitigate and deal with future financial challenges.

The reserve policy includes an assessment of financial risks and a quantification of those risks where this is possible. The overall value of general reserves held reflects the value of assessed risks, the overall quantum of the budget and previous experience of variations resulting from volatility in specific areas.

Due to the ongoing austerity measures facing the public sector in the UK, the financial risks in the overall budget remain high and the Authority is maintaining general reserves at a healthy level to reflect this. Fire Services in the UK remain under threat of industrial action which represents a further risk to continued service provision.

The financial strategy is predicated on no planned use of general reserves to fund ongoing revenue spending. The Authority regards this as an unsustainable financial planning parameter.

Earmarked Reserves

The Authority creates, maintains and utilises earmarked reserves to fund specific projects and liabilities as they are developed or identified. An overall change management reserve is maintained to fund projects aimed at increasing efficiency and improving or changing services. The Authority has little recourse to capital funds aside from borrowing and as such these earmarked reserves are also used to assist in meeting the financial demands arising from larger projects.

Reserve (Subject to audit)	Balance at 31/03/19 £000	Purpose
General Reserves	3,000	General financial resilience
Change Management Reserve	5,895	To fund projects aimed at efficiency, service improvement and change
Compartment Fire Behaviour Training (CFBT) Reserve	1,976	To fund the training facility at Cardiff Gate
PFI Equalisation Reserve	3,861	To balance out timing difference in grants and costs of the PFI Training Centre project at Cardiff Gate
Managed Under Spend Reserve	116	To meet costs of ongoing projects falling into the next financial year
Joint Control Lease Reserve	600	To finance the contribution to the Joint Control Facility in Bridgend
Total Revenue Reserves	15,488	

Treasury Management Strategy

The objective of the Authority's treasury management is to ensure that the Authority's cash, borrowing and investments are appropriately and efficiently managed within agreed financial and legislative parameters.

The Authority is required to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Codes covering such activities. In accordance with the Code, the Authority procures and retains the services of an external Treasury Management Advisor.

Reports on the Authority's Strategy and agreed parameters are approved prior to the commencement of each financial year. A half year progress report is made during the year and an annual report is received at the completion of each year end outlining performance and compliance.

Temporary borrowing is undertaken to fund short term cash flow deficits with long term borrowing being used to fund the Authority's capital requirements. Given the recent history of low interest rates, the Authority continues to pursue a policy of utilising internal cash balances (Internal borrowing) to minimise external interest costs. Forecasts for the UK and World economy are kept under review to determine if this strategy should change in response to potential interest rate rises.

The Authority's Capital Financing Requirement is the measure of its need to borrow to fund its capital requirements. This is forecast at £45.0m at March 2020 with external borrowing being estimated at £34.8m. The difference of £10.2m represents internal borrowing and the exposure of the Authority to increasing interest rates should it need to borrow externally. This exposure is forecast to rise to £15.7m by March 2022.

Exposure to increasing interest rates is mitigated by having a portfolio of external loans at fixed rates maturing over a range of short, medium and long dates. The profile of the Authority's debt maturity provides certainty over borrowing costs with 40% maturing after 10 years or more.

Investment activity is minimised by the current borrowing strategy. However, when cash flow dictates, short term cash investments are made to approved counterparties to generate income.

Further detail on the relevant forecasts can be found in the Authority's approved Treasury Management Strategy.

Asset Management Plan

The Authority operates within fire and rescue stations, offices, workshops, training facilities and control room accommodation. At these sites, in order to assist us in delivering our service to the public, we also hold a large number of assets, ranging from our fleet of emergency response and support vehicles, operational plant and equipment, ICT equipment and other minor assets (such as office and station furniture, specialist clothing etc.).

In order for us to properly manage these assets it is necessary for the Service to have an Asset Management Strategy. This ensures that our assets are still fit for purpose and relevant for evolving service needs and changing legislative requirements. In addition as a large public sector owner of assets there is an overarching requirement for us to ensure value for money in the management and maintenance of these assets. To this end, our Asset Management Strategy determines the high level priorities where financial resources are to be targeted to meet service requirements.

Our Asset Management Strategy is supported by a number of management plans which provide the detail upon how our assets will be managed. These include:

- Land & Buildings
- Fleet
- Plant & Equipment
- ICT
- Minor Assets
- Procurement

These Operational Equipment Plans are an essential tool in how we manage our operational equipment assets. Regular reviews of our equipment are essential to ensure that it is still fit for purpose and suitable for our evolving service needs and changing legislative requirements.

As part of the public sector there is a responsibility for us to ensure value for money is obtained when we procure and maintain operational equipment. We also have a duty to ensure the health and safety of operational personnel using the equipment and that the equipment we provide is fit for purpose.

Capital Programme

Capital investment in assets is required to maintain an effective operational response and according a planned capital programme exists. The Fire Authority has little recourse to capital funding other than from self-financed borrowing and capital receipts from the disposal of surplus assets and accordingly, the financing costs of the programme fall on the revenue budget. Affordability is therefore key in making decisions about the level of investment that can be undertaken.

The programme contains elements to fund new or replacement assets as well as repairs and preventative maintenance for existing assets. The programme broadly covers the following categories of investment:

Property	Site acquisitions, new build, refurbishment and planned maintenance
Vehicles	Operational appliances and light vehicles
Equipment	Operational equipment including PPE
ICT	Hardware and software

Collaboration

Collaborative working with partner agencies is seen as a priority. This includes other emergency services, local authorities and the third sector in Wales but also other service providers on a national level. This collaboration delivers efficiency but also resilience which is especially important in a world subject to emerging global threats such as climate change and terrorism.

The service continues to seek other collaborative opportunities to improve outcomes for the population of South Wales but also to make efficiency savings.

National Issues Committee and Welsh Government (NIC)

All three Fire and Rescue Authorities in Wales have one common objective which is a safer Wales. The NIC was formed to actively promote and enable collaboration between the Services but also across the wider Welsh public sector. It also aims to achieve objectives detailed in Welsh Government strategic policies and programmes.

The aim of the NIC is to deliver measureable improvements, including greater efficiency and a more citizen focused service. There are currently eleven work streams:

- Business continuity
- Control
- Community risk reduction
- Common & specialist services
- Fleet & transport
- Health & safety
- Human resources
- ICT (shared services)
- Operations
- Procurement
- Training & development

Partnership with other 'blue light' services

There are obvious synergies between the work of the Service and that of other 'blue light' services across South Wales. Emergency services are often attending the same incidents in the same localities and can in certain circumstances provide resources to assist one another. These resources include employees, property and other assets.

Co-location of services within properties has begun to achieve cost efficiencies. A good operational example is Abertillery Fire Station which is now a tripartite facility housing police, fire and ambulance personnel.

The service is currently engaged with Mid and West Wales in delivering a joint control facility within the South Wales Police HQ. This facility was developed with a business plan to save around £1m per annum in running costs.

Recently the Service has been trialling an emergency medical response service. Fire service personnel and assets are now responding to certain categories of medical emergencies alongside paramedics and ambulances.

Partnership with local authorities and the third sector

The Service often comes face to face with the same service users of local authorities and the active third sector operating in the area. This provides opportunities to join up service provision when interfacing with service users and members of the general public in many communities.

Prevention activities are key in reducing risks for everybody within the Service Area and activities are now focussed on providing information and advice and sharing information across a wide range of operational front line services.

Workforce Strategy

The Authority employs around 1,700 staff as both operational firefighters and a range of professional and supporting roles. The nature of the Service means that 75% of expenditure is on staff or staff related budgets and there is a high expenditure on training and related matters.

The Service is part of collective bargaining agreements with both uniformed (grey book) and non-uniformed (green book) Trade Unions. Staff communication and engagement is high on the

priorities of the Service to ensure staff fully understand the plans, rationale and motives of the Service.

Given the high percentage of staff costs, efficiencies or budget cuts inevitably impact on staffing levels. The Service tries to avoid redundancies wherever possible by using retirement and natural staff turnover to reduce numbers if required.

Risk Management

The Fire & Rescue Service National Framework for Wales and the Wales Programme for Improvement Framework requires the Service to consider risk management whilst discharging its statutory duties and take into account the risks facing the organisation when making strategic decisions.

Risk Management Framework

A risk is an event that has the potential to help or hinder the achievement of a strategic objective or the delivery of core business. All risks are rated as manageable (low), material (medium) or significant (high).

Directors, department heads and team leaders are responsible for identifying risks during the business planning process and taking the appropriate actions to manage or mitigate risk within their areas. Only risks that impact upon the achievement of a strategic objective or delivery of core business are monitored via the Corporate Risk Register. The Senior Management Team formally reviews the Corporate Risk Register on a regular basis and endorses the inclusion of any new or emerging risks identified

Financial Risks

The Service's current and future financial position and adequacy of resources are subject to regular review.

Budget monitoring is regularly undertaken with resources prioritised on key risk areas. Monitoring operates on a devolved and centralised model with budget holders across the Service at various levels of the organisation. The Service's Standing Orders and Financial Regulations set out procedures, roles and responsibilities to ensure accountability.

Key specific financial risks within the Strategy and Plan include:

- The national economy and public finances
- The level of interest rates and the cost of borrowing
- Variations in Inflation assumptions - 1% of pay equals £0.5m and 1% of price equals £0.2m
- Failure to deliver or late delivery of budget savings
- Project delays
- Withdrawal of key funding streams by Government
- The cost of pensions

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2018/19 ANNUAL TREASURY MANAGEMENT REVIEW

SUMMARY

To consider the results of treasury management activities for the year ending 31 March 2019, in accordance with the Authority's approved Treasury Management Strategy.

RECOMMENDATION

This committee recommend that the Fire & Rescue Authority note the annual treasury management review for 2018/19 and approve the actual 2018/19 prudential and treasury indicators set therein.

1. BACKGROUND

1.1 There exists a statutory and regulatory obligation for the Authority to comply with the reporting requirements detailed in Appendix 1. An 'Annual Treasury Management Review Report' is required to be presented to full Authority as soon after the close of the financial year as is practicable or by the 30 September at the latest. The purpose of this is to compare the actual position to the treasury management strategy set in advance of the year to confirm or otherwise, compliance and assess performance.

2. ISSUE

2.1 Effective treasury management can be measured by its budget impact i.e. financing costs and investment income, organisational solvency and cash flow.

2.2 The Authority receives annual bank deposits in the region of £90 million throughout any one year. In general, monthly bank payments can total as much as 8 million and are dependant on various factors. The timing of these cash flows can be uncertain and as such, it is imperative that the flow of cash in and out of Authority bank accounts is managed to support budget strategies and minimise risk.

2.3 The Authority contracts with 2 banking providers, i.e. Barclays and Natwest. The main banking contract was awarded to Barclays in November 2014. Natwest provide a contingency service to manage funds surplus to the counter party limits set by Members within the strategy, i.e. £10 million.

3. FINANCIAL IMPLICATIONS

3.1 Borrowing Outturn

The Authority maintains a competitive, average debt book rate of approx 4%. The current borrowing strategy is to utilise the Authority's cash reserves in the first instance and to undertake external borrowing for long term investment. During the year, long term borrowing reduced as a result of debt repayments and there were no new loans as cash inflows came from maturing investments. There was no debt restructuring undertaking in 2018/19.

3.2 Investment Outturn

Per the above, external investments have decreased during the year to negate the requirement for borrowing. This strategy has worked well in maintaining low borrowing costs as the first port of call for capital investment cash is maturing investments. Investment returns have also exceeded the budget for the year.

4. EQUALITY RISK ASSESSMENT

4.1 There are no equality implications resulting directly from this report.

5. RECOMMENDATION

5.1 This committee recommend that the Fire & Rescue Authority note the annual treasury management review for 2018/19 and approve the actual 2018/19 prudential and treasury indicators set therein.

Contact Officer:	Background papers:
Chris Barton Treasurer	- CIPFA Code Treasury Management - CIPFA Prudential Code - Treasury Management Strategy - Treasury Management Practices (TMP's)

APPENDIX 1

Annual Treasury Management Review 2018/19

1. Introduction

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2018/19. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2018/19 the minimum reporting requirements were that the full Authority should receive the following reports:

- an annual treasury strategy in advance of the year (26 March 2018 Fire Authority)
- a mid-year (minimum) treasury update report (17 December Fire Authority 2018)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on Fire Authority Members (Members) for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

This Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance Audit & Performance Management (FAPM) Committee before they were reported to the full Authority. Member training on treasury management issues was undertaken should be undertaken at each Members 'home authority'.

2. The Authority's Capital Expenditure and Financing

The Authority undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Authority's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£000's	2017/18 Actual	2018/19 Budget	2018/19 Actual
Capital expenditure	4,234	7,651	4,667
Financed in year	1,390	4,753	3,826
Unfinanced capital expenditure	2,844	2,898	841

3. The Authority's Overall Borrowing Need

The Authority's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allows the Authority some flexibility to borrow in advance of its immediate capital needs in 2018/19. The table below highlights the Authority's gross borrowing position against the CFR. The Authority has complied with this prudential indicator.

£000's	31 March 2018 Actual	31 March 2019 Budget	31 March 2019 Actual
CFR	44,146	44,335	42,185
Gross borrowing position	38,588	37,592	37,592
Under funding of CFR	5,558	6,743	4,593

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Authority does not have the power to borrow above this level. The table below demonstrates that during 2018/19 the Authority has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Authority during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2018/19 £000's
Authorised limit	50,000
Maximum gross borrowing position during the year	35,687
Operational boundary	45,000
Financing costs as a proportion of net revenue stream budget/actual	6.48%/6.13%

4. Treasury Position as at 31 March 2019

At the beginning and the end of 2018/19 the Authority's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

DEBT PORTFOLIO	31 March 2018 Principal	Rate/ Return	31 March 2019 Principal	Rate/ Return
Fixed rate funding:				
-PWLB	£31,841m		£29,939m	
-other	£2,062m		£1,048m	
Total debt	£31,841m	4.23%	£30,987	4.29%
CFR	£44,146m		£42,185	
Over / (under) borrowing	£10,243m		£11,198m	
Total investments	£10,035m		£6,186m	
Net debt	£21,806m		£24,801	

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AGENDA ITEM NO 7

Reports for Information

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UPDATE ON FIRE MEDICAL RESPONSE (FMR)

SUMMARY

This report provides Members with an update on Fire Medical Response across South Wales Fire & Rescue Service.

RECOMMENDATIONS

That Members note the contents of this report.

1. BACKGROUND

- 1.1 Fire Authority Members will recall that South Wales Fire & Rescue Service were involved in the Fire Medical Response pilot from December 2015 until June 2017. This pilot provided Fire & Rescue Service resources to respond to medical incidents where ambulance assistance would be significantly delayed.
- 1.2 Fire & Rescue Service resources were trained and equipped to response to the following 4 categories of medical emergency:-
 - Cardiac arrest
 - Unconsciousness
 - Obstructed airway
 - Severe haemorrhage
- 1.3 Fire Medical Response forms part on ongoing negotiations between the National Joint Council and Representative Bodies in broadening the role of firefighters. However, Fire & Rescue Service resources continue to be mobilised to cardiac arrest incidents where there may be delays in an ambulance response as this has historically been included in our mobilising policy and procedures.

2. ISSUES

- 2.1 Since the end of the Fire Medical Response pilot Station 43 Chepstow have continued to volunteer to be mobilised to Fire Medical Response type calls, but Ambulance Control have only requested their attendance on one occasion.
- 2.2 The South Wales Fire & Response Service have responded to 4 Fire Medical Response type calls since 1 January, 2018 to 13 August, 2019. Three calls to a person unconscious, and one call to a child with

breathing difficulties. One call Fire & Rescue Service resources were stood down, and three calls crews administered oxygen therapy.

- 2.3 Since the end of the Fire Medical Response pilot Station Manager Tony Jackson has been directed by the Executive Leadership Team to complete a review of all stations, departments, and partner organisations who were involved to identify best practice, and learn lessons from the implementation and delivery of the Fire Medical Response pilot. The areas included are project implementation, training, equipment, and support.
- 2.4 South Wales Fire & Rescue Service personnel continue to be trained in 'Immediate Emergency Care' (IEC), and clinical governance is provided by the Welsh Ambulance Service Trust (WAST).

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications.

4. EQUALITY RISK ASSESSMENT

- 4.1 There are no direct equality risk assessment implications.

5. RECOMMENDATIONS

- 5.1 That Members note the contents of this report.

Contact Officer:	Background Papers:
AM Alison Kibblewhite Head of Operations	None

**FORWARD WORK PROGRAMME FOR
FIRE & RESCUE AUTHORITY 2019/20**

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
Each meeting following the NIC meeting	Update Report on the work of the NIC	To keep Members up-to-date with the work of the NIC.	DCO Contact Officer: Sally Chapman	
29 July 2019	Strategic Risk	To advise Members of the Strategic Risks of the organisation and how these are being treated, managed or reduced.	DCO Contact Officer: Sarah Watkins	Completed
29 July 2019	WAO Certificate of Compliance	To advise Members of the WAO Certificate of Compliance received in relation to the publication of the 2019/20 Improvement Plan.	DCO Contact Officer: Sally Chapman	Completed
	Annual Reports:			
29 July 2019	End of year Health Check on Performance and Strategic Objectives 2018/19	To advise Members of end of year performance against agreed targets and to advise Members of the end of year health check position in securing the achievement of the Strategic Objectives.	DCO Contact Officer: Sarah Watkins	Completed
29 July 2019	Welsh Language Standards	To update Members on compliance against the Welsh Language Standards.	ACO PS Contact Officer: Alison Reed	Completed

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
29 July 2019	Report on Proposed Priority Actions 2020/21	To advise Members of the proposed Priority Actions 2020/21 and to seek authority to enter into public consultation on these.	DCO Contact Officer: Sarah Watkins	Completed
29 July 2019	Statement of Accounts (Revenue and Capital) for 2018/19 budget	To seek Members' approval for publication of the Statement of Accounts.	Treasurer Contact Officer: Geraint Thomas	Completed
16 Sept 2019 16 Dec 2019	Health & Safety Annual Report 2018/19	To advise Members of Health & Safety performance of the organisation.	ACFO TS Contact Officer: Richie Prendergast	
16 Sept 2019	Update on MTFs and Reserves Strategy	To update Members on the Financial Strategy and Reserves Strategy of the Authority prior to considering the report on the 2020/21 Budget Setting Strategy.	Treasurer Contact Officer: Chris Barton	On agenda
16 Sept 2019	Budget Strategy 2020/21	To obtain clarification upon the political steer for the Budget Strategy for 2020/21 budget setting process.	Treasurer Contact Officer: Chris Barton	On agenda
16 Sept 2019	Treasury Management Outturn 2018/19	To advise Members of the year end treasury management position.	Treasurer Contact Officer: Chris Barton & Geraint Thomas	On agenda

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
16 Sept 2019	Medical Response Update	To advise Members of the current status of medical response within the Service	ACFO SD Contact Officer: Alison Kibblewhite	On agenda
16 Dec 2019	Welsh Language Costs	To advise Members of the current costs for complying with the Welsh Language Standards	DCO Contact Officer: Geraint Thomas	
16 Dec 2019	WAO Annual Improvement Report	To advise Members of the key issues emanating from the annual report and to provide an opinion on adequacy and effectiveness of the organisation and its potential to improve, its approach to risk management, control and governance processes based on the WAO work undertaken during the year, including data quality & PIs, HR work, a Framework update, whistleblowing and forward planning.	DCO Contact Officer: Sally Chapman	
16 Dec 2019	Half Yearly Health Check of Performance and Review of Strategic Themes	To advise Members of performance against agreed performance indicator targets and achievement of Strategic Themes at the mid-way point through the year.	DCO Contact Officer: Sarah Watkins	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
16 Dec 2019	Treasury Management Mid Term Report 2019/20	To advise Members of the mid year position in relation to our treasury management.	Treasurer Contact Officer: Geraint Thomas	
16 Dec 2019	Independent Remuneration Panel for Wales' Draft Annual Report	To consider the IRPW's draft Annual Report and enable comments to be submitted to the Panel within required timescales.	DCO Contact Officer: Sally Chapman	
10 Feb 2020	Estimated Revenue & Capital Budget determination for 2020/21	To consider consultation responses and to set the recommended budget determination for consideration by the Fire Authority.	Treasurer Contact Officer: Geraint Thomas	
10 Feb 2020	KPI Target Setting 2020/21	To set the targets for the following financial year.	ACFO SD Contact Officer: Sarah Watkins	
10 Feb 2020	Report on Responses to the Consultation of the draft rolling Strategic Plan and Priority Actions 2020/21	To advise Members of consultation responses and seek approval for a final version of the rolling Strategic Plan.	DCO Contact Officer: Sarah Watkins	
10 Feb 2020	Pay Policy Statement 2019/20	To consider the Authority's Pay Policy Statement in compliance with the Localism Act 2011 and associated guidance.	ACO PS Contact Officer: Alison Reed	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
10 Feb 2020	Gender Pay Gap Statement	To update Members on the analysis of the gender pay gap across the Service.	ACO PS Contact Officer: Alison Reed	
30 March 2020	Annual Report of the work of the Finance, Audit & Performance Management Committee & its scrutiny group during 2019/20	To advise Members of the work of the Committee.	DCO Contact Officer: Sally Chapman	
30 March 2020	Annual Report of the work of the HR & Equalities Committee during 2019/20	To advise Members of the work of the Committee	ACO PS Contact Officer: Alison Reed	
30 March 2020	Annual Report of the Work of the Local Pensions Board 2019/20	To advise Members of the work of the Board.	ACO PS Contact Officer: Alison Reed	
30 March 2020	Annual Report of the Work of the PSB's	To update Members on the work of each of the PSB's and how this impacts upon the work of SWFRS.	DCO Contact Officer: Sarah Watkins	
30 March 2020	Treasury Management Strategy 2020/21	To secure Members' approval to the adoption of the Treasury Management Strategy 2020/21.	Treasurer Contact Officer: Geraint Thomas	
30 March 2020	Fire Authority & Committee Meeting Dates for 2020/21	To present Members with proposed dates of Authority & Committee meetings for 2020/21	DCO Contact Officer:	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
			Sally Chapman	

Huw Jakeway – CFO
 Sally Chapman – DCO
 Dewi Rose – ACFO Service Delivery
 Richie Prendergast – ACFO Technical Services
 Alison Reed – ACO People Services

Chris Barton – Treasurer
 Geraint Thomas – Head of Finance & Procurement
 Alison Kibblewhite – Head of Operations
 Sarah Watkins – Head of Corporate Services
 Andrew Jones – Head of Human Resources

AGENDA ITEM NO 9

**To consider any items of business that the Chairperson deems urgent
(Part 1 or 2)**

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1.	Apologies for Absence	
2.	Declarations of Interest	
	Members of the Fire & Rescue Authority are reminded of their personal responsibility to declare both orally and in writing any personal and/or prejudicial interest in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.	
3.	Chairperson's Announcements	
4.	To receive the minutes of;	
	• Finance, Audit & Performance Management Committee on 10 June 2019	5
	• Fire & Rescue Authority on 29 July 2019	7
5.	Update on Actions	17
6.	REPORTS FOR DECISION	19
6.i.	Medium Term Financial Strategy (MTFS), Reserve Strategy and Budget Update	21
6.ii.	2018/19 Annual Treasury Management Review	45
7.	REPORTS FOR INFORMATION	51
7.i.	Update on Fire Medical Response (FMR)	53
8.	Forward Work Programme 2019-20	55
9.	To consider any items of business that the Chairperson deems urgent (Part 1 or 2)	61