BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Members of Fire and Rescue Authority.

Bedford Borough Councillors: C Atkins, J Gambold and M Headley

Central Bedfordshire Councillors: R Berry, J Chatterley, P Duckett, D McVicar and I Shingler

Luton Borough Councillors: K Choudhry, D Franks and Y Waheed

A meeting of **Fire and Rescue Authority** will be held at **Lecture Theatre, Dunstable Community Fire Station, Brewers Hill Road, Dunstable LU6 1AA** on **Tuesday, 11 February 2020** starting at **10.00 am.**

John Atkinson
Secretary/Monitoring Officer

Public Document Pack

A G E N D A

Item	Subject	Lead	Purpose of Discussion
1.	Apologies	Secretary/ Monitoring Officer	
2.	To consider the implications of Cllr Malik's Resignation	Secretary/ Monitoring Officer	To consider a report (Pages 5 - 6)

Item	Subject	Lead	Purpose of Discussion
3.	Declarations of Disclosable Pecuniary and Other Interests	Chair	Members are requested to disclose the existence and nature of any disclosable pecuniary interest and any other interests as required by the Fire Authority's Code of Conduct (see note below).
4.	Communications	Chair	
5.	Minutes	Chair	To confirm the Minutes of the meeting held on 17 December 2019 (Pages 7 - 12)
6.	Public Participation	Chair	To receive any questions put to the Authority under the Public Participation Scheme
7.	Audit and Standards Committee 5 December 2019	Cllr Headley	To consider a report (Pages 13 - 50)
8.	2020/21 Community Risk Management Plan	ACFO	To consider a report (Pages 51 - 56)
9.	Revenue Budget and Capital Programme Monitoring	ACO	To consider a report (Pages 57 - 66)
10.	The 2020/21 Revenue Budget, Capital Programme and Council Tax Setting	ACO	To consider a report (Pages 67 - 134)
11.	Treasury Management Strategy and Practices	ACO	To consider a report (Pages 135 - 230)
12.	Localism Act 2011 - Pay Policy Statement 2020	CFO	To consider a report (Pages 231 - 242)
13.	Members' Allowances Scheme 2020/21	Secretary/ Monitoring Officer	To consider a report (Pages 243 - 248)
14.	Calendar of Meetings 2020/21	Secretary/ Monitoring Officer	To consider a report (Pages 249 - 254)
15.	Work Programme	CFO	To consider a report (Pages 255 - 260)

Item	Subject	Lead	Purpose of Discussion
16.	Information Bulletin (Q3 Oct-Dec)	CFO	To consider a report (Pages 261 - 266)
17.	Presentation by Daisy Byron on Rogue Landlords	CFO	Presentation

Next Meeting	10.00 am on 30 April 2020 at Lecture Theatre, Dunstable Community Fire Station, Brewers Hill Road, Dunstable LU6 1AA

DECLARATIONS OF INTEREST

From 1 July 2012 new regulations were introduced on Disclosable Pecuniary Interests (DPIs). The interests are set out in the Schedule to the Code of Conduct adopted by the Fire Authority on 28 June 2012. Members are statutorily required to notify the Monitoring Officer (MO) of any such interest which they, or a spouse or civil partner or a person they live with as such, have where they know of the interest.

A Member must make a verbal declaration of the existence and nature of any Disclosable Pecuniary Interest and any other interest as defined in paragraph 7 of the Fire Authority's Code of Conduct at any meeting of the Fire Authority, a Committee (or Sub-Committee) at which the Member is present and, in the case of a DPI, withdraw from participating in the meeting where an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.

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For Publication

Bedfordshire Fire and Rescue Authority
11 February 2020

REPORT AUTHOR: **SECRETARY/MONITORING OFFICER**

SUBJECT: **RESIGNATION OF FRA MEMBER**

For further information on this Report contact: Nicky Upton
Democratic and Regulatory Services Supervisor
Tel No: 01234 845149

Background Papers: None

Implications

LEGAL			FINANCIAL	
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	
CORPORATE RISK	Known		OTHER (please specify)	
	New			

Any implications affecting this report are noted at the end of the report

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PURPOSE:

To make arrangements for carrying out Councillor Malik's responsibilities on the Fire Authority following her resignation.

RECOMMENDATIONS:

That Members' agree representation for the remainder of 2019/20 for the following responsibilities:

1. Membership of the Executive Committee; and
2. Luton Member of the Local Strategic Partnerships for 2019/20.

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1 Background

1.1 Councillor Malik advised the CFO on 8 January 2020 that due to being offered a post as an Executive Member at Luton Borough Council, she would be standing down as one of the Council's representatives on the Fire Authority with immediate effect.

1.2 Formal notification of Councillor Malik's replacement will be received following the meeting of Luton Borough Council on Wednesday 19 February 2020. In the meantime, the Fire Authority needs to consider what arrangements it wishes to make regarding the responsibilities undertaken by Cllr Malik on the Authority.

2. Representation for the remainder of 2019/20

2.1 Members are requested to agree representation for the remainder of 2019/20 to cover the following responsibilities:

- Member of Executive Committee; and
- Luton Member of the Local Strategic Partnerships for 2019/20.

JOHN ATKINSON
SECRETARY/MONITORING OFFICER

MINUTES OF FIRE AND RESCUE AUTHORITY MEETING HELD ON 17 DECEMBER 2019

Present: Councillors C Atkins, R Berry, J Chatterley (Chairman), K Choudhry, P Duckett, J Gambold, M Headley, K Malik, I Shingler and Y Waheed

Police and Crime Commissioner K Holloway

CFO P Fuller, DCFO A Hopkinson, ACO G Chambers and Mr J Atkinson

19-20/FRA/60 Apologies

Apologies for absence were received from Councillors Franks and McVicar. Apologies for lateness were received from Councillors Atkins and Waheed.

19-20/FRA/61 Declarations of Disclosable Pecuniary and Other Interests

There were no declarations of disclosable pecuniary and other interests.

19-20/FRA/62 Communications

Asian Fire Service Association Conference

The Chair, Vice Chair and Councillor Malik had attended the Asian Fire Service Association Conference in Sheffield on 28 and 29 November 2019. The Service had been shortlisted for a positive action award in relation to its recruitment vehicle.

Members who had attended the Conference commented on the number of examples of good practice in relation to equality and diversity that had been discussed.

Diversity Champions Network

The Chair reported that he would be attending the meeting of the Diversity Champions Network in London on 22 January 2020 on behalf of the Service.

HMICFRS

The inspection reports from Tranche 3 had been released and the Chief Fire Officer advised of the individual results on the three inspection strands: effectiveness, efficiency and people. It was noted that the Service had done well in comparison to a number of other Services that had been inspected in the last tranche.

A piece of work was being undertaken to identify all areas for improvement and of concern across the country arising from the inspection reports, as well as areas of best practice, to inform the Service's improvement journey. The Service also sought a peer review by the Local Government Association.

Data Collection from the Standards Board

Information was being collected in an emergency response during fire standards.

LGA Meetings and Training for Members

The Chair reported that Members had been circulated information and training opportunities. Members should advise if they were interested in attending any of the training available.

Whole Time Recruits Pass Out Parade

A Pass Out Parade had been held on 4 December 2019 for the 16 new whole time recruits. This had been attended by three Members of the Authority.

The Authority was advised that a Pass Out Parade was being held for the on-call recruits in February 2020.

Mark Hustwitt

Mark Hustwitt's funeral had recently been held and had been well attended by Service staff. His widow had been supported by the Service since Mr Hustwitt's death. Mr Hustwitt had died in service and had served as the Communications and Engagement Manager.

Grenfell- Actions arising from the Inquiry

Councillor Franks had brought an article in The Guardian newspaper to the attention of the Service. His primary concern had been that the recommendations arising from the Inquiry relating to the improvement of the built environment may not be implemented by parties outside of the Fire and Rescue Services.

The Chief Fire Officer reassured Members that the Service was very proactive in ensuring that it had accurate knowledge of the built environment in Bedfordshire. In this respect, a building in Luton had recently been identified that was less than 18 metres high (so not qualifying as a high rise) that had combustible cladding and this was being dealt with. The Service worked with its social housing partners to prosecute rogue landlords using housing legislation.

The Authority had a brief discussion on HMOs and unauthorised accommodation and the fire dangers arising from these. The Officer appointed to identify rogue landlords would be invited to the next meeting of the Authority to give a presentation to Members.

The Deputy Chief Fire Officer reported that, at a national level, the implementation of the recommendations for the Fire Sector as a whole were being monitored by a sub-group of the National Fire Chief's Council.

An action plan had been developed and would be presented to Members at an appropriate time.

Toddington Fire Station

An event to celebrate the creation of a shared emergency service facility at Toddington as part of the collaboration between the Fire and Rescue Service and the Police Service was being held on 10 January 2020. All Members were invited to attend.

Excellence in Fire and Emergency Awards

The Service had been shortlisted in two categories: resilience and learning from major incidents and most influential LGBT+ individual in Fire.

Firefighter Pat Carberry had won the award for most influential LGBT+ individual in Fire.

Luton Best Awards

Representatives of the Service had attended the Luton Best Awards. The Service had sponsored the "Making Luton Safer" award.

Carol Service

Members were invited to the Carol Service to be held at 7.30pm on 18 December 2019 at St Mary's Church, Woburn.

19-20/FRA/63 Minutes

RESOLVED:
That the Minutes of the meeting held on 6 November 2019 be confirmed as a true record.

19-20/FRA/64 Public Participation

Members noted that no questions had been received in accordance with the public participation scheme approved at the meeting of the Fire and Rescue Authority held on 5 April 2000 (Minute 99/fa/94 refers).

19-20/FRA/65 2019/20 Revenue Budget and Capital Monitoring Programme

The Assistant Chief Officer introduced his report setting out the forecast year end budget monitoring position as at 31 October 2019.

The current forecast underspend was £303,000, although the Assistant Chief Officer reported that there may be an additional cost of approximately £100,000 relating to the Service's use of the ICT Shared Service.

In relation to the Capital Programme, the Assistant Chief Officer reported that there were a number of items of slippage, in part relating to the suppliers seeking to hold back equipment in preparation for the International Exhibition for Rescue, Fire Prevention, Disaster Relief, Safety and Security to be held in Hanover in June 2020. Members of the Service Technical Team would attend the exhibition.

Appendix 1 of the report highlighted the savings and efficiencies, some of which had not been achievable in the current financial year.

In response to a comment, the Assistant Chief Officer confirmed that the employer contributions for each of the firefighter pension schemes would be met by Government grant in 2019/20 and 2020/21.

Further information on the forecast overspend relating to the ICT Shared Services was requested.

RESOLVED:
1. That the revised forecast outturns for revenue and capital be noted.
2. That the comments in paragraph 2.3.7 of the report regarding the reconciliation work being undertaken regarding the firefighter pension schemes be noted.
3. That the comments in paragraph 2.3.8 of the report regarding the potential cost of recruits in year be noted.

19-20/FRA/66 Draft 2020/21 Revenue Budget, Capital Programme and Council Tax

The Assistant Chief Officer submitted his report which presented information to allow Members to approve further consultation on a draft Revenue Budget, Capital Programme and Council Tax for 2020/21. The information had been presented to Members at the Members Budget Workshop held on 27 November 2019. A draft revenue budget requirement of £31.051 million, with a council tax increase of 1.99% and a draft Capital Programme of £1.568 million were being proposed.

It was noted that a 1.99% increase in Council Tax would add £1.96 per Band D property per annum.

The initial outcome of the consultation would be presented to Members at the second Members Budget Workshop on 16 January 2020. As requested at the first budget workshop, the Head of ICT and Infrastructure would be providing more information on the proposed ICT and software capital schemes.

The uncertainty in the medium term was recognised, as was the need to build capacity when there was an opportunity to do so.

The proposed budget consultation questions included a whether there would be support for an increase over 1.99%, in the event that the cap was removed. It was the intention of the Service to run the budget consultation process in parallel with the consultation on the Community Risk Management Plan (CRMP).

RESOLVED:
That the following be approved for consultation:

a. A draft revenue budget requirement of £31.051 million, with a council tax increase of 1.99%;
b. A draft Capital Programme of £1.568 million; and
c. The draft budget consultation approach and questions as set out in paragraph 8 of the report.

19-20/FRA/67 Draft 2020/21 Community Risk Management Plan

The Deputy Chief Fire Officer submitted an update on the progress made towards the 2020 refresh of the 2019-2023 Community Risk Management Plan (CRMP) and the associated consultation.

The key changes were to the Service Values and Behaviours Framework. These had been revised following consultation with Service staff. It also included a new forward by the Chief Fire Officer and the Chair of the Authority.

As part of the consultation, there would be three headline questions, with a free text box being provided for additional comments.

Concern was expressed that the commitment to investment in ICT that had not yet been agreed by Members as part of the budget process, although it was recognised that the need to invest and improve in this area had been highlighted during the Service's HIMCFRS inspection.

RESOLVED:
1. That the revised Service Values be supported.
2. That the initial draft of the refreshed 2019-2023 Community Risk Management Plan be approved.
3. That the consultation arrangements and questions be agreed.

19-20/FRA/68 Information Bulletin (July - September)

Members received the Service information bulletin for the period July to September 2019.

In recognising the number of new starters to the whole time and on-call establishment, the Chief Fire Officer reported that the Service had introduced a new fast-track process for on-call fire fighters to progress to whole-time positions, subject to them meeting the entry requirements.

Members noted the number of false alarms that the Service was mobilised to. This had reduced significantly following a change in policy that was introduced a few years ago. Further work was being undertaken to reduce this still further.

In relation to the incident at Sunderland Hill, the Deputy Chief Fire Officer confirmed that when there was more than one incident at the same location, an after fire inspection was conducted to decrease the risk of future incidents occurring.

RESOLVED:
That the information bulletin be received.

The meeting ended at 2.15 pm

For Publication

Bedfordshire Fire and Rescue Authority
11 February 2020

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Agenda Item 7

REPORT AUTHOR: **COUNCILLOR M HEADLEY**

SUBJECT: **AUDIT AND STANDARDS COMMITTEE**

For further information on this Report contact: Nicky Upton
Democratic and Regulatory Services Supervisor
Tel No: 01234 845149

Background Papers: None

Implications (tick ✓):

LEGAL			FINANCIAL	
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	
CORPORATE RISK	Known	✓	OTHER (please specify)	
	New			

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To report on the meeting of the Audit and Standards Committee held on 5 December 2019.

RECOMMENDATIONS:

That the submitted minutes of the meeting held on 5 December be received and the recommendations of the meeting, noted below, be considered.

1. Introduction

1.1 The draft minutes of the meeting of the Audit and Standards Committee held on 5 December 2019 are appended for Members' consideration.

1.2 The Audit and Standards Committee made the following recommendation to the Fire Authority:

19-20/ASC/37 Statement of Assurance

That the Chair of the Committee be authorised to sign off the Statement of Assurance for reporting to the full Fire and Rescue Authority Meeting, subject to the following changes being made: additional text being included to explain why the Authority is trialling operating without Policy and Challenge Groups, the inclusion of the Internal Audit opinion in the section covering internal audit and clarification of the bullet point in section 6 about membership in the Dementia Protocol.

COUNCILLOR M HEADLEY
CHAIR OF AUDIT AND STANDARDS COMMITTEE

MINUTES OF AUDIT AND STANDARDS COMMITTEE MEETING HELD ON 5 DECEMBER 2019

Present: Councillors M Headley (Chair), K Choudhry, P Duckett, D Franks and J Gambold

Mr J Atkinson, ACO G Chambers, SOC G Jeffery, Mr P Hughes and Mr M Dix

Mrs S Rowlett, RSM

19-20/ASC/27 Apologies

27.1 Apologies for absence were received from Councillors Berry and Shingler.

27.2 The Committee was advised that Mr N Harris from Ernst & Young was unable to attend the meeting.

19-20/ASC/28 Declarations of Disclosable Pecuniary and Other Interests

28.1 There were no declarations of interest.

19-20/ASC/29 Communications

29.1 The Assistant Chief Officer advised that, following the conclusion of the external audit, the statement of accounts had been formally signed off on 20 November 2019. No amendments requiring reporting had been made. Given the significant delays experienced this year, the Service was liaising with Ernst & Young to schedule an early audit for 2019/20.

29.2 The Committee received a briefing entitled Trust in the Boardroom from RSM. Mrs Rowlett provided a summary of the briefing. This covered compliance, transparency, behaviour and skills and impact. The briefing also explained how to “future proof” governance arrangements.

29.3 In relation to the Nolan Principles, the Assistant Chief Officer highlighted that the Authority would be presented with a draft of the Community Risk Management Plan at its next meeting and that the Service was refreshing its values, with Members having an opportunity to comment on these.

RESOLVED:
That the communication be received.

19-20/ASC/30 Minutes

RESOLVED:
That the Minutes of the meeting held on 15 October 2019 be confirmed and signed as a true record.

19-20/ASC/31 Public Participation

31.1 There were no members of the public present.

19-20/ASC/32 Internal Audit Progress Report

32.1 Mrs Rowlett of RSM presented a report on progress made against the internal audit plan for 2019/20. One audit report had been completed since the last meeting of the Committee. This was on ICT Cyber Security. There had been no changes in the audit plan and all audits would be progressing in accordance with the agreed schedule.

32.2 The audit of Cyber Security was discussed in private session following a resolution to pass Schedule 12a of Part 1 of the Local Government Act 1972.

RESOLVED:
That the report be received.

19-20/ASC/33 Audit and Governance Action Plan Monitoring - Exception Report and Summary Analysis

33.1 The Assistant Chief Officer provided Members with a summary statistical analysis of actions arising from internal audit reports over the last three financial years to date and from the Authority's current Annual Governance Statement, together with exception reports on actions currently in progress, progress to date on current action plans and proposals to extend the original timing for completion.

33.2 There were no extension requests to consider at the meeting.

33.3 Actions were still in progress in relation to the following audit areas: risk management (2), stock control (1), business continuity (2) and property- statutory compliance (2).

33.4 It was anticipated that the actions scheduled for completion in December 2019 would meet this target.

33.5 In relation to a question on solar panels, the Assistant Chief Officer reported that solar panels had previously been installed at Headquarters and at Bedford Community Fire Station. The installation of further panels had not been pursued as the panels had a significant payback period.

33.6 The Committee was advised that the Service was planning to refresh its environmental strategy and the installation of additional solar panels could be considered when the property asset management plan was submitted to Members for approval.

RESOLVED:
That progress made to date against action plans be acknowledged.

19-20/ASC/34 Annual Review of Effectiveness of the Internal Audit Arrangements

34.1 The Committee considered a report on the effectiveness of the Fire and Rescue Authority's Internal Audit arrangements. The original recommendation to review the effectiveness of both the internal and external auditors was suggested by the former Human Resources Policy and Challenge Group following national concerns about the top four auditing firms.

34.2 The first review of the effectiveness of the internal auditors had taken place in December 2018.

34.3 The review of the effectiveness of the Authority's external audit arrangements would take place at the Committee's next meeting.

34.4 As part of the review, RSM had submitted information including its conformance with the Institute of Informal Auditors (IIA) Standards and its Internal Audit Charter.

34.5 Mrs Rowlett advised that there had been no significant changes since the previous year's review. RSM was subject to an external quality assessment every five years and this was due to take place sometime in 2020/21. She assured Members that this would be submitted to the Committee as soon as it was available.

RESOLVED:
That the report be received and the effectiveness of the Fire and Rescue Authority's Internal Audit arrangements be confirmed.

19-20/ASC/35 Review of 'Monitored Policies'

35.1 The Committee received a report on the review of the policies on Protected Reporting (Whistleblowing), Anti-Fraud, Bribery and Corruption incorporating the National Fraud Initiative (NFI), Use of Regulation of Investigatory Powers Act 2000 (RIPA) and the Authority's Complaints and Compliments process.

35.2 The Assistant Chief Officer reported that there had not been any whistleblowing incidents, cases of suspected fraud or requests made for covert surveillance during the past year. There were no NFI cases to follow up.

35.3 The report also included as an appendix a summary of the compliments and complaints received during the year.

RESOLVED:
That the arrangements in place for the Protected Reporting (Whistleblowing) policy, the Anti-Fraud, Bribery and Corruption policy incorporating the National Fraud Initiative (NFI), Use of Regulation of Investigatory Powers Act 2000 (RIPA) and the Authority's Complaints and Compliments process and note arrangements for their review be acknowledged.

19-20/ASC/36 Report on Registration of Interests and Gifts/Hospitality

36.1 The Secretary and Monitoring Officer introduced the annual report on the registration of interests and gifts/hospitality by Members and Officers during the past year.

36.2 All Members had completed their register of interest forms which had been reviewed and published on the Service's website.

36.3 There had been four entries made into the gifts and hospitality register during the past year.

RESOLVED:
That the report be received.

19-20/ASC/37 Statement of Assurance

37.1 Strategic Operational Commander Jeffery submitted the Service's Annual Statement of Assurance for 2018/19 for approval. The publication of such a statement was a requirement of the Fire and Rescue National Framework.

37.2 The statement included detailed information on financial assurance, governance framework, operational assurance and future improvements.

37.3 It was suggested that the section on governance (section 3.4) could be strengthened by explaining why the Authority was trialling having only full Authority and Audit and Standards Committee meetings, with no Policy and Challenge Groups. Members expressed the view that this arrangement was being trialled to involve Members more widely of all areas of the Service and to streamline the democratic process.

37.4 Mrs Rowlett commented that even though reference was made to the internal arrangements in sections 3.2 and 3.6, the report did not include the internal audit opinion and suggested that it be included.

37.5 In response to a question about the drone, the Committee was advised that this was fully licensed and that the Service worked closely with the Police to ensure that the drone was used appropriately and effectively.

37.6 The Chair suggested that the bullet point referring to electronic membership applications on the Service website in section 6 should include the scheme the membership related to.

RESOLVED:
That the Chair of the Committee be authorised to sign off the Statement of Assurance for reporting to the full Fire and Rescue Authority Meeting, subject to the following changes being made: additional text being included to explain why the Authority is trialling operating without Policy and Challenge Groups, the inclusion of the Internal Audit opinion in the section covering internal audit and clarification of the bullet point in section 6 about membership in the Dementia Protocol.

19-20/ASC/38 Corporate Risk Register Progress Update

38.1 Strategic Operational Commander Jeffery submitted his report which provided an update on the progress made in reviewing the Service's Corporate Risk Register.

38.2 Since the last meeting of the Committee, all risks had been reviewed by the Service's Corporate Management Team and risk owners. The risk owners had been updated to reflect the recent restructure and the layout of the risk register had been amended.

38.3 An example of how the updated register would look was attached as an appendix to the report. The headings had been amended to set out the inherent, residual and target risk levels and details about all actions being taken to mitigate against the risk were now being included in the register submitted to Members.

38.4 The updated risk register would be subject to a thorough review by the Corporate Management Team and considered at a workshop in January 2020 before being resubmitted to the Committee at its meeting on 26 March 2020. It would also be informed by the initial outcomes of an internal audit scheduled for March 2020.

RESOLVED:
That the continuing development of the Service's Corporate Risk Register be acknowledged.

19-20/ASC/39 Review of Work Programme 2019/20

39.1 The Committee considered its updated work programme for 2019/20.

39.2 Mrs Rowlett advised that the Internal Audit Strategy would cover the period 2020/21 to 2022/23.

RESOLVED:
That the Committee's Work Programme for 2019/20 be received.

The meeting ended at 11.01 am

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

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Bedfordshire
Fire and Rescue Service

STATEMENT OF ASSURANCE 2018/19

Statement of Assurance 2018/19

www.bedsfire.gov.uk

Contents

1. Introduction

The Government set out the high level expectations and requirements for Fire and Rescue Authorities through the Fire and Rescue National Framework (England) 2018.

The Framework is issued under Section 21 of the Fire and Rescue Services Act 2004 with the stated purpose to give Fire and Rescue Authorities the freedom and flexibility to deliver services to their communities, moving accountability away from Central Government and placing responsibility with local communities.

Under the National Framework, Bedfordshire Fire and Rescue Authority (BFRA) have a responsibility to publish an Annual Statement of Assurance which provides a report on the Service's performance in the previous year with regard to:

- **Financial:** How BFRA ensures that public money is properly accounted for, managed, audited and reported along with management of financial assets and the production of the Annual Statement of Accounts which is produced in line with accounting codes of practice.

- **Governance:** How BFRA ensures that it conducts its business lawfully and that public money is properly accounted for and managed economically, efficiently and effectively and that an Annual Governance Statement (AGS) is published.

- **Operational:** How BFRA operates within a clear defined statutory framework including key documents such as National Framework and the Fire and Rescue Services Act 2004 etc.

The Statements of Assurance is required to be published annually and where possible form part of the existing governance reporting arrangements. This Statement of Assurance is subject to normal scrutiny arrangements which comprise of:

- Approval by the Audit and Standards Committee, who oversee the production of the Annual Statement of Assurance;
- Presented to the Full Fire and Rescue Authority Meeting by the Chair of the Audit and Standards Committee; and,
- Published on the Service's website.

In summary this Statement of Assurance aims to provide information to the Communities, Government, Local Authorities and Partners in an easy and accessible way, so a valid assessment can be made of their local Fire and Rescue Authority's performance during 2018/19.

2. Financial Assurance

BFRA is a precepting authority; this means that its net cost, after receiving Government Grant and a proportion of local business rates, is met by all council tax payers in Bedford Borough, Central Bedfordshire Borough and Luton as a proportion to the valuation band of their home.

BFRA has the responsibility for ensuring that public money collected by way of grant and council tax is properly accounted for and managed appropriately in accordance with Section 3 of the Local Government Act 1999. This responsibility extends to securing the continuous improvement in which BFRA's functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

As part of managing the financial arrangements of the Authority, BFRA have robust control measures in place for protecting the public purse which are supported by accurate budget monitoring processes which are subject to rigorous scrutiny and reporting.

The Treasurer to the BFRA has the responsibility for ensuring that the right measures are in place to manage the Authority's financial assets and that the financial reporting arrangements are sound and that the Annual Statement of Accounts is prepared in accordance with statutory requirements.

The Statement of Accounts for the year ending 31 March 2019 is a document that summarises BFRA's transactions for the previous financial year detailing how the funding was used to provide a Fire and Rescue Service to the communities of Bedfordshire and includes:

a) The Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the FRA and the Treasurer to the FRA;

b) The Annual Governance Statement (AGS);

c) The Movement in Reserves Statement which summarises the FRA's spending against the council tax it raised, taking into account the use of reserves during the year;

d) The Comprehensive Income and Expenditure Statement which summarises the income and expenditure of the FRA;

e) The Balance Sheet which displays the financial position of the FRA as at 31 March 2019;

f) The Cash Flow Statement which summarises the changes in the FRAs funds; and,

g) The Pension Fund Account for the year together with the Net Assets Statement at the year end.

The Accounts are supported by a Statement of Accounting Policy and Core Financial Statements and these are prepared by the Finance Team under the direction of the Assistant Chief Officer and Treasurer to the BFRA.

The Statement of Accounts is signed off by the Chairperson of the Audit and Standards Committee who oversees the audit activity, regulatory framework, accounts and standards of the Service and these are prepared in accordance with proper accounting practices that include:

- Accounts and Audit (England) Regulations 2015 ;
- The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2015; and,
- International Financial Reporting Standards (IFRS).

BFRA are subject to independent external audit and scrutiny to ensure that appropriate and effective financial arrangements are in place.

At the conclusion of the audit for 2018/19 the Annual Audit Letter was produced which reported on the audit of the Authority's Financial Statements and an assessment of the arrangements to achieve value for money in the use of resources.

In summary the auditor's provided an unqualified opinion and stated that the Financial Statements of BFRA:

- Give a true and fair view of the financial position of Bedfordshire Fire and Rescue Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and,
- Have been prepared properly in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In addition, the auditors concluded that on the basis of their work, having regard to the guidance on the specified criteria published by the Comptroller and Auditor General (C&AG), they were satisfied that, in all significant respects, BFRA put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

3. Governance Framework

BFRA is made up of twelve elected members who are appointed in proportion to the number of local government electors in each constituent Authority area with Members from the three Local Authorities of Bedford Borough, Central Bedfordshire Borough and Luton comprising:

- Three members from Bedford Borough Council;
- Five members from Central Bedfordshire Council; and,
- Four members from Luton Borough Council.

The responsibility for ensuring proper governance arrangements and controls rests with BFRA who enable the effective exercise of the Authority's functions and the management of risk. The Governance Framework includes systems, processes, culture and values to enable BFRA to monitor the achievement of strategic objectives and consider whether the objectives have led to the delivery of appropriate, cost effective services to the communities of Bedfordshire and stakeholders.

BFRA's governance framework derives from seven core principles identified in the International Framework: Delivering Good Governance in Local Government: Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE) Review of Annual Governance Statements 2016/17

The seven core principles are:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.1 Annual Governance Statement

The Annual Governance Statement (AGS) for 2018/19 explains how the BFRA manages its governance arrangements and internal control measures. It is an open and transparent account of how the BFRA ensures its financial management systems are adequate and effective, as well as ensuring there is a robust and sound system of internal control.

The AGS also explains how BFRA has complied with the Code and meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement. BFRA's financial arrangements conform to the governance requirements of the CIPFA – Statement on the Role of the Chief Financial Officer in Local Government. The Treasurer to the BFRA reports in this role directly to the Chief Fire Officer.

3.2 Internal Audit

The role of internal audit is to review the internal control framework that governs the operations of the BFRA and, in so doing, provide an independent opinion to both Management and Members of the BFRA on the robustness of the Authority's internal control environment. Each year an Internal Audit Plan is produced and developed by the auditors, in conjunction with the Assistant Chief Officer – Finance and Corporate Services and Treasurer to the BFRA and is based on a risk assessment of all the services/systems of the Authority. Members and Service Managers are directly involved in the development of the plan and it is subject to review by the Corporate Management Team (CMT), prior to being approved by the Audit and Standards Committee.

In summary, the plan identifies the audits to be completed each year, including core fundamental systems and other operational systems.

The appointed Internal Auditors also work with both Essex and Cambridgeshire Fire and Rescue Services (FRS) as part of a joint contract and where possible are able to audit on areas of commonality and shared service areas across all three FRAs. The work of the audit team complies fully with the requirements of CIPFA's Code of Practice for Internal Audit in Local Government in the UK.

The Annual Internal Audit report for 2018/19 by the Service's appointed internal auditors, RSM, advises that "Based on the work we have undertaken on the system of internal control, we do not consider that within these areas there are any issues that need to be flagged as significant control issues in the AGS. However, we would expect the Authority to consider in the formulation of the AGS, the internal control weaknesses identified within our partial assurance opinion, along with the actions taken to address the issues identified".

For the 12 months ended 31 March 2019, the Head of Internal Audit's opinion for the Authority was as follows:
"The organisation has an adequate and effective framework for risk management, governance and internal control.
However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective".

3.3 <u>External Audit</u>

BFRA remains committed to continuing to improve its performance towards achieving excellence in all areas. Value for Money (VFM) is still part of an annual review carried out by the Service's external auditors with an opinion whether the BFRA is delivering VFM as part of the external auditor's annual report and whether the BFRA has proper arrangements for:

- Securing financial resilience; and,
- Challenging how it secures economy, efficiency and effectiveness.

An integral part of this assurance is the role of the external auditor in the annual review report which complies with the statutory requirements governing audit and inspection work, in particular:

- National Audit Office's 2015 Code of Practice, International Standards on Auditing (UK & Ireland);
- The 2018/19 Code of Practice; and
- Accounts and Audit Regulations 2015.

On 9 July 2018 External Audit issued an unqualified opinion on the 2017/18 Statement of Accounts. In the auditor's opinion, the Statement of Accounts provided a true and fair view of the financial position of the BFRA and have been prepared properly in accordance with the Code of Practice on Local Authority Accounting.

Additionally the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The 2018/19 accounts are due to be finalised in October 2019.

In July 2017 Her Majesty's Inspectorate of Constabulary (HMIC) gained the statutory responsibility of the inspection of Fire and Rescue Services in England and Wales and became Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). This was the first time that Fire and Rescue Services have had an inspectorate in over a decade.

HMICFRS initial inspection of the 45 Fire and Rescue Services in England was split in to three tranches. BFRS was inspected in the first Tranche with the main fieldwork carried out during August 2018. All Fire and Rescue Services inspections would have concluded during 2019 and the final Tranche reports are due in December 2019, along with a 'State of the Nation' report reflecting on the first full round of inspections.

The inspection framework is built around three key questions:

1. How **effective** is the Fire and Rescue Service at keeping people safe and secure from fire and other risks?

2. How **efficient** is the Fire and Rescue Service at keeping people safe and secure from fire and other risks?

3. How well does the Fire and Rescue Service look after its **people**?

No overall grading is given for the Service as a whole. However, separate grading's are given for the three key inspection areas. BFRS was graded as 'Good' for Effectiveness and as Requires Improvement for Efficiency and People.

In addition to commenting on a number of strengths and achievements by the Service. HMICFRS identified 23 areas for improvement (AFI) within the report. These AFI's were developed into an action plan to drive Service improvement, and further supported by objectives contained within the CRMP 2019-23.

3.4 Committee and Groups

BFRA has adopted a Constitution which sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people and stakeholders.

BFRA meets a minimum of five times per year and has established an Executive Committee, Audit and Standards Committee and three Policy and Challenge Groups. This Governance structure aligns with the Service structure ensuring a more interactive relationship between Elected Members, managers and employees, and facilitates the scrutiny role of Members more visibly effective.

The Audit and Standards Committee and Policy and Challenge Groups have responsibilities covering all areas of the Service to ensure that the Service is functioning efficiently and effectively. This is achieved by providing checks and challenges, monitoring performance and approving associated policy and activity. These Groups make recommendations on matters within their terms of reference to the Authority according to their area of concern.

The Chairs of the Audit and Standards Committee and Policy and Challenge Groups report any recommendations arising from these meetings to the meeting of the Full FRA. Reporting will also include on-going policy and decision making which is facilitated by a clear framework of delegation set out in the Authority's Constitution, including details of delegated authorities to officers.

All reports are reviewed for legal, human resource, financial and risk considerations prior to being presented to Members of the BFRA for formal decision-making. This, together with an appropriate level of delegation to both the Authority Executive and Senior Managers, enables prompt decision making.

Following the decision at a full FRA meeting where governance arrangements were reviewed, during 2019/20 the BFRA will be trialing with an additional two FRA meetings, no further Policy and Challenge group meetings, but maintaining the necessity of the Audit & Standards Committee. The purpose of this change will enable Members of the Authority to have a wider understanding, involvement and scrutiny across the Authority's services, whilst streamlining the democratic process.

3.5 Review of Authority Effectiveness

Historically the BFRA publishes an Annual Review of the Fire Authority's Effectiveness and Record of Member Attendance. Implementation and formal review of the agreed actions arising from the Annual *Review of Effectiveness* is then incorporated as a standing item in each year's Annual Governance Statement.

In 2018 the BFRA commissioned RSM, its internal auditors, to carry out a review of the governance arrangements for the Authority. The Review suggested a number of areas which, if implemented, may improve the efficiency of the Authority and reduce the bureaucratic burden on the Fire and Rescue Service whilst supporting it at a time when resources are increasingly under pressure.

The Review covered:

- Number and functionality of BFRA meetings
- Location of meetings
- Staffs requirement of Members
- Structure of Policy and Challenge Groups
- Members' Allowances.

Whilst this process was undertaken, BFRA deferred the Annual Review of Authority Effectiveness.

3.6 Internal Control Framework

BFRA has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control and is informed by the work of the internal auditors and the Corporate Management Team (CMT).

The Internal Auditors provide an annual opinion on the internal control framework and operate to standards set out in the *Code of Practice for Internal Audit in Local Government in the UK*. The key features of the Authority's internal control framework, which directly contribute to the review of effectiveness are:

- The Fire and Rescue Authority;
- The Audit and Standards Committee;
- Internal Audit;
- External Audit;
- Assurance Statements; and,
- Internal Performance Management Framework.

BFRA has a robust Performance Management Framework in place for securing continuous improvement in its services and where the quality of service to the communities can be measured by the use of local performance indicators.

Other forms of measures include:

- External performance assessment, external inspections,
- Peer reviews,
- The Authority's internal reviews and audits,
- Appraisal and objective setting for the CFO (by FRA),
- Consultation exercises,
- Service improvements identified by the Authority's Customer Care Complaints and Compliments procedure.

An integral part of the performance framework includes the setting of organisational key performance indicators. These are agreed and monitored on a bi-monthly basis by senior managers of the Service with performance being reported through the Corporate Management Team, the Authority's Policy and Challenge Groups, and to full FRA Meetings.

For the year ending 2018/19 the Annual Internal Audit report advised that the Auditors were satisfied that sufficient internal audit work had been undertaken to allow them to draw a reasonable conclusion on the adequacy and effectiveness of the Authority's arrangements.

3.7 Data Transparency

In accordance with the *Code of Recommended Practice for Local Authorities on Data Transparency*, BFRA is committed to greater openness and financial transparency through the publication, on the Authority's website, of information regarding how public money is spent. This includes payments for goods and services to external bodies and suppliers above £500, and details of salaries and allowances paid to staff and Members.

In doing so, BFRA utilise a number of information sources and data sets to improve the delivery of service to the communities and reports its performance accordingly. The performance data and information is published in the form of reports against targets and outcomes showing the performance of BFRA.

4. Operational Assurance

The National Framework does not prescribe operational firefighting matters; this is determined locally by respective FRAs. However it does set out the government's priorities and objectives for Fire and Rescue Authorities in England that include:

- Identifying and assessing the full range of foreseeable fire and rescue related risks in the respective areas;
- Making provision for prevention and protection activities and responding to incidents appropriately;
- Working with partners within the communities both locally and nationally to deliver their services; and,
- Being accountable to communities for the service they provide through the 'Statement of Assurance'.

FRAs operate within a clear defined boundary of a statutory framework that has a number of key documents that outline responsibilities, these include:

- The Fire and Rescue Services Act 2004;
- The Civil Contingencies Act 2004
- The Regulatory Reform (Fire Safety) Order 2005;

- The Fire and Rescue Services (Emergencies) (England) Order 2007;
- The Localism Act 2011;
- The Fire and Rescue National Framework;
- Local Government Act 2010; and,
- Health and Safety & Work Act 1974.

In addition to the statutory framework and assurance detailed above, BFRA has a range of key performance indicators and measures reported throughout the year. An integral part of operational assurance includes prevention and protection services and emergency response standards; these are regularly monitored and reviewed by the Service and the FRA by:

- Internal audits of service delivery functions;
- Quarterly performance reporting against station-based targets;
- Formal evaluation of prevention and protection activities; and,
- Full summary report of performance for the previous financial year.

4.1 Performance Summary

BFRA oversees the performance of the Service throughout the year by the monitoring of robust and challenging Performance Indicators (PIs) and associated targets, aimed to maximise the effort and resources of the Service.

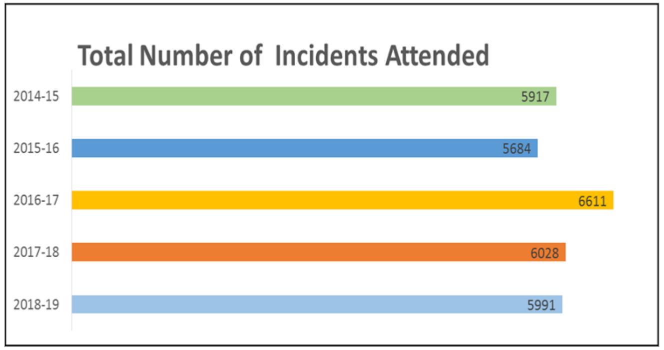
The Service Delivery PIs have been reviewed for 2019/20 and approved by the FRA. Full details of the Service's performance for 2018/19 and comparison against performance for 2017/18 is reported within the Annual Overarching Performance Report 2018/19.

4.2 Overview of Service Activity

The following charts provide an overview of the Service's Emergency Response, Prevention, and Safe and Well activities over a five year period to provide a balanced view of performance over the short and medium term. In particular, providing examples of incident types the Service attended.

4.2.1 Total Number of Incidents Attended

The number of incidents attended by the Service has fluctuated over the five years but now shows a three year downward trend. The figures for 2018/19 demonstrate a 0.6% reduction in the number of incidents attended compared with 2017/18; this equates to a reduction of 37 incidents attended only. The number is anticipated to increase as more collaborative activity expands our capabilities (e.g. forced entry for medical emergencies, assisting the Police).



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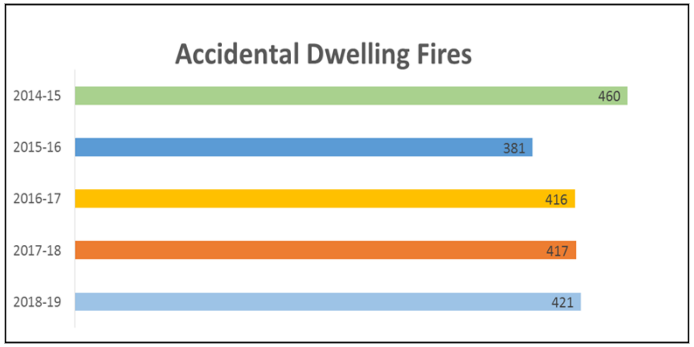
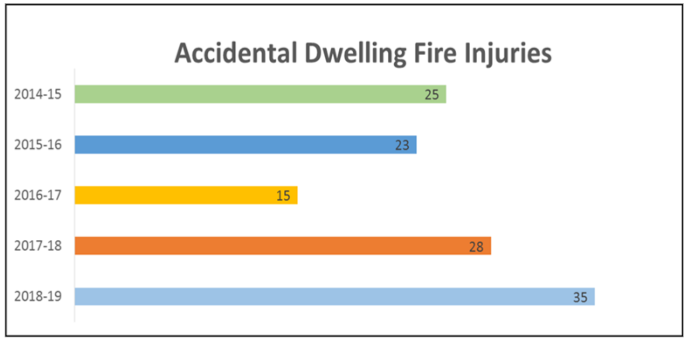
4.2.2 Accidental Dwelling Fires

Accidental Dwelling Fires are fires that occur in the home and the number across Bedfordshire during 2018/19 totalled 421. This shows a very minor increase from 2017/18. With the exception of 2014/15 the number of Accidental Dwelling Fires has been stable at around 400. BFRS continues to explore areas which will assist our commitment to drive down the number of Accidental Dwelling Fires across Bedfordshire.



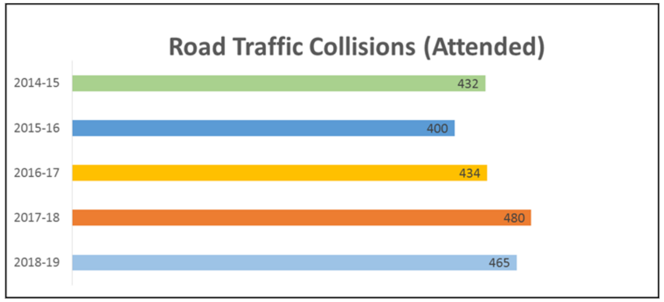
4.2.3 Accidental Dwelling Fire Injuries

Accidental Dwelling Fire Injuries continue to be one of the lowest reported within England; however the Service recognises an increase for the second successive year. BFRS continues work with partner agencies in order to target advice and guidance on domestic fire safety awareness to those most at risk in the community.



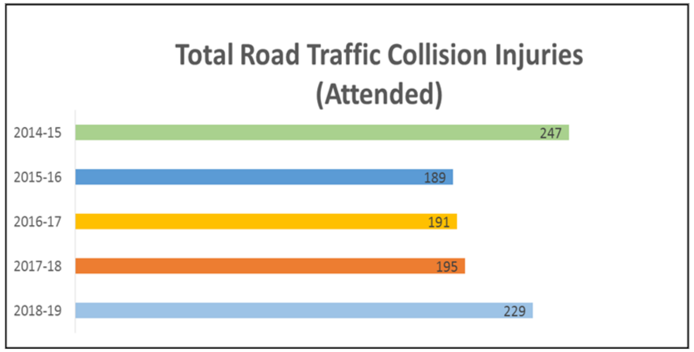
4.2.4 Road Traffic Collisions (Attended)

The Service has been seeing a year on year increase in the number of Road Traffic Collisions attended up to 2017/18, however in 2018/19 we have seen a 3% decrease.



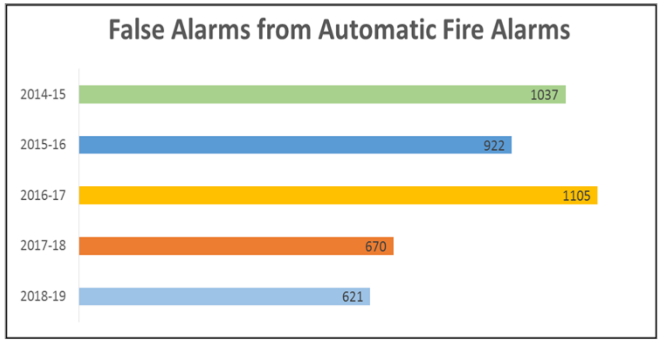
4.2.5 Road Traffic Collision Injuries (Attended)

The amount of Road Traffic Collison Injuries had been steady for the past three years, however there has been a 17% increase in 2018/19; the highest recorded period remains 2014/15.



4.2.6 False Alarms from Automatic Fire Alarms

During 2018/19 the Service attended 621 calls to False Alarms from Automatic Fire Alarm Systems, this is 49 less calls than the previous year. The Service continues to target the reduction in False Alarms from Automatic Fire Alarm Systems and is applying further measures to support this.



4.2.7 Total Home Fire Safety Checks/Safe and Well Visits

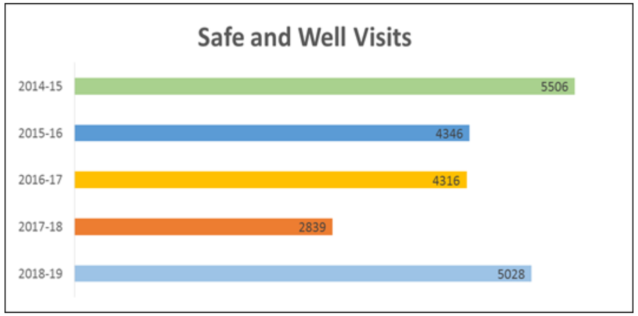
The Service uses a variety of preventative risk reduction activities in its continued commitment to keep the communities' of Bedfordshire safe.

In 2018/19 BFRS continued to deliver Safe and Well visits to the community. The Service increased the expected targets which resulted in an increase of 77% from 2839 to 5028 visits. These visits take the form of enhanced Home Fire Safety Checks that cover a range of additional areas addressing personal safety and wellbeing. These areas include:

- Crime Prevention;
- Slips, Trips and Falls;
- Smoking cessation; and
- Alcohol.

BFRS works closely with Bedfordshire Police and has identified that fire risk factors closely align with the risks associated with vulnerability to crime. As such, Safe and Well visits will incorporate crime prevention advice.

BFRS makes effective use of its own data, and that of Health and other partners, to implement an intelligence led approach, targeting the most vulnerable households with Safe and Well visits. The Service uses existing partnerships and is establishing new partnerships to generate referrals from other professionals, who can assist in identifying vulnerable households that would benefit from a Safe and Well Visit.

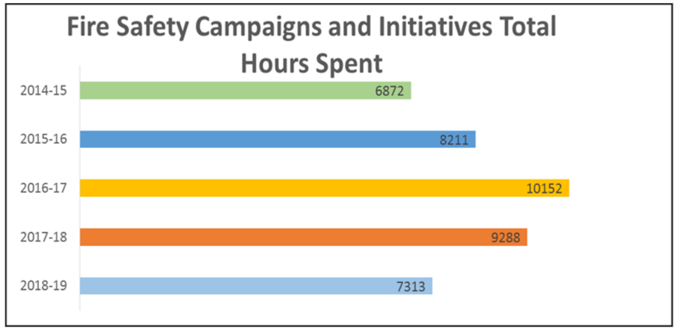


In 2017/18, following the tragic events at Grenfell, BFRS undertook an inspection of all high rise residential premises in Bedfordshire to assess risk levels and provide assurance to residents, owners and firefighters.

4.2.8 Total Hours spent on Community Safety Campaigns and Initiatives

The number of hours spent on Fire Safety Campaigns and Initiatives have shown an increasing commitment over the four year period to 2016/17. A more intelligence-led, targeted approach in the past two years has seen a decrease the number of hours spent.

The Service continues to deliver a broad range of risk reduction interventions and themed safety campaigns. These include school visits, working with young people, Fire Cadets, road safety advice for all road users, and seasonal advice including electrical safety, chimney safety and cooking safely in the home plus many others.



4.3 Community Risk Management Plan

The Community Risk Management Plan 2015 - 2019 Summary (CRMP) is the Authority's programme for securing continuous improvement in its services and outlines the Authority's vision, objectives and priorities for the future, sets performance targets and outlines the Authority's accountability to its stakeholders and the communities.

Within Bedfordshire the assessment of all fire and rescue related risk to life and injury formulates the basis of the production of the CRMP. When identifying priorities for the CRMP the views of stakeholders and the communities are taken into account to ensure that they are aware of the aims, objectives, priorities and performance of BFRA.

The CRMP aims to inform our communities of our plans and ensures that the Service contributes, in a coordinated and meaningful way towards keeping our communities safe. The CRMP is a long term plan that is refreshed annually to assist the Service in being more agile and responsive to locally identified needs and trends. This approach enables the effective targeting of resources to prevent incidents occurring in the first place, whilst putting resources in the right location to best protect the communities.

In 2018/19 BFRS carried out further research to understand our communities to inform our approach to risk. A new CRMP for 2019-2023 has now been issued and will be referenced during next year's Statement of Assurance.

Each quarter we consult those people who have received a Safe and Well Visit and those businesses who have taken part in a Fire Safety Audit, as well as those involved in incidents, to ensure they have been satisfied with the services they receive from BFRS. This ensures BFRS continually monitor our customer service and are able to respond to any issues that might arise when delivering services to our communities.

4.4 Mutual Aid and Reinforcement Schemes

Sections 13 and 16 of the Fire and Rescue Services Act 2004 place a requirement on all FRAs to enter in to Mutual Aid agreements with neighbouring FRSs. The purpose of these agreements is to enable the summoning of assistance to provide and utilise resources such as fire engines when required to attend a range of incidents. In addition to Mutual Aid, FRAs, as far as is practicable, should enter into Reinforcement Schemes, for securing mutual assistance between authorities and for the purpose of discharging their functions. BFRA has in place mutual agreements with neighbouring FRAs. In addition the Service, through National Resilience, provides specialist appliances and crews for mass decontamination. See 4.6.

4.5 Business Continuity Arrangements

The Fire and Rescue Services Act 2004 and the Civil Contingencies Act 2004 places a legal duty for all FRAs to write and maintain plans for the purpose of ensuring, so far as reasonably practicable, that if an emergency occurs the Authority is able to continue its functions.

In response to these duties BFRA has robust Business Continuity Management (BCM) plans in place which are integral in managing corporate risk and provides, in the event of a major disruption, a Fire and Rescue Service to the community. The BCM plans cover a broad range of interruptions for specific events such as wide spreading Pandemics through to individual functional disruptions within the Service. These plans provide resilience arrangements across the entire Service.

In summary our BCM plans provide clear and defined strategies to be adapted to aid achievement of the following objectives:

- Provide a response to events that threaten the delivery of services to the community of Bedfordshire;
- Protect the Service from business interruptions;
- In the event of business interruptions to provide a coordinated recovery; and,
- Facilitate a risk management culture embedded into the Service to enable risks to be identified and managed effectively.

4.6 National Resilience

The UK Fire and Rescue Service forms an integral part of the Governments National Resilience capability as Category 1 Responders.

Category 1 Responders include Blue-light emergency services as well Local Authorities and NHS hospitals etc. where the capacity and capability of FRSs work together with Category 1, and Category 2 Responders (Utilities/Transport infrastructure providers etc.) to deliver a sustained and effective response to major incidents, emergencies and disruptive challenges.

In addition to working with other FRAs, BFRA work closely with and are members of the Bedfordshire Local Resilience Forum (BLRF) which is a statutory body covering a police force area, designed to bring together Category 1 and Category 2 Responders for multi-agency co-operation and information sharing. This is in line with the Civil Contingencies Act (2004) which states every area of the United Kingdom is required to establish a Local Resilience Forum.

BFRA is a major contributor to national and regional resilience with the capability to respond to major disasters and terrorist attacks where some types of incident that are larger in scale may require a Fire and Rescue Service response.

BFRA are actively involved in National Resilience arrangements and hold a Module for Mass Decontamination. The Service also has Water Rescue national assets which have been mobilised to assist other Fire and Rescue Services on several occasions, this would be following requests from the National Resilience Fire Control based in Merseyside.

BFRS, one of several FRSs in the UK have a Special Response Team (SRT) to support Police and Ambulance operations. This team is exercised on a regular basis with other Category 1 Responders ensuring that the team is ready for operational deployment. As part of the assurance process to the Service, the Specialist Response Team were audited in 2016 as part of the National Audit Programme and a number of areas were highlighted as notable practice.

5. Awards and Commendations

The Long Service and Good Conduct medal is awarded to operational members of the Fire and Rescue Service who have completed 20 years meritorious service and are awarded under Royal Warrant. In 2018/19 nine members of the BFRS were awarded the Long Service and Good Conduct Medal.

Each year the Service hosts a Celebration of Success Awards night, where staff are recognised for their personal achievements in education and development, professional conduct, community and charitable activity and meritorious service.

6. Future Improvements

The financial settlements from Central Government for FRAs since 2010 have significantly reduced, leading to the need for increased efficiencies from existing resources and developing new ways of working to meet the funding reductions. The Authority’s CRMP process is the principal route for the development of a balanced approach to reducing risks within the community and to the delivery of future improvements.

During 2019/20 The Service will continue with its pursuit of collaborative projects which deliver efficiency savings as well as deliver benefits to the communities it serves.

In 2018, and following a recommendation from an RSM Internal Audit in 2017, the Service has worked closely with Bedfordshire Police. Both Services have strengthened the process which generates potential projects and established a more inclusive and organisation –wide mechanism for engagement with front line staff.

During 2018/19 a Blue Light Collaboration Governance structure supporting the FRA has been established. The structure includes enabling processes for whole organisation contribution to collaboration.

A Blue Light collaboration conference was held in August 2018 and its success in identifying future collaboration possibilities and priorities means it will be repeated twice yearly.

Current collaborative projects already under way for 2019/20 include the following:

- An increasing number of Police colleagues are being provided with access to Service premises to help them manage their time more efficiently and achieve higher visibility in local communities.

- The Service is continuing with assisting Police colleagues in searches for missing vulnerable people following a positive evaluation in 2018.

- The Service is working with Police colleagues to develop a Memorandum of Understanding for a joint response capability for deployment unmanned aerial vehicles, which could include wider agreement with emergency colleagues in neighbouring counties.

- 4 Workstreams; Working with Young People, Vulnerability in the home, Streets and Events and Arson management, which were identified as priority at the bi-annual Collaboration conference in February 2019 are being taken forward into options appraisal.

- The Service is increasing its support for the National Dementia Action Alliance and a new service action plan is being developed in 2019/20. Under this plan, the managers within the Service undertook “Dementia Friends” awareness training at a Management Briefing session.

- The process for safeguarding people with dementia, the “Herbert Protocol” partnership with Bedfordshire Police will continue into 2019 and beyond, there are plans to enable electronic membership applications on the Service website.

- The Service is now providing a Dementia “Safety First” Home Safety Scheme in Partnership with NHS.

- In 2019/20 and working with a range of NHS, Public Authorities and the Private Sector to explore the potential for a “Rapid Response” service to people who are at risk under the “Frailty” agenda.

- Work began in 2018/19 and continues in 2019/20 to explore a joint Driver training collaboration which enables Response car driver training during peak demands for Bedfordshire Police.

- Work completed in 2019/20 established a trained and competent team of Motor Cycle Instructors Motor cycle training. It is now possible to train other Blue Light organisation and in 2019/20 consideration of marketing the training will be given.

- In 2019/20 collaboration between the Service and Police Communications and Public Relations teams began and closer working strengthened through a six month’s secondment to the Service from the Police was arranged. Work will continue to achieve a seamless approach to community news and engagement.

- In 2019/20, The Service and Police jointly recruited to a countywide Chaplaincy service which is due to commence in November 2019.

Once completed, delivered and integrated these projects will provide improvements to service delivery, safety of the community and partners.

7. Conclusion

This Statement of Assurance provides an accurate account of Bedfordshire b Authority's Financial, Governance and Operational Assurance arrangements secured from the 1 April 2018 to 31 March 2019.

I am satisfied that Bedfordshire Fire and Rescue Authority conducted its business practices within the appropriate legal framework and standards and that public money was properly accounted for and used economically, efficiently and effectively. This Statement of Assurance was approved by the Audit and Standards Committee on 5 December 2019.

Signed

Chief Fire Officer

Signed

Chair Audit and Standards Committee on behalf of the Bedfordshire Fire and Rescue Authority

Signed

Chair of the Bedfordshire Fire and Rescue Authority

GLOSSARY

AGS - Annual Governance Statement

BFRA - Bedfordshire Fire and Rescue Authority

BFRS – Bedfordshire Fire and Rescue Service

BLRF - Bedfordshire Local Resilience Forum

BCM - Business Continuity Management

CIPFA - Chartered Institute of Public Finance and Accountancy

CRMP - Community Risk Management Plan

C&AG - Comptroller and Auditor General

CMT - Corporate Management Team

EEAS - East of England Ambulance Service

FSOT – Fire Service Operations Team

FRA - Fire and Rescue Authority

HR - Human Resources

IFRS - International Financial Reporting Standards

PIs - Performance Indicators

VFM - Value for Money

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For Publication

Bedfordshire Fire and Rescue Authority
11 February 2020

REPORT AUTHOR: **ASSISTANT CHIEF FIRE OFFICER**

SUBJECT: **COMMUNITY RISK MANAGEMENT PLAN**

For further information on this report contact:

SOC Christopher Ball
Head of Governance and Asset Management
Tel No: 01234 84 5089

Background Papers: CRMP 2019-2023 (previously circulated)

Implications (tick ✓):

LEGAL		✓	FINANCIAL	✓
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	✓
CORPORATE RISK	Known		OTHER (please specify)	
	New			

Any implications affecting this report are noted at the end of the report.

PURPOSE:

The purpose of this paper and its attached report is to inform the Fire and Rescue Authority (FRA) of the outcomes of the Community Risk Management Plan (CRMP) 2019-2023 consultation process.

RECOMMENDATION:

That the FRA acknowledges the content of this paper and:

1. Acknowledges the findings of the CRMP consultation; and

2. Approves the adoption of the final draft CRMP 2019-2023 (as amended 2020) and the 2020/21 annual action plan, suitable opportunity having been given for local communities and staff members to comment.

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1. Background

1.1 The CRMP is Bedfordshire Fire and Rescue Services (BFRS) process to consider the current and future risks, and present detail on how we plan to meet the impact of those risks.

1.2 The current CRMP covers the period 2019-2023, replacing the previous 2015-2019 plan. It incorporates an annual action plan; those more detailed activities that will be our priorities within the coming year to deliver organisational improvement and public safety. The current CRMP is available on our website here: https://www.bedsfire.gov.uk/About/Governance/Community-Risk-Management-Plan.aspx

1.3 The CRMP is a requirement of the Service within the National Framework document issued by the Home Office. There is a requirement that it is publically consulted on, and that local communities have opportunity to influence it.

2. The Community Risk Management Plan

2.1 The development of our CRMP for 2019-2023 has provided us opportunity to reconsider the structures and priorities within our organisation, and to consult with the public and staff on their understanding of these.

2.2 The CRMP for 2019-2023 is built around six aims, these are:

- Preventing fires and other emergencies from happening;
- Protecting people and property when fires happen;
- Responding to fires and other emergencies promptly and effectively;
- Empowering our people as we work together to make Bedfordshire safer;
- Utilising our assets and resources efficiently and effectively; and
- Maximising use of data and digital solutions to drive improvement.

2.3 The CRMP then considers the strategy that supports each of these aims, focusing on the priorities and approach that the Service will take to deliver these; presenting an annual action plan based on our intentions and our rationale against each aim.

3. Revisions for 2020

3.1 A new 2020/21 action plan has been included. At the end of 2019/20 a separate document will be produced detailing progress made against the 2019/20 Action Plan and this will be published on bedsfire.gov.uk alongside the reviewed plan for 2020 CRMP.

3.2 The document has been reformatted from portrait to landscape to bring it in line with the Service use of landscape for ` documents and papers to allow better online viewing.

3.3 The Service has engaged with the workforce and the community to develop new Service values and the document has been updated to include the new values.

3.4 A new forward by the Chief Fire Officer and new Chair of the Fire Authority Cllr Chatterley has been included.

3.5 Images have been updated to reflect changes to our fleet and the introduction of our new Fire Fighting Personal Protective Equipment (PPE).

3.6 Figures and Statistics have been updated where new data is available. The narrative of the document has also been refreshed in some areas.

3.7 The revised CRMP provided for consultation can be found on our website here: https://www.bedsfire.gov.uk/About/Governance/BFRS-CRMP-2020-Draft.pdf

4. Consultation

4.1 The National Framework requires Authorities to produce an Integrated Risk Management Plan (IRMP) that:

Reflect[s] effective consultation throughout its development and at all review stages with the community, its workforce and representative bodies and partners.

4.2 To fulfil this requirement, the Service has consulted both internally and externally on the proposed updates to the CRMP during January 2020. This consultation was combined with the Service budget and Council Tax consultation and consultation on the new Service values. The Service has utilised the Service's community messaging system Beds Fire Alert for both the external and internal consultation process. 14,961 emails were sent asking Alert subscribers to participate in the consultation process. As of 27/01/2020 this has generated 307 responses. The consultation was also made available via the Service website and this was promoted via our social media channels. A number of face to face engagement events have been held with people being encouraged to submit answers online with a paper based alternative for those not confident or able to respond online. This has generated an addition 63 responses as of 27/01/2020. The consultation was also promoted internally via the Blue Bulletin and email which had generated 25 responses as 27/01/2020.

4.3 Two questions in the consultation related directly to the CRMP. Before answering the questions respondents were asked to read the 2020/21 action plan. An initial high level assessment of responses at 21/01/2020 has been made for this paper.

4.4 Question 1 *"Do you agree that delivering on these action will help us to achieve our Mission to provide outstanding fire and rescue services that help make Bedfordshire Safer?"* As of 27/01/2020 229 people responded to this question with 69% of people answering this question with an answer of "yes".

4.5 Question 2: *"Is there anything that you feel is missing from our proposals for 2020/21?"* As of the 27/01/2020, 327 people had responded to this question with 34% of people answering this question with an answer of "No".

4.6 A more detailed analysis of the responses will be produced after the closing of the consultation period on 31/01/2020. However, an analysis of the feedback received so far has revealed some re-occurring themes:

- Grenfell – for us to be proactive and not wait for the final outcomes of the review, be collaborative and promote best practice;
- More collaboration of blue light services, sharing of services to avoid duplication;
- Greater community presence working in communities and with communities; and
- Stronger interaction and communication with the voluntary sector within Bedfordshire to support vulnerable people and the elderly.

Having considered the current feedback, FRA members should be assured that the work streams already included in the draft 2020/21 action plan will work towards the areas, and build on the initiatives commenced in 2019/20. Should we receive areas for considered inclusion within the plan, in the remaining consultation period, we will bring this back for the attention of the FRA.

There are also reoccurring positive comments on the effective role of the Service in the community and the CRMP. For example, 'that the mission sets out to deliver an outstanding service is highly credible and indeed welcome'.

4.7 The proposed new Service values are included within the CRMP document and there were separate questions on these.

4.8 Overall, the feedback to date has been positive, with the new values being highly supported and seen as both refreshing and staff driven.

ANDY PECKHAM
(TEMPORARY) ASSISTANT CHIEF FIRE OFFICER

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For Publication	**Bedfordshire Fire and Rescue Authority** **11 February 2020**

REPORT AUTHOR: **ASSISTANT CHIEF OFFICER - FINANCE AND CORPORATE SERVICES**

SUBJECT: **REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING 2019/20 AS AT 31 DECEMBER 2019**

For further information on this report contact: Gavin Chambers
Assistant Chief Officer - Finance and Corporate Services
Tel No: 01234 845112

Background Papers: Budget Setting Report presented to the FRA 7th February 2019, FRA Budget Monitoring Report 7 October 2019

Implications (tick ✓):

LEGAL			FINANCIAL	✓
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	
CORPORATE RISK	Known		OTHER (please specify)	
	New			

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To inform the Fire and Rescue Authority (FRA) of the forecast year end budget monitoring position as at 31 December 2019 and to seek agreement to the recommendations contained within.

RECOMMENDATION:

That the FRA:

1. Review and comment on the revised forecast outturns for revenue and capital.
2. Note the revised comments in para 2.3.7 regarding the continued reconciliation work being undertaken regarding the firefighter pension schemes.
3. Note the revised comments in para 2.3.8 regarding the potential cost of recruits in year.

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1. Introduction

1.1 On 7 February 2019, the Fire and Rescue Authority (FRA) approved a Revenue Budget Requirement for 2019/20 of £29.836m and a Capital Programme of £1.736m.

2. Revenue Budget Monitoring

2.1 The Revenue Budget efficiency savings for 2019/20 can be found in Appendix 1. The budgets have been reduced for these areas, therefore if they are not achieved it is likely this would lead to an overspend. This appendix forms part of the Government return, in order to receive the four year Government funding offer. It will also be used to populate the new NFCC savings and efficiencies return.

2.2 The funding of the 2019/20 Revenue Budget is by way of Government Funding £6.410m, local Business Rates redistribution £2.222m and Council Tax of £20.973m, there is also funding from a Collection Fund surplus of £0.231m

Forecasting Outturn:

2.3.1 Table 1 below is populated during the year in line with the spreadsheet returns that Corporate Management Team (CMT) members submit to the Finance Team and also through the meetings that Finance Officers have with CMT members. The forecast outturn positions are as accurate as the information received from each CMT member.

2.3.2 Table 1 below details the current budget excluding salary budgets, for each CMT service area. The forecast year end outturn is shown in column three, with the variance and RAG (red, amber, green) status shown in columns five and six.

2.3.3 **Table 1: 2019/20 Revenue Budget Forecast Outturn (excluding salary budgets)**

Title	Current Budget £	YTD Actuals	F/cast Yr-End Outturn £	Variance £	RAG status (see note below**)
Strategic Management	132,300	49,611	132,300	0	Green
Assistant Chief Officer	2,538,000	1,571,249	2,469,000	(69,000)	Green
Head of Response	934,000	739,013	949,000	15,000	Green
Head of Training and Assurance	540,800	325,843	540,800	0	Green
Head of Governance and Asset Management	919,300	808,730	961,300	42,000	Green
Head of Prevention and Protection	207,200	91,034	207,200	0	Green
Head of Information Communications Technology	2,349,500	489,466	2,474,500	125,000	Red
Head of Human Resources	285,100	174,186	322,100	37,000	Green
Total	**7,906,200**	**4,249,132**	**8,056,200**	**150,000**	

**RAG Status: Red would identify where there is a large overspend equal to or greater than £100,000 and/or a key service aspect was not being delivered. Amber would identify where there is a possibility of an overspend and/or a key service aspect may not be delivered. It may be that there are action plans in place to address an issue, where until they are successful it is flagged as Amber. Green identifies where service delivery is being performed and as above, where there are underspends. Underspends are not necessarily always green, if for example, there was a key service aspect not being delivered causing the underspend, it would be shown as Red.

2.3.4 The forecast underspend of (£34k) within the Assistant Chief Officer’s (ACO) area identified above in Table 1, relates to extra income from the Ministry of Housing, Communities & Local Government (MHCLG), following a recalculation of business rates surpluses, a further (£35k) underspend has been identified in relation to officers contract cars.

The forecast overspend in Head of Response of £15k relates to the unachievable £15k income expectation within HQ Control, working is ongoing to seek opportunities to redress this. (See Appendix 1)

Within Head of Governance and Asset Management the £42k overspend is as a result of £7k for the purchase of Escape Hoods as a result of implementing the recommendations of the Grenfell inquiry. There are 2 amounts relating to unachievable efficiency savings, £15k regarding the Blue Light installation this will be met over the next 3 year life of the contract and £20k in relation to the unachievable saving on the PPE contract now not deliverable until 2020/21 (See Appendix 1 for both of these). Further to these amounts and following a safety survey of station flood boats it was discovered that some had come to the end of their useful life and needed immediate replacement, the cost of these is £25k; the cost of these boats will be met from an Earmarked Reserve.

The overspend of £125k within Head of Information Communications Technology relates to the unachievable efficiency saving for removing the MIS (Management Information System) legacy systems £45k, this will now take place in June 2020. (See Appendix 1). A further overspend of £80k has been identified relating to the ICT Shared Service staffing recharge from Cambridgeshire Fire and Rescue Service (based upon month 6 reconciliation), there is a corresponding underspend forecast underspend within ICT salaries due to vacancies within the ICT team. (see table 2 below)

The Head of Human Resources is currently showing an overspend of £37k, £10k of this relates to the forecast spend for the upcoming retained fire fighter recruitment campaign, a further £20k relates to consultancy costs for ongoing investigations and £7k for legal fees.

2.3.5 The current year to date (YTD) spend as at 31 December 2019 looks low in a number of areas, the reasons for this are highlighted below;

Strategic Management budget includes an Earmarked Reserve for £47k to help fund defibrillators in the community and a further £23k for Service Events, both of which are ongoing across a number of years and any underspend will be carried forward into 2020/21 for spend in future years.

Assistant Chief Officer budgets include £1.1m budgets relating to expenditure for Minimum Revenue Provision (MRP) & Revenue Contributions to Capital with no expenditure currently as they are year-end adjustments, further budgets of £150k for repairs and maintenance costs & officer vehicle costs where the expenditure sits in the individual CMT areas but the budget sits in the ACO area. These budgets are re-distributed at year end in order to allocate budgets to actual expenditure. These expenditure budget under spends are offset by budget contribution from reserves of (£871k) where again this is a year-end adjustment and does not appear in the YTD actual figures in table 1 above.

Head of Prevention and Protection includes £85k income received from Bedford Borough Council to deliver the Dementia Safety First pilot, this income will be spent across 2019/20 onwards but is currently showing as an underspend.

Head of Information Communications Technology includes a number of project areas which have over £350k of income and £350k of expenditure budgets which have yet to be spent, a further £1m is in relation to the replacement mobilisation system which is currently at the procurement stage. Any underspends here will be earmarked into future years as these projects will span across financial years and therefore the variance at year end will be zero (£0).

The main areas of variances within the Head of Human Resources area relate to Consultancy costs (£15k) including pensions advice which is expected to show £0 variance at year end, other variances relate to the Occupational Health area specifically physio referrals and Employee Assist programme where the budgets are spread equally across the year but the referrals are not spread equally both of which are predicted to be £0 variances.

2.3.6 With the salary budgets being such a large proportion of the overall budget, the split from the budgets above is justified.

Table 2: 2019/20 Salary Budget Forecast Outturn

Category	Current Budget £	YTD Actuals £	Forecast year end outturn £	Variance £
Whole Time	13,363,600	11,040,932	13,228,600	(135,000)
Control	932,300	687,091	932,300	0
Retained	1,910,100	1,431,179	1,867,100	(43,000)
Non operational	5,826,300	4,130,381	5,738,300	(88,000)
Agency	242,600	226,547	242,600	0
Grand Total	**22,274,900**	**17,516,130**	**22,008,900**	**(266,000)**

** The actual Year to date Actuals figures (£) for Whole Time and Retained in Table 2 above do not include the increased in pensions contributions; at the end of December 2019 these amount to c.£936k and c.£124k respectively.

2.3.7 It has been agreed that the pay award for firefighters will be 2% from July 2019, the budget for this increase was agreed in February 2019 at 5%, this generates an in-year underspend of (£285k) for Whole time and (£43k) for retained firefighters.

From April 2019 the employer contributions for each of the firefighter pension schemes increased significantly, costs for these extra employer contributions will be met from a grant from government in 2019/20 and it is has been confirmed that this increase will be also be fully met in 2020/21 by government grant. It is currently unclear if these costs will be fully met in future financial years beyond 2020/21, this will be reviewed as part of the next Comprehensive Spending review expected in 2020/21. Current calculations show that this will lead to an underspend of (c.£140k) on firefighter pensions however the exact amount is unclear and could vary between an underspend of (£140k) and (£160k) as it will depend upon the number of starters, leavers and retirements the service has in the remainder of 2019/20. The YTD Actual figures (£) in Table 2 above do not include the costs for these pensions increases.

2.3.8 There are extra costs relating to the forward recruitment of Whole Time firefighters in order to ensure there is no gap in service delivery due to retirements and leavers from the service. In August there were 7 firefighters above the budgeted establishment, a further 16 recruits joined the service in mid-September and were integrated into the service in mid-December; these will be offset by number of leavers retirements however the timing of these is unknown. At the end of October there were 11 firefighters above establishment. Each new recruit costs approximately £32k per annum, at the end of December the service was 14 firefighters over establishment leading to the predicted year-end cost of c.£150k, this is included in the forecast in Table 2 above.

2.3.9 Within the non-operational area in the table above there will be underspend within ICT due to vacancies however this will be offset by a ICT Shared Services recharge from Cambridgeshire FRS currently this is forecast to be £100k. Also within this area are underspends relating to a number Strategic project areas which span financial years and so will be carried forward as Earmarked reserves at year end. A further £8k in due to a vacancy within the Equality and Diversity area along with other minor variances.

2.4 **Total Forecast Outturn, Salary and Non Salary:**

2.4.1 The total forecast variance at year end including both the non-salary figure in Table 1 above and for pay and on costs, including agency staff shown in Table 2, is currently expected to be an underspend of (£116k).

3. <u>Capital Programme Monitoring</u>

3.1 Table 3 below is the 2019/20 Capital Programme. The Red, Amber, Green (RAG) status indicates how well the schemes are progressing (Green being on target for year-end completion within budget; Amber indicating possible slippage or overspend; and Red indicating actual slippage/overspend or deletion of the scheme.

3.2 It should be noted that the Vehicles, ICT and HR System Projects and Property Capital Works Programmes need to be treated with fluidity as the costs and expected completion dates can vary considerably and span across financial years. However, in accordance with the financial regulations, any significant changes of expenditure over 10% of an approved capital scheme need to be reported back to the FRA.

Table 3: The 2019/20 Capital Programme

Bedfordshire Fire and Rescue Authority Capital Programme	Capital Budgets 2019/20 £'000	Expected completion Month / Year	Rag Rating (Red / Amber / Green)	Comments
Rescue Pump Hydraulic Equipment (Replacement of current equipment)	650	2021/22	Amber	**Slippage** into 21/22 - awaiting new technology to be released at Interschultz in June 2020. **£7K spent in Sept 19 on tools for specialised cutting equipment**
Positive Pressure Ventilation Fan (PPV)	120	2021/22	Amber	**Slippage** into 21/22 - awaiting new technology to be released at Interschultz in June 2020.
Stabfast stabilisation kit	40	Mar-20	Green	Awaiting Delivery
Water Dams (to be used at incidents to store water for use by rescue pumps)	15	Mar-20	Green	In process of purchasing
Increase in cost of Water Dams (above)	5	Mar-20	Green	In process of purchasing
Site Team Van	20	Mar-20	Green	Purchased
Increase in cost of Site Van (flt108) - Upgrade to Electric vans	5	Mar-20	Green	Purchased
Fire Investigation Team Long Wheel Based (LWB) Van	30	21/22	Amber	**Slippage** - Looking at options for the van fleet & Specification

Bedfordshire Fire and Rescue Authority Capital Programme	Capital Budgets 2019/20 £'000	Expected completion Month / Year	Rag Rating (Red / Amber / Green)	Comments
Community Fire Safety Long Wheel Based Van – Leighton Buzzard FSOT/Co-responding	20	Mar-20	Green	In process of purchasing
Increase to cost of Flt5 to Long Wheel Based	10	Mar-20	Green	In process of purchasing
Road Traffic Collision Long Wheel Based Van -Kempston	30	21/22	Amber	**Slippage** - Looking at options for the van fleet & Specification
Road Traffic Collision Trailer	10	21/22	Amber	**Slippage** - Looking at options for the van fleet & Specification
Chip Demo- Trailer	10	21/22	Amber	**Slippage** - Looking at options for the van fleet & Specification
Mitsubishi W/S	25	Jan-20	Green	
Fire Appliance (x2)	300	20/21	Red	**Slippage** to 20/21 pending Operational Response Review.
Renewal of Mobilising System Mobile Data Terminals	276	20/21	Amber	Phase 1 (procurement of devices) of project delivered, phase 2 (imaging & installation) to be completed by Mar 2020 with phase 3 further work regarding better use of devices ongoing into 2020/21. Saving expected.
Wi-Fi refresh	75	Mar-20	Green	At procurement stage
Capital Works - Service Wide (lighting replacements, CCTV, fire protection, etc.) - All locations	68	Mar-20	Green	
Drill yard resurfacing (Biggleswade, Luton, Woburn)	25	Mar-20	Green	
WC/Shower facility refurbishments (Kempston, Luton, Leighton Buzzard)	25	Mar-20	Green	
Community Facility - Bedford Station	44	Mar-20	Green	
Fitness Equipment Expenditure	8	Feb-20	Green	Will spend early 2020 on replacement gym equipment
TOTAL	**1,811**			

3.3 Capital Programme – Withdrawals, Additions or Variations:

3.3.1 **Slippage:** A number of projects contained in table 3 above are due to be slipped into 2020/21 within the technical and fleet management area; the total amount of these schemes is £1.143m.

3.3.2 **Variations:**

There are no variations to the capital programme

3.3.3 **Additions:**

There are no additions to the capital programme.

GAVIN CHAMBERS
ASSISTANT CHIEF OFFICER - FINANCE AND CORPORATE SERVICES

Medium Term Savings and Efficiencies 2019/20

Appendix 1

CMT Area	Savings/Efficiencies Description	2019/20 £'000s	RAG Rating (Red / Amber / Green)	Comments
ACO	To capture Fire & Rescue Indemnity Company - no Insurance Premium Tax	20	Green	Achieved
ACO	Energy Management Savings (Insulation & works)	5	Green	Achieved
ACO	To capture salary abatement & pension savings	85	Green	Achieved
ALL	2019/20 Zero Base Budget Exercise (forecast reduction)	100	Green	Achieved
HGAM	Saving following Procurement of new Fire Fighter PPE Contract (was £50k in 18/19, now additional £50k therefore £100k in total)	100	Amber	Only £70k-£80k deliverable in 2019/20 a further c.£20k will be achieved in 2020/21
HGAM	Savings from internal Blue Light Installations	20	Amber	Only £5k achievable in year the £20k saving was for the life of the contract @£5k per annum.
HGAM	Procurement - (various including stationery, cleaning materials & Fire Safety checks)	10	Amber	£4k achieved for Fire Safety check, the remaining £6k saving will depend on the procurement tender that will take place in by Mar 2020.
HICT	Management Information System (MIS) - Wholetime Rota/Availability System, Human Resources, Technical Equipment	45	Red	Savings will not be achievable until June 2020.
HICT	Savings from MDT collaborative procurement and review of licenses	40	Amber	£30k already achieved work ongoing to identify the remaining £10k.
HICT	Savings due to new ICT contract	5	Green	Achieved
HRes	Control Income generation	15	Red	Investigating options for income generation and/or efficiencies
HTA	Draw down apprenticeship levy (therefore reduction in training budget)	50	Green	On target to be achieved.
		495		

*** NB - All Savings have been removed from 2019-20 Base Budgets**

For publication

Bedfordshire Fire and Rescue Authority
11 February 2020

REPORT AUTHORS: **CHIEF FIRE OFFICER AND TREASURER**

SUBJECT: **THE 2020/21 REVENUE BUDGET AND CAPITAL PROGRAMME**

For further information on this Report contact: G Chambers
Assistant Chief Officer/Treasurer
Tel No: 01234 845000

Background Papers:

2020/21 Draft Revenue Budget Report to the FRA meeting on 17 December 2019.

Implications (tick ✓):

LEGAL	✓	FINANCIAL	✓
HUMAN RESOURCES	✓	EQUALITY IMPACT	✓
ENVIRONMENTAL		POLICY	✓
ORGANISATIONAL RISK	✓	OTHER (please specify)	

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To present information to allow the Authority to:

a. set a budget and precept level for 2020/21 in line with statutory requirements;
b. approve a Medium-Term Revenue Plan for the period 2020/21 to 2023/24;
c. approve a Medium-Term Capital Programme for the period 2020/21 to 2023/24;
d. approve a Medium-Term Financial Strategy which provides the strategic context for each of the above, linking them to the Authority's corporate aims, objectives and strategic priorities.

RECOMMENDATIONS:

1. That the Fire and Rescue Authority consider this report and determine for 2020/21 that:

    a. A Revenue Budget requirement is set at £30.991m, met as indicated in paragraph 3.8 of this report.

    b. In meeting this budget requirement, the Authority's Precept be set at £21.880m and that as a consequence, a council tax increase of 1.99% up to £100.41 per Band D equivalent property, calculated as shown in Paragraph 3.8 of this report.

    c. In order to meet the Precept requirement, the Treasurer be authorised to issue Precepts in the necessary form to each of the Unitary Councils and for the amounts indicated in Paragraph 3.11 of this report.

2. That the FRA consider and approve the Medium-Term Revenue Plan attached at Appendix 1 to this report, in doing so, to also approve the 2020/21 savings and efficiencies detailed at Appendix 2

3. That the 2019/20 year-end underspend is allocated to a Pay Award Reserve.

4. That the FRA consider and approve the Medium-Term Capital Programme attached at Appendix 3 to this report.

5. That the FRA consider and approve the Medium-Term Financial Strategy attached at Appendix 4 to this report and the Reserves Strategy at Appendix 5.

6. That in considering the above recommendations, the FRA note the Treasurer's statement on the robustness of estimates included in the budget and the adequacy of the reserves for which the budget provides, attached at Appendix 6 to this report.

7. That the FRA delegate any budget amendments, following receipt of the final settlement figures, to the Treasurer and Chief Fire Officer.

1. Introduction and Background

1.1 The Authority is proposing a budget for 2020/21 that takes into account the aims and objectives of the Service and prioritises the resources available for frontline services.

1.2 It does this by:

a. Proposing a council tax increase of 1.99%.
b. Proposing significant efficiency savings.

1.3 There has been a considerable amount of work towards the 2020/21 budget setting over the past year. This has included a robust review and scrutiny of service wide budgets by the Assistant Chief Officer/Treasurer and the Principal Officers, review and challenge meetings by the Corporate Management Team and two Fire and Rescue Authority Members budget workshops. This work has covered both the revenue budget and the Capital Programme.

1.4 The draft budget was approved by the Authority on 20 December 2019 for consultation. Feedback on the consultation is summarised in this report at para 6.

1.5 The Authority's council tax precept leaflets have been electronic since 2013/14. There will therefore be a web link address on the council tax bills to the websites detailing the precept information for the unitary authorities, police and fire.

2. Government Settlement for 2020/21

2.1 The provisional settlement for 2020/21 was announced on 17 December 2019. The final settlement figures for 2020/21 are yet to be confirmed. It is anticipated that there will not be any material impact on the figures used in this report. Any minor changes will be met to/from the Transformational earmarked reserve.

Table 1 below shows a split of the 2019/20 and 2020/21 revenue grant funding and the Government's forecast total business rates funding. This is the Settlement Funding Assessment (SFA). A further detailed breakdown of this is included within the Medium-Term Financial Strategy (MTFS).

Table 1: Settlement Funding Assessment split

	2019/20 £m	2020/21 £m	% change
Revenue Support Grant (RSG)	2.283	2.320	1.6
Business Rates baseline funding	5.847	5.942	1.6
Settlement Funding Assessment	**8.130**	**8.262**	**1.6**

2.2 Since the introduction of the Business Rates Retention Scheme in 2013/14, the Authority has been subject to fluctuations of the Business Rates collected in Bedfordshire. If business rates income increases, the Authority will receive a share of this, if it decreases again the Authority will be impacted by this. There are mechanisms in place within the funding scheme that offer protection, called safety nets, should an authority be considerably adversely impacted. From 2020 or beyond, it is expected that the Business Rates funding will increase and the RSG will cease. The RSG has still been identified in Appendix 1 in years 2021/22 onwards for transparency, albeit this funding will be included within other lines such as business rates from this year.

2.3 The Authority's Business Rates Baseline Funding Level (BFL) has been assessed at £5.942m by the MHCLG for 2020/21 and a business rate baseline estimated at £2.102m (the Government's estimate of the Authority's 1% share of locally collected business rates). As our business rate baseline is lower than the baseline funding level, we are therefore a 'top up' authority and will receive the payment of £3.840m from central government (to get back to the £5.942m baseline funding level). All fire and rescue services are top up authorities. The RSG and business rates funding of £8.459m shown in Appendix 1 for 2020/21 is split between £2.320m Revenue Support Grant funding and £6.139m Business Rates (with the local share of business rates at £2.299m, £0.197m higher than used in the SFA figures).

2.4 Fire grants will be treated outside of the above funding mechanisms and it is estimated that the Authority will receive £220k in 2020/21 for Firelink and New Dimensions. The final figures are yet to be confirmed.

2.5 The council tax referendum cap was confirmed in December 2019 as part of the provisional settlement. The proposed council tax figure of £100.41 is a 1.99% increase, therefore under the new 2% capping limit.

Police and Crime Commissioners have the option to increase their council tax charge by up to £10 per annum.

3. Proposed Budget and Precept for 2020/21 and Medium-Term Revenue Plan

3.1 In setting a budget for 2020/21, the Authority must take into account the implications for the following years' financial strategy, namely 2021/22 to 2023/24. There are significant efficiency savings over the coming years, which will require action in the short-term if they are to be secured within the planned timescales.

3.2 The settlement figures for 2019/20 were the last of the four year funding deal that the Authority accepted. The 2020/21 year, due to Brexit and the election is an unexpected roll forward of 2019/20 funding, with a delayed Comprehensive Spending Review until 2021/22.

3.3 The Medium-Term Financial Strategy (MTFS) sets out the budget projections for 2020/21 to 2023/24 and the key features of the projections, including assumptions of the level of Government funding and council tax funding.

3.4 The Medium-Term Revenue Plan (MTRP) assumes that the Authority will achieve year-on-year cashable efficiencies. The MTRP is attached at Appendix 1, with the detail of the planned savings and efficiencies at Appendix 2.

3.5 Based on the assumptions and proposals within this report and appendices, Table 2 below details the key budget information. The budget requirement for 2020/21 is recommended to be set at £30.991m. Key assumptions include the Government funding of the Firefighters employer pension contributions increase in 2020/21 but a budget pressure from this of £0.750m in 2021/22 (that is 50% of the 2020/21 grant). The Firefighter pay award assumption is 5% backdated to July 2019 and 5% in July 2020.

3.6 Following the draft budget report that was presented to the FRA on 17 December 2019, the three Unitary Authorities have confirmed what their taxbases are for 2020/21. This revised taxbase figure, when compared to the 2020/21 taxbase forecast at the time of setting the 2019/20 budget, will increase the council tax income to the Authority by £0.130m. The forecast Collection Fund figures as included on line 59 in the income section of the MTRP.

3.7 The 2011/12 freeze grant that the Authority did receive has been built into the formula funding baseline and is no longer visible.

3.8 Appendix 1 details the Government funding of RSG. It should be noted that from 2021/22 it is anticipated that RSG will cease and the equivalent funding, or potentially at a revised level, will be included within business rates. For transparency, it is currently still shown separately, although the narrative in Appendix 1 line 54 notes this. The RSG for 2020/21 increases by 1.6% when compared to the 2019/20 figure.

Table 2: Key Budget Information

	2019/20 £m	**2020/21 £m**	**Change £m**
Budget Requirement (£m)	29.832	30.991	1.159
Funded by:			
Precept Requirement (£m)	20.971	21.880	0.909
Central and Local Government Funding (£m)	8.284	8.459	0.175
Section 31 Business Rates grant	0.258	0.236	(0.022)
Collection Fund surplus/(deficit)	0.229	0.366	0.137
Business Rates Levy redistribution	0.090	0.050	(.040)
Funding Total (£m)	29.832	30.991	1.159
Tax Base (Band D equiv. properties)	213,017	217,906	4,889
Band 'D' Council Tax	£98.45	£100.41	£1.96

3.9 The Authority's Officers and Treasurer recommend that the Council Tax increase of 1.99% should be implemented. This is based on need, as the current MTRP shows that there will be a future funding need. The results of the 2020/21 budget consultation support this increase, please see para 6 below.

There is planning time between now and 2023/24 to implement additional savings and efficiencies. However, these do need to be researched, planned and implemented, so there is a significant lead time for large scale savings and efficiency options. With the utilisation of reserves for investment in transformational efficiencies and also budget balancing, the budget gap is currently forecast to be in 2024/25, however this will be reviewed following the 2020/21 settlement after the funding formula review, the Spending Review and Business Rates Retention roll out.

The 2021/22 financial year will see changes in Government funding to local authorities. Local Authorities will be able to keep more of their business rate income, subject to the redistribution via tariffs and top ups. The RSG is anticipated to cease and additional responsibilities may be passed to councils too. What these are is yet to be confirmed. It is now not anticipated that the Authority will be funded by direct grant and no business rates, like Police Authorities are. The Authority will continue with Business Rates and Council Tax, but no RSG.

3.10 Table 3 below details the council tax per band. As there is a 1.99% increase from the 2019/20 level, there is a change across all the valuation bands. The council tax of £100.41 equates to, for a Band D equivalent property, 28 pence per day for the Fire and Rescue Service.

Table 3: Council Tax Per Band:

Valuation Band	Tax Payable Compared to Band D (Expressed in Fractions)	Council Tax for Band £
A	6/9	66.94
B	7/9	78.10
C	8/9	89.25
D	1	100.41
E	11/9	122.72
F	13/9	145.04
G	15/9	167.35
H	2	200.82

In summary, the taxbase of 217,906 Band D equivalents, multiplied by the Band D council tax of £100.41 equals the precept of £21.880m.

3.11 Pursuant to the provisions of the Local Government Finance Acts 1992 and 1999 and all other relevant statutory powers, it is recommended that the Assistant Chief Officer/Treasurer issues Precepts in the necessary form to each of the Unitary Councils indicated in Table 4 below, Column 1, requiring those Authorities to make payments of the sum indicated in Column 2 in eleven equal instalments, and payments for the Authority's share of the estimated surplus or deficits on the council tax and business rate Collection Funds for 2019/20, in ten equal instalments on the agreed dates, of the sum indicated in Column 3. Column 4 details for the amounts that the local authorities will pay the Authority from their collection of Business Rates. This is 1% of their estimated net rates yield for 2020/21.

Table 4: Precepts

Unitary Councils (1)	**£ (2) Council Tax £'000**	**£ (3) Deficit/(surplus) £'000**	**£ (4) Business Rates £'000**
Bedford Borough	6,119	10	657
Luton Borough	5,204	(140)	672
Central Bedfordshire	10,557	(236)	970
Total	**21,880**	**(366)**	**2,299**

3.12 At the time of writing this report, the NNDR1 returns from the Unitary Authorities have not been received. The above figures are based on the most recent information received. It is anticipated that any updates will not be material and will be amended via the contribution from reserve.

3.13 In addition to the Authority's own council tax, there are separate council taxes for the Police, the local authorities of Central Bedfordshire, Bedford, Luton and where applicable their town/parish councils.

4 **Use of Balances:**

4.1 A prudent level of reserves, along with appropriate contributions to and from reserves, should be part of the overall budget. This risk assessment undertaken, and referred to in the MTFS, suggests that the minimum level of balances, taking all known risks into account along with the gross expenditure requirement, should be in the order of at least £2.4m for 2020/21. This equates to 8% of the Authority's budget requirement, which is circa the average for all Combined Fire Authorities. This is after a comprehensive review and setting up of specific ear-marked reserves of £1.925m (not including some specific reserves such as the Transformational reserve and Capital Contingency Reserve). It is proposed that the 2019/20 year end underspend, that is currently forecast to be circa £116k and is due to the budgeted Firefighter pay award, is allocated to a new Pay Award Reserve.

As discussed at the second FRA Members budget workshop, the reserves strategy is to review and reduce both the General Reserve and Earmarked Reserves in the 2021/22 to 2024/25 MTFS. This date, 2021/22 coincides with the potential significant changes from the Spending Review, Business Rates Retention and Funding Formula Review. It is prudent to plan to make these changes to reserves following clarity around these forthcoming reviews.

The Transformational reserve will be £3.507m at the 2019/20 year end, prior to any in year underspend allocation. It is currently considered adequate enough based on projections to fund transformational initiatives and balance the forecast 2023/24 budget gap and beyond. This is detailed at the foot of the MTRP in Appendix 1.

4.2 The reserves strategy is included in the attached MTFS. In summary, the strategy in recent years has been to increase the Transformational ear-marked reserve with underspends and budgeted contributions to enable this to be used for transformation initiatives and future years' budget setting processes. The 2015/16 and 2016/17 revenue underspend was allocated to a Collaboration Reserve, with a view that revenue and/or capital expenditure is likely in the medium term.

As detailed in the MTRP, it is forecast that the Transformational earmarked reserve will be used over the medium term to close any budget gaps in the financial years 2020/21 to 2023/24 and to invest in transformational efficiencies. This strategy will ensure that additional savings and efficiencies are introduced in a planned and effective manner over the years to close the budget gap.

For 2020/21, the Capital Reserves have been reduced by £1m and a new reserves has been set up for Firefighter Pensions for £1m, in light of the financial risk due to the pensions grant and also the unknown impacts from the McCloud/Sergeant cases and the associated costs of this work and those resulting from the yet to be agreed remedy.

5. Proposed Medium-Term Capital Programme

5.1 As anticipated, there is no Government funding or bidding round for capital in the 2020/21 budget. This was the position for the 2016/17 to 2019/20 financial years too. The Authority, in 2012/13 and before, used to receive an annual capital grant of £1m.

The Authority's base budget revenue contributions to fund capital commenced in 2012/13 to support capital expenditure funding in future years. There is now a budgeted base budget revenue contribution of circa £1.3m per annum (with fluctuations) from 2021/22 onwards towards capital expenditure. This is with the assumption that capital grants are not forthcoming in future years. If capital funding becomes available, there will be a direct reduction in revenue contributions.

5.2 The Capital Programme, as per the approved timetable, has followed the same robust challenge/scrutiny route as the revenue budget. The Capital Strategy Team has also reviewed and assessed the bids made, approving the schemes that are attached at Appendix 3 as the 2020/21 Capital Programme.

5.3 Key items of note in the proposed 2020/21 Capital Programme of £1.505m are:

- Investment in our vehicle fleet, to maintain efficient, economic and effective appliances.
- Investment in IT.
- Investment in the modernisation of our buildings.

6 Budget Consultation

6.1 The consultation on the 2020/21 budget and council tax proposals took place between 2 January 2020 and 31 January 2020. This year the decision was made to join up the two aspects of consultation; the budget and the Community Risk Management Plan (CRMP). Last year two separate surveys were undertaken.

6.2 A survey was sent to the 14,961 people registered on the BedsFireAlert Community messaging system, who are willing to take part in consultations. This was sent out on two additional occasions as a reminder. It was also made available via the Authority's website and publicised through the local press and several organic and paid for social media campaigns on the Service's Facebook, Instagram and Twitter channels. It was promoted to BFRS staff through the weekly editions of Blue Bulletin and a supporting briefing note sent to all managers.

A letter was sent to a number of key partners in the emergency services and local government inviting their views. We also attended a number of community events including church coffee mornings, community groups, community centres etc. We also asked a number of organisations including the three unitary authorities, the Police, East of England Ambulance Service Trust (EEAST) and the Chamber of Commerce to put the link on their websites and to promote the consultation to their members. We communicated to the press via press releases and a number of them included the link on their websites and shared our social media content.

6.3 On the 27 January there were a total of 307 (76.87% coming from Alert) responses with (158: 88.3% supporting the 1.99% council tax increase and 120: 67.4% supporting an increase of between £3 and £5. A majority of these responses were from subscribers to BedsFireAlert but 71 came from those responding through social media. This is a significantly lower response to last year's consultation. The budget consultation for 2019/20 had 1,120 responses, so combining it with the CRMP for 2020/21 has resulted in less feedback.

6.4 In response to the question of whether respondents thought there were efficiency areas that could be considered we received 74 comments, with the majority advising "none" or "don't know". Of the 74 that did provide comments some respondents said they did not have sufficient information to make a decision or that the Service should not make any more savings. A variety of comments related to suggestions for saving money or generating income, such as charging for some services such a freeing people from lifts, charging hoax callers or insurance companies for extinguishing fires. A small number of people mentioned that as pensioners it was increasingly difficult for them to pay for increases in council tax.

Feedback from a number of people via alert and the community events said that the consultation was too long and complicated. They would prefer a simple questionnaire with a less wordy supporting document. The length of the survey put people off completing it. As noted above, the CRMP element of the consultation was the long part, as it included the full proposed 2020/21 action plan.

Other comments specifically on the budget consultation, can be categorised into the following main areas:

- Reducing the numbers of senior officers/managers;
- Collaborating, sharing services including support staff and co-responding with Police and Ambulance Service or other FRS;
- Co-location with other emergency services;
- A review of charging for services.

6.5 As a response to the themes above, the paras below provide a summary of what efficiencies are already being undertaken.

The senior structure has already been reduced by one Assistant Chief Fire Officer (ACFO), so there are now three Principal Officers and there has also been the removal of one Area Commander (AC). More recently, there has also been a senior management restructure that removed a Corporate Management Team Member, with savings associated with this.

In addition to the above, there is a budget reduction planned in 2021/22, of another AC post, changing this to a green book role, which leads to further savings. The AC posts will have then reduced from the original five to three. Some Members have raised concern about operational resilience at the Principal Officer level, this is currently being considered, along with previous discussions around talent management and development opportunities.

The FRA are aware of the collaboration work underway with the Police Service, Ambulance Service and other organisations. These initiatives are increasing with the sharing of premises and operational service areas, such as Forced Entry and Missing Persons Search. This year we are trialling a new joint collaboration with EEAST to deliver a home falls response service for vulnerable people in Bedfordshire. We are also piloting the servicing of Ambulance vehicles.

We have the Shared ICT Service in operation with numerous other shared work areas with local authorities such as Democratic Services support, legal, cleaning contracts, joint procurements, GDPR work and the Authority is a founding member of the Fire and Rescue Indemnity Company (FRIC), providing an alternative to traditional insurance.

The Service now shares its estate with the police at four locations (Bedford, Leighton Buzzard, Ampthill and Toddington), the Ambulance at five (Luton, Sandy, Stopsley, Shefford and shortly Dunstable). Other partner organisations also rent some space at our stations.

The Service informs telephone callers where charges will be levied on services provided such as lock outs and flood clearance from basements, where not deemed emergencies and suggesting that they seek alternative suppliers for these incidents.

7. Proposed Medium-Term Financial Strategy (MTFS)

7.1 The Medium-Term Financial Strategy, attached at Appendix 4, is a document that sets out the Authority's financial strategy for the next four years. It focuses on the 2020/21 revenue budget and capital programme, but also sets the scene for future years.

7.2 The MTFS details the reserves policy, planning assumptions behind the budget figures and other considerations that must be taken into account when setting the strategy, such as the taxbase, efficiencies and shared services.

8. Robustness of Estimates and Adequacy of Reserves

8.1 The Local Government Act 2003 places a duty on the Section 112/151 Officer (Treasurer) to comment on 'the robustness of the estimates' included in the budget and the adequacy of the reserves for which the budget provides. The Treasurer's statement is attached at Appendix 6.

9. Implications

9.1 **Financial:**

9.1.1 The resource implications are detailed throughout this report and appendices, particularly in the MTFS.

9.1.2 The Treasurer's statement comments on the robustness of the estimates and adequacy of the Authority's reserves with reference to risks identified.

9.2 **Legal:**

9.2.1 The Authority must set a balanced budget by midnight on 1 March 2020.

9.2.2 The Authority has specific legal duties in relation to equalities and financial decision-making.

9.2.3 There are no further specific legal issues arising from this report.

9.3 **Equality, Human Resources, Environmental, Policy, Other:**

9.3.1 Under the Public Sector Equality Duty (set out in the Equality Act 2010), public authorities must have ‘due regard’ to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. The law requires that public authorities demonstrate that they have had ‘due regard’ to the aims of the equality duty in their decision-making. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can demonstrate that they have ‘due regard’.

9.3.2 It is also important to note that public authorities subject to the equality duty are also likely to be subject to the Human Rights Act 1998. It is therefore recommended that public authorities consider the potential impact their decisions could have on human rights.

9.3.3 Decisions should include a consideration of the actions that would help to avoid or mitigate any impacts on particular protected characteristics. Decisions should be based on evidence, be transparent, comply with the law and it is important that a record is kept.

9.3.4 Due regard has been and will be considered as part of the budget build process.

PAUL M FULLER CBE QFSM MStJ DL
CHIEF FIRE OFFICER

GAVIN CHAMBERS
TREASURER

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APPENDIX 1

FINAL BUDGET 11th FEBRUARY 2020

	MEDIUM TERM REVENUE PLAN 2020/21 TO 2023/24	2019/20 £000s	Original 2020/21 £000s	Proposed 2020/21 £000s	Proposed 2021/22 £000s	Proposed 2022/23 £000s	Proposed 2023/24 £000s
	Base Budget	**29,676**	**30,328**	**30,328**	**32,035**	**32,897**	**33,098**
1	Removal of 2% Fire Fighter Pay increase 2018/19 from Base Budget	-188	0	0	0	0	0
2	Possible outcome from NJC Pay line Review (Non-Operational)	150	0	0	0	0	0
3	Firefighter Salaries differences between pensions and scales due to retirements and recruitment	0	0	470	-225	0	0
4	Addition of cost for FRIC & Salary abatement / Pensions to enable capture corresponding savings and efficiencies	105	0	0	0	0	0
5	Additional Bank Holidays	-15	3	3	3	3	3
6	FF Pensions 2015 changes	-23	-23	-23	-23	0	0
7	Holiday pay implications	40	0	0	0	0	0
8	Reduction in Minimum Revenue Provision (MRP) relating to borrowing costs on previous years vehicle purchases	0	0	0	-140	-11	-11
9	Budget Realignment	81	0	-2	0	0	0
10	NFCC (CFOA) subscription / LGA Pension Support / NFCC	10	0	0	0	0	0
11	Apprenticeship Levy	2	2	2	2	2	2
12	SCAPE (FF Pensions Scheme) Costs from 01/04/2019. Assumed fully funded 2020/21 and part 2021/22	0	650	0	750	0	0
13	Local Government Superannuation Revaluation Lump Sum	48	32	64	10	9	60
14	Increase in Local Government Superannuation Employer Contributions (17.3% to 20.5%)	0	0	137	0	0	0
15	Minimum Revenue Provision reduction from Earmarked Reserves (MRP holiday, £200k per annum for 6 years)	0	-200	0	0	0	0
16	**Total Base Budget Adjustments**	**210**	**464**	**651**	**377**	**3**	**54**
17							
18	**Forecast Variations**						
19	Investment Interest Decrease/(Increase)	0	0	-25	-10	0	0
20	Revenue Contribution to Capital	277	-138	-1,076	1,084	4	662
21	Creation of New Corporate Reserve for future Pensions contributions	0	0	1,000	-1,000	0	0
22	Revenue Implications of Capital Programme	12	0	0	0	0	0
23	Non-Uniform Incremental Drift	64	42	79	0	0	0
24	Transformational Savings/Efficiencies	-495	-127	-303	-237	-195	-190
25	Scrutiny Panel Decisions	-282	-29	-50	65	-81	31
26	Service Control - Mobilisation System - see below for use of Transformational Reserve	0	0	0	0	0	0
27	**Total Forecast Variations**	**-425**	**-252**	**-375**	**-98**	**-272**	**503**
28							
29	**Inflation**						
30	Fire-fighters pay - 1 April to 30 June (2% 2020 2% each following year)	62	160	160	183	77	79
31	Fire-fighters pay - 1 July to 31 March (2% 2020 & 2% each following year)	446	192	524	220	224	229
32	Retained Pay (As per Fire-Fighters)	94	54	97	55	41	42
33	Control pay (As per Fire-Fighters)	48	25	69	26	20	20
34	Non Uniformed pay (2% effective from 01/04/2020)	103	106	112	115	117	119
35	Member Allowances	2	2	2	2	2	2
36	Gas, Electricity, Water and Derv Inflation	25	19	19	27	28	30
37	Prices Inflation at, 2% 2020/21 - 2023/24	74	75	75	76	78	81
38	**Total Inflation**	**854**	**633**	**1,058**	**704**	**587**	**602**
39							
40	**Budget Pressures**						
41	FMS3' bids (Current Year MTFP process)	61	0	477	199	23	56
42	FMS3' bids (Previous Years MTFP process)	-48	-104	-104	-320	-140	-50
43							
44	**Estimated Net Revenue Expenditure**	**30,328**	**31,069**	**32,035**	**32,897**	**33,098**	**34,263**
45	**Contribution to/from Transformational Earmarked Reserves**	*-492*	*-779*	*-1,045*	*-1,101*	*-340*	*-508*
46							
47	**Estimated Budget Requirement**	**29,836**	**30,291**	**30,991**	**31,796**	**32,758**	**33,755**
48							
49	**Budget Requirement Increase Year on Year**	**399.2**	**452.7**	**1,154.7**	**1,506.0**	**1,767.7**	**1,958.9**
50	**% Budget Increase**	**1.4%**	**1.5%**	**3.9%**	**5.0%**	**5.7%**	**6.2%**
51							
52	**Financed by:**						
53							
54	Revenue Support Grant (RSG): expected to cease in 2020/21 and be included within increased business rates funding	2,283	1,977	2,320	2,320	2,320	2,320
55	Business Rate Baseline	2,222	2,345	2,299	2,414	2,519	2,629
56	Business Rate Top Up	3,779	3,860	3,839	3,901	3,963	4,027
57	Adjusted 2019/20 Business Rates Top Up following revised VOA list	0	0	50	0	0	0
58	Business Rates Grant	258	258	236	236	236	236
59	Collection Fund Surplus/(Deficit)	231	100	366	200	150	100
60	Council Tax (the remainder)	20,973	21,750	21,880	22,726	23,570	24,444
61	Utilisation of Collection Fund Surplus Reserve	0	0	0	0	0	0
62	Redistribution of Business Rates Retention Levy Account surplus	90	0	0	0	0	0
63							
64		**29,836**	**30,291**	**30,991**	**31,796**	**32,758**	**33,755**
65							
66	Band D equivalent Tax base	213,017	216,611	217,906	221,910	225,664	229,484
67	% change on Band D's	1.95%	1.69%	2.30%	1.84%	1.69%	1.69%
68	Leading to an average council tax (Band D) of	98.45	100.41	100.41	102.41	104.45	106.52
69							
70	% increase	***2.99%***	***1.99%***	***1.99%***	***1.99%***	***1.99%***	***1.99%***
72							
73	**Use of Transformational Reserves Summary**	**Proposed**	**Proposed**	**Proposed**	**Proposed**	**Proposed**	**Proposed**
74		**2019/20**	**2020/21**	**2020/21**	**2021/22**	**2022/23**	**2022/23**
75		**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
76	Transformational Earmark Reserve for Budget Setting	4,655	3,469	3,507	2,413	1,062	772
77	Actual 2018/19 Revenue Underspend (£595k)	595	0	0	0	0	0
78	**Contribution to/from Transformational Earmarked Reserves**	-492	-779	-1,045	-1,101	-340	-508
79	**Use of Transformational Reserve for investment into the Control Mobilisation Project**	-1,000	0	0	0	0	0
80	**Annual use of Transformational Reserve for Strategic Projects and Improvements**	-250	-250	-250	-250	-250	-250
81	Reduction of General Reserve from £2.6m to £2.4m, followed by reduction to £2.1m in future years (into the Transformational Reserve)	0	200	200	0	300	0
82	Net Balance Transformational Earmark Reserves	**3,507**	**2,641**	**2,413**	**1,062**	**772**	**15**

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Final Budget Setting 11th February 2020 **APPENDIX 2**

Medium Term Savings and Efficiencies 2020/21 to 2023/24

£'000s 2019/20	Ref	Savings/Efficiencies	£'000s 2020/21	£'000s 2021/22	£'000s 2022/23	£'000s 2023/24
100		Saving following Procurement of new Fire Fighter PPE Contract (was £50k in 18/19, now additional £50k therefore £100k in total)				
100		2019/20 Zero Base Budget Exercise (forecast reduction)				
15		Control Income generation				
20		To capture Fire & Rescue Indemnity Company - no Insurance Premium Tax				
40		Savings from MDT collaborative procurement and review of licences				
5		Savings due to new ICT contract				
20		Savings from internal Blue Light Installations				
10		Procurement - (various including stationery, cleaning materials & Fire Safety checks)				
85		To capture salary abatement & pension savings				
50		Draw down apprenticeship levy (therefore reduction in training budget)				
5		Energy Management Savings (Insulation & works)				
	1	Income from Property Rents & Collaboration	8			
0	2	Management Information System (MIS) - Wholetime Rota/Availability System, Human Resources, Technical Equipment (Includes £45k unachievable saving in 2019/20)	89			
	3	Collaboration Savings	20			
	4	Change of 4th Area Commander post to Green Book Head of Service (subject to natural turnover)		15		
		New Savings/Efficiencies for 2019/20 Budget process				
	5	Energy Management Savings (Insulation & works)	5	5	5	
	7	Principal Officer review/restructure	50	13		
	6	Response Review Project **(Updated figures from the 2019/20 budget setting process)**		184	184	190
		New Savings/Efficiencies for 2020/21 Budget process				
	7	Draw down apprenticeship levy BTEC & Masters (therefore reduction in training budget)	10			
	8	Increase in interest received due to proactive investment management	25	10		
	9	Saving from Broadband contract	30			
	10	Saving from mobile phone contract	10			
	11	Online Communication Monitoring tool	10			
	12	Replacement of Risk database	6			
	13	Following efficiency review savings associated with provision of catering at incidents (not replacing van & catering trailer)	65			
	14	Saving as a result of Purchase v Lease of Democratic Support Printer	0	12		
	15	Saving relating to provision of Intranet		8		
	16	Savings from migration of Protection system onto Office 365 Customer Relationship Management (CRM)			6	
450			**328**	**247**	**195**	**190**

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CAPITAL PROGRAMME 2020-21 to 2023-24

Ref	Bedfordshire Fire and Rescue Authority Capital Programme	Capital Budgets 2020/21	Capital Budgets 2021/22	Capital Budgets 2022/23	Capital Budgets 2023/24
	Scheme	**£000's**	**£000's**	**£000's**	**£000's**
	Fleet:				
1	Vehicles/associated equipment (See bid sheet for detail)	505	1,072	230	1,247
	ICT Projects:				
	IT Developments				
2	ICT New Various (See bid sheet for detail)	597	350	50	737
	IT & Communications				
3	Primary Network Switch replacement	100	0	0	0
4	Local Area Network (LAN) Active Components Replacement	120	0	0	0
	General:				
5	Capital Works - Service Wide (lighting replacements, CCTV, fire protection, etc.) - All locations	86	52	27	30
6	Drill yard resurfacing (Biggleswade, Luton, Woburn)	0	0	20	0
7	WC/Shower facility refurbishments (Ampthill, Harrold, Workshops, Training, Luton)	0	0	25	25
8	Heating - boiler replacements (Ampthill, Bedford, Woburn)	23	0	0	26
9	Bay Floor replacements (Bedford, Biggleswade, Potton, Shefford, Toddington)	0	65	0	38
10	Dormitory refurbishment (Bedford, Luton)	0	0	30	10
11	Station Kitchen Refurbishments (Biggleswade, Leighton Buzzard, Stopsley)	0	0	21	0
12	Fitness Equipment Expenditure	15	5	5	15
13	Kempston Station - Mess Deck Refurbishment	12	0	0	0
14	Dunstable Fire Station - External Rope Rescue Training Rig (WAH working at height)	15	0	0	0
15	Dunstable Fire Station - Internal Rope Rescue Training Platform (working at height WAH)	10	0	0	0
16	Improved provision of female showers/toilets at Stopsley Station	22	0	0	0
17	Future Capital Programme Schemes (yet to be finalised, reviewed and approved)	0	0	1,000	0
	TOTAL	**1,505**	**1,544**	**1,408**	**2,128**
	Capital Financing Summary				
	RCCO = Revenue Contribution to Capital	320	1,404	1,408	2,070
	Capital Receipts & Reserve Utilisation	1,185	140	0	58
	Total	**1,505**	**1,544**	**1,408**	**2,128**

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Appendix 4

Bedfordshire
Fire and Rescue Service

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BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Medium-Term Financial Strategy

2020/21 – 2023/24

CONTENTS

Annex 1 Medium-Term Revenue Plan
(not attached to this version, see Appendix 1 of the 2020/21 budget report)

Annex 2 Medium-Term Capital Programme
(not attached to this version, see Appendix 3 of the 2020/21 budget report)

1. Introduction

This is Bedfordshire Fire and Rescue Authority's (BFRA) Medium-Term Financial Strategy (MTFS). It is a four year strategy which covers the financial years 2020/21 to 2023/24 and seeks to build upon the work undertaken in developing previous MTFS. It contains the Authority's agreed plans for both revenue and capital expenditure and the planned sources of funding to support that expenditure. It also explains the Authority's supporting strategies for matters such as council tax levels, efficiency savings, the use of reserves/reserves strategy and capital funding.

In addition, the plan also seeks to provide the strategic context for these financial plans, linking them to the national and local context and the Authority's corporate objectives and medium-term strategic priorities.

BFRA has been a precepting body since 2004/05 and is required by the Local Government Finance Act 1992, as amended by the Local Government Act 2003, to set a budget requirement and levy a tax on local council taxpayers each year. The Authority is also required to maintain adequate reserves to cope with unforeseen commitments.

In common with many other authorities, each year since becoming a precepting authority, BFRA has experienced a pressurised financial situation which has necessitated robust and effective medium-term financial planning and the taking of some difficult decisions, in order to present acceptable and affordable budgets.

This year has seen the continuation of the harsh economic climate. However, BFRA continues to rise to the economic challenges that it faces, whilst at the same time endeavouring to continue to improve the quality of the service it provides to the communities it serves.

The Authority has a planning process which aligns its financial planning with its strategic and integrated risk management planning processes, the key outcomes of which are captured in the Authority's Community Risk Management Plan (CRMP). The financial implications of the CRMP are thus fully integrated into the annual budget plan and MTFS. Both the CRMP and MTFS cover a rolling four year timescale and are revised on an annual basis. This MTFS has therefore been developed to ensure that resources are adequate and appropriately directed to deliver the aims, objectives and key priorities of the Authority.

The Authority's corporate risk management process, which identifies key organisational risks and puts into place controls to manage these risks, also plays a major role in determining the outcomes of the planning process. This includes an annual assessment of the potential financial impact of such risks, which in turn is used in determining the most appropriate level of financial reserves for the Authority.

2. National Context

Service planning, and therefore financial planning, must take place with due regard to the national policy context for the fire and rescue service and economic and public expenditure plans.

Emergency services play an essential part in serving our communities and keeping them safe. Whilst the police, fire and rescue and NHS ambulance services all have distinct frontline roles, it is clear that close collaboration between them can provide real benefits for the public and help each service better meet the demands and challenges they face.

The Prime Minister's announcement on 5 January 2016 that responsibility for fire and rescue policy had transferred from the Department for Communities and Local Government to the Home Office again demonstrates the Government's commitment to closer collaboration between police and fire and rescue services.

In a number of Fire and Rescue Authorities, moves are being taken for the Police and Crime Commissioner to take on the governance responsibility of the Fire and Rescue Service. This has already taken place in Essex and more are likely to follow.

In April 2017 the National Fire Chiefs Council (NFCC) was formed. The NFCC is made up of senior representatives from all fire and rescue services across the UK.
The new Council provides clear, professional advice to government (including devolved administrations) and the wider sector on matters such as professional standards, operational guidance, research and sharing best practice, while supporting the whole of the UK FRS.

As part of the reform agenda, a Fire and Rescue inspectorate (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services, HMICFRS) has been created. The Authority's review took place in the first tranche of inspections in 2018. The results of this can be found at https://www.justiceinspectorates.gov.uk/hmicfrs/

The Authority is implementing where appropriate, the recommendations from the Thomas Review.

The following sections cover in broad outline the national context within which the budget and other aspects of MTFS have been framed.

2.1. **National Statutory and Policy Context:**

The Fire and Rescue Services Act 2004 represented the most comprehensive reform of the statutory framework for the service for more than fifty years and brought about far reaching changes to the way in which individual fire and rescue authorities plan and deliver their services. Amongst the most fundamental of these was the replacement of the previous prescriptive standards of fire cover with a framework for local integrated risk management planning, a duty to engage in preventative community safety work and the provision for a National Framework (revised in June 2018) to provide clarity for Fire and Rescue Services on the Government's expectations.

In addition, a range of Statutory Instruments have been introduced over recent years, which between them impose new duties on the Service, including the requirement to respond to emergencies other than fire, such as road traffic collisions, chemical, biological, radiological and nuclear (CBRN) incidents, serious flooding and major search and rescue incidents. The new responsibilities are not limited to response, but also extend to the need for the fire and rescue service to play a key role in civil contingency planning.

Reform

When Home Secretary, Theresa May outlined her vision for fire and rescue services in May 2016. This was a "radical ambitious" package of reforms. This approach was then supported by the new Home Secretary and the then Minister for Policing and Fire, Brandon Lewis (2017 to 2019 Nick Hurd, now Kit Malthouse).

The reform agenda is made up of three distinct pillars. These are:

1. Efficiency and Collaboration

   The aim is to drive deeper collaboration between fire and rescue and other local services – including through the statutory duty in the Policing and Crime Act – and support the NFCC and the sector deliver commercial transformation, including procuring more collaboratively, efficiently and effectively.

2. Accountability and Transparency

   The aim to enable the public to fully hold their service to accounts by replacing opaque governance and inspection arrangements and publishing more comparable performance indicators.

3. Workforce Reform

   The recommendations are the sector and Government to deliver and are based around five broad themes:

   - The working environment including diversity of workforce
   - Documented conditions of service
   - Industrial relations
   - Retained duty system and
   - Management

On a more local level; the Service continues to work with a range of statutory and non statutory partners in pursuit of joint initiatives that will make our communities safer and healthier. With shrinking budgets and a Government desire to 'do more for less' the expectations of all partner organisations on each other will increase. As a Service we must ensure we remain best placed to meet this challenge. The Authority actively seeks joint working arrangements to best meet the need of the community. It is likely that following Parliamentary approval, the Police and Crime Commissioner for Bedfordshire will become a voting member of the FRA. The Authority awaits the guidance on this process from the Home Office.

2.2 **National Financial Context:**

On 20 December 2019 the Government announced the Provisional Local Government Finance Settlement for 2020/21. The headlines below provide a brief summary of the key points:

Headlines

- No changes to methodology and allocations proposed in the settlement's technical consultation.
- Basic precept threshold at 2%.
- Continuation of 100% pilots in Devolution Deal Areas; no further pilots planned for 2020-21.
- As set out earlier in 2019, £1bn of new social care funding will be added to the £410m Social Care Support Grant. Allocations remain unchanged to those published in the Technical Consultation.
- New homes bonus continuing for 2020-21; future years unknown.
- The Adult Social Care precept threshold will remain at 2%.

The following Council Tax Referendum Principles were announced:

- 2% for fire and rescue authorities, counties, London boroughs, unitaries and metropolitan districts.
- Continuation of the 2% ASC precept.
- Shire district councils will be allowed increases of up to 2%, or up to and including £5, whichever is higher.
- Police and Crime Commissioners referendum thresholds were announced in late January 2020 and are up to £10.

3. <u>Local Context</u>

3.1 **The Authority's Area:**

Bedfordshire occupies a geographically central position within the UK. It has exceptional links to London with the presence of key transport infrastructure including the M1 and A1 roads, three major rail routes and London Luton Airport.

Bedfordshire has a population of over 640,000[1] people, with a workforce of over 250,000[2]. It has one of the most diverse populations in the country, over a relatively small geographical area.

The county is, in land use terms, largely rural and agricultural, including major areas of outstanding natural beauty. Most people (over 70%) live in its larger towns including the two major towns of Luton and Bedford but also in a number of smaller market towns. These towns lie within often picturesque rural settings which also includes many villages that add to the area's diversity of places to live, work and play.

Over recent years the local economy, like many throughout the UK, has moved from traditional manufacturing and heavy industry to one based more upon the service industry. These industries include logistics and air transport, higher education, research and development, tourism and hospitality, creative and cultural businesses, construction, and business services.

Bedfordshire has two successful universities; the post-graduate Cranfield University, and the under-graduate University of Bedfordshire, together with strongly performing further education colleges based in Bedford, Luton and Dunstable. There are a number of significant and internationally linked research locations at these universities and also at Colworth Science Park, Cranfield Technology Park and the Millbrook Vehicle Proving Ground.

There are on-going major transport infrastructure improvements and developments to the road system within the county and continued growth at London Luton Airport; a key deliverer in the business passenger market and handling circa 16 million passengers a year in total.

There are also iconic visitor attractions in the county, such as Woburn Safari Park, Whipsnade Zoo and Center Parc's fifth UK village at Woburn.

From April 2009 local government within the county has been through three unitary authorities - Bedford Borough Council, Central Bedfordshire Council and Luton Borough Council. The Bedfordshire Fire and Rescue Authority (BFRA) comprises elected Members from each of these unitary authorities, whose numbers are proportional to the populations they represent: 3 Members from Bedford Borough Council, 5 Members from Central Bedfordshire Council and 4 Members from Luton Borough Council.

[1] *Source: ONS Mid-Year estimates July 2014.*
[2] Business Register & Employment Survey, Office for national Statistics Full & Part Time Employment

3.2. **The Authority's Strategic Priorities Objectives:**

The achievement of the Authority's objectives and targets within a rapidly changing and complex environment requires a robust strategic and business planning process which must in turn guide the development of the medium-term revenue and capital expenditure plans, targeting financial resources to support day-to-day activities as well as planned investment.

Such effective business planning is also essential in order to embed a Service-wide culture of providing the best quality service through the most efficient means and ensure that efficiency measures can be used to free up existing resources, enabling them to be redirected to new and emerging priorities.

BFRA continues to rise to the economic challenges that it faces, whilst at the same time endeavouring to continue to improve the quality of the service it provides to the communities it serves. In the recent years the Authority has:

- Changed the shift system at all of our wholetime fire stations.
- Changed the shift system at 1 of our 2 day crewed fire stations.
- Restructured our management teams and reduced the number of officers.

In accordance with its corporate planning policies and procedures, the Service undertakes a strategic assessment twice per year that assists in identifying the strategic issues facing the Service both in the short and longer term and to ensure that the Service is best positioned to continue to achieve its strategic objectives. The production of the Service's Community Risk Management Plan (CRMP) is facilitated by the Strategic Assessment and considers a wide range of factors and issues, many of which are complex and played out over a longer timeframe, whilst others are less complex but more volatile requiring close monitoring.

The outcomes of the strategic assessment also guide the development of more detailed plans across the Service and in particular the programme of strategic improvement projects for the forthcoming year and medium-term beyond and play a vital role in guiding and prioritising proposals for expenditure in the annual budget setting and medium-term financial planning process.

The Service planning processes and current medium-term strategic assessment has led to the development of six aims (see below). Our Mission is t*o provide outstanding Fire and Rescue Services that help make Bedfordshire safer.*

For us, delivering on our mission means focusing on the following six aims:

1 **Preventing** fires and other emergencies happening
2 **Protecting** people and property when fires happen
3 **Responding** to fires and other emergencies promptly and effectively
4 **Empowering** our people as we work together to make Bedfordshire safer
5 **Utilising** our assets and resources efficiently and effectively
6 **Maximising** use of data and digital solutions to drive improvements

Please refer to the CRMP for further detail.

3.3. **Government Funding Settlement:**

The Government's provisional settlement was announced on 20 December 2019. The Authority is yet to receive the final settlement figures at the time of writing this report. The final funding announcement will be in February 2020 for the Authority's 2020/21 settlement. The provisional settlement figures are detailed below in Table 1.

Table 1: Government Grant Revenue Funding

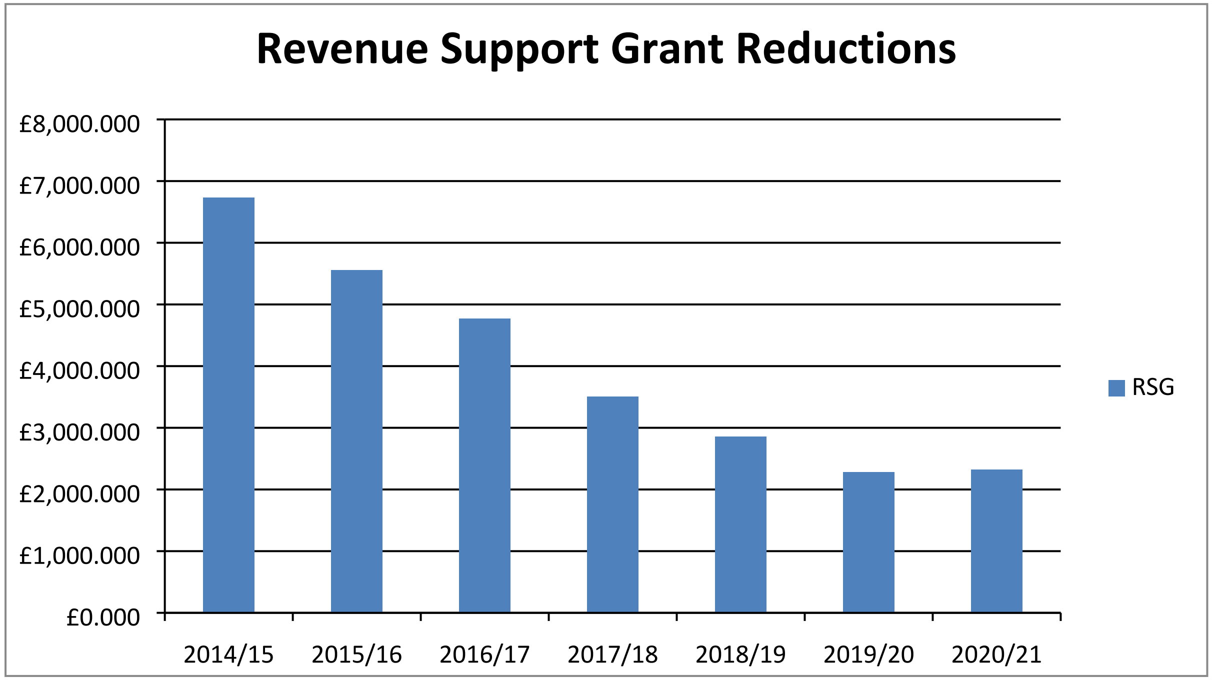
	2019/20 £m	**2020/21 £m**	**% change**
Revenue Support Grant (RSG)	2.283	2.320	1.6
Business Rates baseline funding	5.847	5.942	1.6
Settlement Funding Assessment	**8.130**	**8.262**	**1.6**

* The settlement figures for 2019/20 were the last of the four year funding deal that the Authority accepted. Therefore the years 2021/22 onwards are current forecasts. The 2019/20 RSG shown in Table 1 above is £0.191m lower than previously forecast. Although this shouldn't change as part of the four year funding deal, the Ministry of Housing and Local Government (MHCLG) had contacted the Authority advising that an error occurred in the funding calculations between our Authority and another. They MHCLG has reduced our RSG for 2019/20 but is not seeking any reimbursement for prior years.

As detailed above, the funding increase between 2019/20 and 2020/21 is 1.6% over both grant and business rates income.

The chart below details the Revenue Support Grant income reductions since 2014/15. These reductions have been visible in the Medium Term Revenue Plan and have course led to increased savings and efficiencies.

Chart 1: Revenue Support Grant from 2014/15 to 2020/21



* The table above shows the actual Revenue Support Grant (RSG) received by the Authority between 2014/15 and 2018/19 with the figure for 2019/20 being the revised figure for the 4th year of the Settlement after the reduction noted above. 2020/21 has seen a minor increase.

The Authority's Business Rates Baseline Funding Level (BFL) has been assessed at £5.942m by the MHCLG for 2020/21 and a business rate baseline estimated at £2.102m (the Government's estimate of the Authority's 1% share of locally collected business rates). As our business rate baseline is lower than the baseline funding level, we are therefore a 'top up' authority and will receive the payment of £3.840m from central government (to get back to the £5.942m baseline funding level). All fire and rescue services are top up authorities. The RSG and business rates funding of £8.459m shown in Appendix 1 for 2020/21 is split between £2.320m Revenue Support Grant funding and £6.139m Business Rates (with the local share of business rates at £2.299m, £0.197m higher than used in the SFA figures).

The split of this between local authorities is shown below in Table 2.

Table 2: Local Business Rates income.

Authority	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Bedford	0.657	0.667	0.680	0.694
Luton	0.372	0.686	0.699	0.713
Central Beds	0.970	1.062	1.140	1.222
Total	2.299	2.415	2.519	2.629

The above figures are fed into the MTRP. As are the Section 31 Business Rates Grants of £236,000 in total from the three Unitary Authorities for 2020/21.

As previously reported, the Authority in future years will be subject to fluctuations of the Business Rates collected in Bedfordshire. If business rates income increases, the Authority will receive a share of this, if it decreases the Authority will be impacted by this. There are mechanisms in place within the funding scheme that offer protection, called safety nets, should an authority be considerably adversely impacted.

The detailed split of the Authority's total funding and local council tax is shown in Table 3 below:

Table 3: Detailed income split

	2019/20 £m	2020/21 £m	Change £m
Budget Requirement (£m)	29.832	30.991	1.159
Funded by:			
Precept Requirement (£m)	20.971	21.880	0.909
Central and Local Gov Funding (£m)			
Section 31 Business Rates grant	8.284	8.459	0.175
Use of reserve (Collection Fund)	0.258	0.236	(0.022)
Business Rates Levy redistribution	0.229	0.366	0.137
	0.090	0.050	(.040)
Funding Total (£m)	29.832	30.991	1.159
TaxBase (Band D equiv. properties)	213,017	217,906	4,889
Band 'D' Council Tax	£98.45	£100.41	£1.96

The above income lines are further explained below:

- The Government Grant funding for 2020/21 is as per the provisional settlement figures provided by the MHCLG, with the exception of the local business rates. For business rates, as noted below, the more up to date local authority information is used.

- The Precept Requirement is the total of council tax income to the Authority.

- The local business rates for 2020/21 are the figures provided by the three local authorities, as reported in their NNDR 1 returns, which are due to be submitted to the MHCLG by 31 January 2020. The years 2021/22 to 2023/24 have been increased by using the MHCLG's figures for the top up grant and the unitary authority figures for the local share. The Section 31 grant included in the table above are for the following reliefs; Multiplier Cap, Small Business Rate Relief and financially minor reliefs.

- Council Tax Taxbase, is the Band D equivalent number of properties. For six years there was a lower figure than in 2012/13 and prior years due to the changes in the benefits system, which has reduced the taxbases. This reduced council tax income was offset by the Council Tax Support funding that was separately identifiable in 2013/14 but from 2014/15 has been included in the general Government funding calculations. The taxbase in 2019/20 was higher for the first time than the 2012/13 levels.

3.4 **Damping:**

In allocating grant, the Government utilises a device known as 'floor damping' to ensure that no fire and rescue authority receives below a prescribed minimum adjustment to the level of grant in comparison to the previous year (the 'floor'). To achieve this, the grant for some other authorities is reduced ('damping') and the money used to increase the grant to those authorities needing it to ensure that they receive the 'floor'.

This Authority has been adversely affected by the 'floor damping' process, with 'damping' reductions of £227,222 in 2012/13 and £332,745 in 2013/14 incorporated into its grant settlements. For 2014/15 onwards the impact of damping is not as visible as it has previously been and is now included with the RSG figures.

3.5. **Other Revenue Grants:**

In addition to the formula funding, the Government provides specific revenue grants. For the three grants listed below, these are forecast to be circa £228,000 in 2020/21.

- *Firelink* - This is for the wide area radio system in England, Wales and Scotland for the fire and rescue service.

- *New Dimensions* - This is a grant to cover local costs associated with hosting and maintaining skills associated with national resilience vehicles. This grant was reduced from 2017/18.

- *Transparency Grant* – This is a grant to cover the costs of providing information on the Authority's website.

The total and split of the 2020/21 funding is yet to be received from the MHCLG.

As well as the above, a grant is also received on an ad hoc basis for the Firearms team.

3.6. **Fire Capital Grant Allocation:**

As anticipated, there is no Government funding or bidding round for capital in the 2020/21 budget. This was the position for the 2016/17 to 2019/20 financial years too. The Authority, in 2012/13 and before, used to receive an annual capital grant of £1m.

The Authority's base budget revenue contributions to fund capital commenced in 2012/13 to support capital expenditure funding in future years. There is now a budgeted base budget revenue contribution of circa £1.3m per annum (with fluctuations) from 2021/22 onwards towards capital expenditure. This is with the assumption that capital grants are not forthcoming in future years. If capital funding becomes available, there will be a direct reduction in revenue contributions.

The Capital Programme, as per the approved timetable, has followed the same robust challenge/scrutiny route as the revenue budget. The Capital Strategy Team has also reviewed and assessed the bids made, approving the schemes that are attached at Appendix 3 as the 2020/21 Capital Programme.

Key items of note in the proposed 2020/21 Capital Programme of £1.505m are:

- Investment in our vehicle fleet, to maintain efficient, economic and effective appliances.
- Investment in IT.
- Investment in the modernisation of our building

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4. The Medium-Term Revenue Plan

4.1. Overview and Key Features of the Revenue Budget Strategy:

The Medium-Term Revenue Plan (MTRP), attached at Appendix 1 of the 2020/21 budget report, sets out the Authority's revenue budget strategy for the next four years and the predicted impact on council tax. It captures all of the revenue budget implications of the forecasts and assumptions set out throughout this document, including the impact of the capital budget on revenue.

A key feature of the Authority's overall revenue budget strategy is the decision to set a budget for 2020/21 which involves a 1.99% increase in council tax on 2019/20 levels. This 1.99% council tax increase is combined with strategies for council tax, efficiency savings and the use of reserves, which together are aimed at delivering significant and sustainable savings over the four year period and beyond, whilst supporting continuing improvements in the quality of service in line with the Authority's strategic priorities.

The council tax strategy, based on current assumptions and estimates, involves increases at 1.99% for 2020/21 and for the following 3 years until 2023/24. The 1.99% increases are currently built into the MTRP based on need. This is supported by a strategy for efficiency savings and the utilisation of the 'transformational reserve' in 2020/21 onwards. The support provided to the revenue budget by the planned use of the reserves in the years 2020/21 to 2023/24 is aimed at smoothing the impact of formula grant reductions.

The 2021/22 financial year will be a significant one in terms of funding for the Authority. With the funding formula review, Business Rates Retention and the Spending Review all to take place over 2020, the 2021 settlement could have a material impact on the forecast figures within the current 2021/22 to 2023/27 medium term plan. The 2019/20 was the final year of the four year settlement, a further 1 year settlement was agreed for 2020/21.

4.2 Components of the Medium-Term Revenue Plan:

The following sections give a brief explanation of each of the main components of the MTRP:

4.2.1 *Base Budget*

The net revenue budget for running the Service in 2019/20 was £30.328m. After adjusting for an amount of £492k, which was a contribution from reserves to balance the budget, this decreased the budget requirement to £29.836m.

For the 2020/21 budget, the net revenue budget is £32.035m, with a budgeted use of £1.045m from the Transformational reserve decreasing the budget requirement to £30.991m.

4.2.2 *Impact of Pensions Funding Changes*

From 2006/07 arrangements were introduced which saw the majority of firefighters pension costs being paid for from the pension account (that is separate from the BFRA's budget), which is funded by a combination of employers' and employees' contributions with Government paying the balance. The level of the employers' contributions is set by the Government Actuary Department and applies uniformly across all Authorities. The BFRA is still responsible for injury retirements and the initial contribution towards ill-health retirements.

The employer pension contributions percentage have increase for non-operational employees from April 2020. The employer firefighter contributions have also seen recent significant increases, with some grant funding support that may or may not continue.

4.2.3 *Forecast Variations*

This component of the budget includes a variety of estimated or predicted impacts. The items for increases on insurance premiums and investment interest decrease/increase are self-explanatory and the figures given represent estimates based on information currently available. The Revenue Implications of the Capital Programme represent the cost of capital borrowing (minimum revenue provision, loan, interest repayments, running costs) on the revenue budget.

The item on non-uniform incremental drift relates to increases in pay for non-uniformed staff as a result of increased 'time served' which results in their moving up the 'spinal column points' within their salary scales.

Of particular importance are the items on efficiency savings. As noted at the start of this Section, the Authority's efficiency savings strategy is a core component of the MTRP. The efficiency savings for each of the four years are shown as two types: Transformational Efficiencies/Savings which relate to far-reaching organisational changes, normally associated with significant strategic projects; and Budget Manager Process Efficiency Savings which relate to incremental cost reductions and improvements in ways of working for which all senior managers are set annual targets across all non pay-related budgets. Further details of the Authority's efficiency savings strategy are given in Section 4.3 below.

Of course it is important to remember that actual spending will be under significant pressure. Other recent increases/pressures include the National insurance contributions for employers from April 2016 and the new apprenticeship levy from April 2017.

4.2.4 *Inflation*

Staff Pay: Direct employee costs amount to circa £25.5m or 82% of the revenue budget and as a result the annual pay awards in the latter years of this current budget setting process have a significant impact on future expenditure levels. Specifically for 2020/21, there is an increase in pay forecast at 2% for non-uniformed officers and an estimated 5% for uniformed officers from July 2020. For uniformed officers, this pay award may be linked with a review on conditions of service.

This budget will fund wholetime and retained operational staff, emergency fire control operators and full-time and part-time support staff pay awards. All of the Authority's pay awards are determined by national negotiating bodies and, other than through the Employers' representatives on the negotiating team, the BFRA has no direct influence on the outcome and, therefore, the use of estimates for budget projections is required. It should be noted however that a local pay award is being discussed. There will be significant pressure around pay awards.

Prices Inflation: This includes all non-pay items, from indirect employee costs such as recruitment, insurance, occupational health and health and safety related provision and operational training, through to premises, transport, supplies and services. Non-pay inflation of 2% for general supplies and services has been incorporated into the MTRP for 2020/21. There is a separate line for an inflation provision for gas, electricity, water and diesel.

4.2.5 *Budget Pressures*

This line of the MTRP refers to proposed items of new or additional expenditure brought forward by managers during the process of budget setting, which have been approved for taking forward into the budget. These are known as 'FMS 3' projects (after the number of the business case template used for submission) and all have been subject to rigorous scrutiny.

4.2.6 *Estimated Net Revenue Expenditure*

This line of the plan shows the sum total of each of the above expenditure elements and thus represents the total budgeted revenue spending on the Service.

4.2.7 *Contributions to/from General Reserves*

As a precepting authority there is a requirement under the Local Government Act 1992 for BFRA to hold reserves in order to meet any unforeseen emergencies and manage uneven cash flows. The Authority undertakes a thorough risk assessment in order to identify the required level of reserves each year. Details of the amounts and nature of Reserves which the Authority has decided to hold are given in Section 4.4.

4.2.8 *General and Earmarked Reserves, below*

This line of the MTRP shows how the Authority plans to use the Transformational Reserves, as per the strategy, in years 2020/21 to 2023/24. This strategy is supported by the Authority's efficiency savings plans and the proposed council tax strategy over the four years of the MTRP and is aimed at smoothing the impact of the uncertainty in formula grant in 2022/22 to 2023/24, thereby allowing adequate time for longer-term efficiency savings measures to deliver sustained reductions to base budget requirements, whilst maintaining levels of service delivery.

4.2.9 *Collection Fund*

For 2012/13 and the years before, a collection fund deficit arose for a local authority (a billing authority) when the actual amount of council tax collected by the Authority is less than the amount calculated based upon the number of properties (taxbase) and level of council tax set. This can arise due to a number of reasons including an over-estimation of the taxbase and non-payment by householders. Conversely, a collection fund surplus can arise when the amount of council tax collected exceeds the calculated amount due to an under-estimation of the council taxbase. From 2013/14, there is also now a surplus or deficit on the business rates collected too.

For 2020/21, the respective estimated Collection Fund position of each of its constituent authorities (Bedford, Central Bedfordshire and Luton) has resulted in a net collection fund surplus of £366k for this Authority. This means that the Authority's net funding from council tax for this year only is effectively increased by that amount. This is detailed on an individual authority basis in Table 4 below.

Table 4: 2020/21 Collection Fund estimated outturn

Authority	Council Tax £ (surplus)/deficit	Business Rates £ (surplus)/deficit	Net £ (surplus)/deficit
Bedford	(27,828)	37,450	9,622
Luton	(86,700)	(52,500)	(139,200)
Central Beds	(248,000)	12,000	(236,000)
Total	**(362,528)**	**(3,050)**	**(365,578)**

For a combined fire authority, any collection fund deficit or surplus will represent the combined 'net' result of its share of each of its constituent authorities' estimated year-end Collection Fund position.

To cater for such variations, Authorities maintain a Collection Fund Reserve to or from which contributions from/to the revenue budget are made in the year following the variation. Should there be an overall deficit in a future year, the Fire and Rescue Authority has allocated a reserve to support this.

4.2.10 *Budget Requirement and Increase*

This element shows the estimated net revenue budget requirement for each of the years of the Plan, together with net and percentage increase on previous years. It is the result of adjusting the total estimated net revenue expenditure figure to take account of the contributions to/from the General and Collection Fund Reserves.

It is helpful to break down the budget requirement by service function (as defined within the Service Reporting Code of Practice) since this illustrates relative change in resourcing of separate areas to reflect the Authority's strategic priorities and plans. This breakdown is provided in Table 5 below which shows the net revenue expenditure by Service function for each year of the medium-term strategy.

Further detail on the nature of these Transformational Efficiencies is given under Section 4.3 Efficiency Savings Strategy, below.

Table 5: Revenue Budget Expenditure 2020/21 – 2023/24 by Service Function

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Community Safety	1,408	1,442	1,442	1,442
Firefighting & Rescue	15,298	16,741	17,024	17,378
Emergency Response Support	2,821	2,810	2,831	2,852
Training & Development	1,580	1,570	1,570	1,570
Human Resources	1,568	1,665	1,554	1,639
Corporate Support	5,490	6,038	6,050	6,806
IT & Communication	2,008	1,698	1,642	1,586
Strategic Management	1,191	1,181	1,181	1,181
Transformational Efficiency Savings	-328	-247	-195	-190
New Pensions Reserve	1,000	0	0	0
Net Revenue Expenditure	**32,035**	**32,898**	**33,098**	**34,263**
Contribution to/(from) Transformation Reserve	-1,045	-1,101	-340	-508
Budget Requirement	30,990	31,797	32,758	33,755

4.2.11 *Financed By*

This element of the Plan shows the detail of the separate sources of revenue funding required to meet the estimated budget requirement for each year of the Plan, ie from where the Authority's revenue income comes.
The detailed split of funding is shown earlier in the MTFS in Table 3.

4.2.12 *Calculation of Band D Council Tax and Percentage Increase*

The taxbase used in the MTRP projections represents the number of Band D equivalent properties in the three constituent local authorities that BFRA precepts upon (ie Bedford, Central Bedfordshire and Luton). The taxbase for 2020/21 has been set at

217,906 Band D equivalent properties, based on the information that has been supplied by these authorities. The split per authority is shown in Table 6 below. This is an increase of 2.30% compared to the 213,017 taxbase in 2019/20.
The increase is due to various factors including the levelling out of benefits, exemptions and discounts and incentivised new housing developments.

The estimated increases of future years' council taxbases are included within the MTRP.

Also shown is the percentage increase in council tax projected for each year of the MTRP. As explained previously, these equate to 1.99% for 2020/21 and each year until 2023/24.

Table 6: Taxbase – Band D Equivalents

Authority	**2020/21**
Bedford	60,943.00
Luton	51,828.70
Central Bedfordshire	105,134.00
Total	**217,905.70**

4.3 Efficiency Savings Strategy

An efficiency saving occurs when the cost of an activity is reduced, but its quality and effectiveness remains the same or improves. BFRA continues to focus on becoming more efficient - finding new ways to deliver highest quality services at lowest possible cost.

The Authority's MTRP for 2020/21 to 2023/24 shows the level of budgeted efficiency/ savings planned for each of the four years, which form an integral part of the overall revenue budget strategy. In addition, the Authority's efficiency savings/initiatives during 2019/20 are mainly on track to deliver an underspend which will be used, subject to the approval of the FRA, to contribute to the Pay Award Reserve.

As well as making significant savings in previous years, from 2010/11 to 2019/20 £6.493m has been reduced from budgets through budget scrutiny and savings/efficiencies, the Authority's plans for 2020/21 and beyond include making additional significant efficiency savings through:

- Further operational and non-operational reviews
- Efficiency improvements from investments in ICT
- Procurement savings from new contracts such as Personal Protective Equipment (PPE)
- Collaboration savings
- Income generation

4.4. **General and Earmarked Reserves:**

As a precepting authority there is a requirement under the Local Government Act 1992 for BFRA to hold reserves in order to meet any unforeseen emergencies and manage uneven cash flows. The Authority undertakes a thorough risk assessment in order to identify the required level of reserves each year. The Treasurer has the duty to report on the adequacy of reserves (under section 25 of the Local Government Act 2003), particularly when the authority is considering setting its budget requirement.

The required level of reserves for the period 2020/21 is outlined within the Reserves Strategy and financial strategy.

General Reserves are a working balance to help cushion the impact of uneven cash flows and avoid unnecessary borrowing and as a contingency to cushion the impact of unexpected events or emergencies. The Authority's General Reserves are detailed in the Reserves Strategy at Appendix 5 to the 2020/21 Budget Report.

Earmarked Reserves, in accordance with the Local Authority Accounting Panel (LAAP) Bulletin 77, can be set up where there are known or predicted requirements. As is common with most other Fire and Rescue Authorities and public sector bodies, BFRA has set up a number of earmarked reserves which have been separated out from General Reserves. These are also detailed in Appendix 5, the Reserves Strategy.

At the time of writing, the forecast year end underspend for 2019/20 is circa £0.116m. The General Reserve of £2.4m, at c.8% of net revenue expenditure, is in line with the current overall average Combined Fire Authority average. As the S151 Officer I am comfortable with the level or reserves and do not deem it too low or high.

In addition, the Authority has separate ear-marked reserve for the Capital Receipts Reserve. Project carry forwards are also classed as ear-marked reserves at the year end stage.

The Transformational Earmarked Reserve that was specifically set up for budget setting purposes is estimated to total £3.507m at 31 March 2020. As detailed in the MTRP, it is forecast that this will be allocated to offset the budget gap in the years 2020/21 to 2023/24 and to invest in transformation initiatives.

5. The Medium-Term Capital Programme

5.1 The Capital Programme

Maintaining and improving the BFRA's infrastructure requires considerable resources and, for asset management purposes, this is broken down into three categories of investment, for each of which a comprehensive Asset Management Plan is produced; namely:

- Land and Buildings
- Fleet and Operational Equipment
- Information and Communication Technologies (ICT)

For each category of investment a separate programme of projects exists which spans a four year period. Because of the nature of the types of projects included in the programmes it has been the practice for some time to phase plans over a medium-term timeframe in order to show the way some schemes run over several years.

In line with best practice the land and buildings programme is developed so as to meet ongoing maintenance demands as well as to support the development of land and buildings investment and its subsequent management.

The fleet and operational equipment programme reflects the need to maintain a comprehensive fleet of vehicles with acceptable asset lives, equipped to the correct standard to meet current and planned service delivery requirements.

The ICT programme contains projects designed to develop and maintain the communications and technological infrastructure, to support both operational and organisational needs.

Traditionally IT, vehicles and operational equipment have either been leased or funded from revenue and hence did not feature in the Capital Programme, but are the subject of revenue bids for funding. Following the introduction of the Prudential Code, work was undertaken to review the cost effectiveness of leasing compared with long-term borrowing and a number of previously leased items are now being included as part of the four year Capital Programme. Discussions regularly take place with our treasury and leasing advisers, Capita Treasury Solutions, to ascertain for our specific Authority at that point in time, what the optimal funding options are.

All proposed schemes are assessed against set criteria to establish the extent to which they support the strategic objectives and Authority's priorities.

The Authority has implemented an asset management process that ensures all its assets are procured, maintained and disposed of in an efficient and effective way to provide value for money to the council tax payer.

The buildings programme for 2020/21 onwards has been developed on the basis that at present there are no further plans to change the type or location of fire stations and therefore the bulk of investment in premises is directed towards enhancement and the provision of new facilities for training and enhanced national resilience. However, it is an area that may change due to joint working/collaboration.

Historically, vehicles and equipment for frontline response and community fire safety have followed certain levels of specification and requirements. Following a comprehensive review of the emergency response fleet, a number of innovative changes are being made to the current fleet. These changes will deliver a fleet of vehicles aligned to the emergency response required to be mobilised to the identified risk profile of Bedfordshire.

The Capital Programme for 2020/21 is fully funded by revenue contributions of £320k, with a contribution from the Capital reserves of £1.185m.

It is unknown how fire and rescue authorities will be funded for capital expenditure in the next Spending Review period.

6. Other Considerations

6.1. **Key Budget Assumptions and Uncertainties:**

2020/21 Budget Process- Assumptions/Uncertainties

Current Assumptions:

- One year settlement for 2020/21 (as per provisional settlement received late December 2019) – three/four year settlement to follow from 2021/22
- All grants received in 2019/20 will continue in 2020/21 due to one year settlement. This includes:
    1. Home Office grant - Fire Fighters Pension Scheme Revaluation from 2016, which came into effect from April 2019, has an estimated average increase of 13% (circa £1.5m). This was supported by grant via the Home Office in 2019/20 at £1.7m. For 2020/21 it is assumed this grant will continue. This will be included within the funding from the Comprehensive Spending Review for 2021/22 onwards. There is a forecast budget pressure of £750k (50% pressure) in 2021/22 until further information is known.
    2. Other grants – New Dimensions, Transparency, Fire link, MTA
- Green Book pay award 2% April 2020 onwards
- Grey Book pay award 5% July 2020 and 2% thereafter (2019 pay award was budgeted at 5%, pay award agreed at 2%. The u/s will be held as a reserve in case backdating of pay award agreed)
- That the additional 1% to council tax will not continue after the two years announced (2018/19 and 2019/20). Therefore as per provisional settlement, planned referendum limit is 2%.
- Taxbase in line with previous indications (amended where info supplied)
- Business rates in line with previous indications (amended where info supplied)
- No Capital Funding (bidding round not announced)
- Fire Grant/Emergency Services Mobile Communications Programme (ESMCP) funded – *Potential large funding risk here*
- Revenue Support Grant (RSG) grant increase for 2020/21 as per provisional settlement, then assumed reductions in years 2021/22 (although RSG potentially ceasing from 2021/22 and included within business rates, this element is still split out for transparency)
- Estimated Collection Fund surplus of £366k in 20/21 (confirmations due), £50k in 2021/22
- Apprentice budget of £60k per annum remains to fund new posts (training fees to be drawn down from levy paid)

- Explore for 2021/22 (delayed from 2020/21) when medium term funding position known - Minimum Revenue Provision (MRP) early repayment, with the benefit of reducing earmarked reserves and also revenue pressures in future years.

Uncertainties:

- FF pensions – longevity of 2015 unfunded scheme and outcome of pensionable pay review
- Impact from Business Rates Retention (no Revenue Support Grant) potentially from 2021/22
- Impact from Spending Review for 2021/22 onwards
- Impact from formula funding review 2021/22 onwards
- Recruitment profile/establishment/retirements – associated recruitment/training costs (15 FF in 2020/21, 15 per annum thereafter)
- New savings/efficiencies in the medium term to address the budget shortfall, subject to work and approval by FRA
- Collaboration (PCC, Ambulance (servicing, co-responding, falls, bariatric), Police etc) – and associated costs/savings/investments
- Medium term property strategy (One Public Estate bid, sharing etc)
- Contingent Liabilities/Assets included in the Statement of Accounts
- EU directives/legislative changes/Brexit impacts
- Implications arising from Fire Brigades Union (FBU) discriminatory claims relating to transitional pension protection (McCloud/Sergeant cases)
- Strike expenditure potential
- Interest and inflation rate fluctuations (post Brexit too)
- Outcomes of Retained Duty System project (budget increase/decrease)
- Outcome of Grey book pay review – broadening the role, pay award
- Outcome of Response Review Project
- Council tax revaluation due as still based on 1991 valuations. There is a disconnect between council tax, location, property value and average earnings (Band D is Westminster is £753.85, in contrast in Oldham it is £1,899.61). Links here with the Formula funding too.
- Operational vehicle provision review (could be cost implications, for example provided cars purchase)
- Due to significant turnover in the medium term, additional costs re succession planning

- Impacts from the General Election on 12th December 2019 and Brexit
- Linked to the above, Boris Johnson's pledge to reduce business rates may have a detrimental impact on funding (for BFRS and local unitary authorities)

Suggested New Ear Marked Reserves:

- Outcomes from Contamination work (showers, storage, PPE etc)
- Remedy re FF Pensions transition discrimination and Pensions Grant uncertainty

6.2 **Equality Impact:**

The challenging economic environment in which the Service is operating means that it is sometimes necessary to make difficult and unpopular decisions. A number of the major changes included within the Authority's strategic priorities for the medium-term and thus supported by financial provision within this MTFS, particularly those associated with transformational efficiency savings, will be of this type. The Authority recognises that equality legislation does not prevent it from making these decisions but gives an opportunity to demonstrate its commitment to equality and diversity and to ensure such decisions are based on robust evidence and taken in accordance with the Public Sector Equality Duty.

The Authority, therefore, ensures that robust equality analysis is carried out, paying due regard to the impact on our community and staff, where policies, procedures and practices are changing. Decisions, where appropriate, will also be informed by the wider context to ensure particular groups are not unduly affected by the cumulative effects of different decisions. All decisions will be documented through equality impact assessment ensuring fairness, transparency and accountability. This information will be published in line with the requirements of the Public Sector Equality Duty.

6.3. **Data Quality:**

The Authority is committed to achieving and maintaining fit for purpose, quality data enabling sound decision making and informed planning. This is vitally important with key documents, such as this MTFS and the Authority seeks to continually improve the quality characteristics of such data with particular emphasis on accuracy, validity, reliability, timeliness, relevance and completeness.

Systems for assurance and validation of our data are in place, for example Performance Indicators are supported by data proformas which include descriptors, data sources, and change control. A data issues log is maintained that considers severity, impact and mitigation. The Authority's Business Improvement Programme incorporates process re-engineering to assure our data at the point of entry following the 'record once and use many times' principle, delivering new ways of working and business systems where appropriate.

6.4. **Budget Setting Process for Future Years:**

The summary diagram below shows the key stages that will be followed by the Authority in setting future year's budgets. In order to ensure proper process and timescales, it incorporates budget planning from July, setting a draft budget in December for consultation, followed by a final budget set in February.

Diagram 1: The budget setting timetable

Pre-Budget Preparation			**July 2020**
	***CMT Budget Work**		**Oct 2020**
		Service Prioritisation Work - The **FRA Setting the Draft Budget	**Nov 2020**
			Dec 2020
	Consultation on the Draft Budget, Priorities and Budget Proposals		**Jan 2021**
Budget decision-making			**Feb 2021**

*CMT= Corporate Management Team
**FRA= Fire and Rescue Authority

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Reserves Strategy – Budget 2020/21 to 2023/24

1 Introduction and Background

1.1 Reserves are an essential part of good financial management. They help the Authority to cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for the Authority to consider in developing the Medium-Term Financial Strategy (MTFS) and setting the annual budget.

1.2 Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, precepting authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.

Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances'. This was issued in July 2014, but since then many references have been made to the scale of public sector reserves by various parties.

In May 2018 the Government published the New Fire and Rescue Services Framework which introduces a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website and outlined the detail which should be included. The relevant paragraphs are detailed in Annex 1 attached.

1.3 In setting the budget, the Authority decides what it will spend and how much income it needs from limited fees/charges and the council tax to supplement government funding. The Authority may choose to fund some of its spending from its reserves, or set aside some of its income to increase reserves for future spending.

Having the right level of reserves is important. If reserves are too low, there may be little resilience to financial shocks and sustained financial challenges.

1.4 Authorities are free to determine the reserves they hold. Members are responsible for ensuring that the Authority's reserves are part of the MTFS and need to be appropriate for circumstances. The Chief Finance Officer has a duty to provide members with advice on the level of reserves.

1.5 Fire and Rescue Authorities face significant challenges. The unprecedented reduction in government funding since 2010/11, rising costs and growing demand for many services are all testing the Authority's financial management and resilience. The position is potentially to become tougher with the delayed Spending Review, Funding Formula changes and Business Rates Retention all scheduled for 2021/22.

1.6 Current and future financial challenges pose significant, and increasing, risks for the Authority. The Authority may consider using reserves to balance competing pressures, for example:

- Using reserves to offset funding reductions and protect services – although this can only be a short-term strategy as reserves are a one-off funding resource – and/or invest in making changes that reduce the cost of providing services in the longer term.

- Increasing reserves to strengthen resilience against future, uncertain cost pressures. A feature of the previous budget strategy and MTFS, was that reserves were built up to be used to support the budget and fund investment in delivering savings through transformation and improving services. The Transformational Budget Reserve is now being utilised to offset the budget gap as strategically planned and importantly invest in service transformation.

2. The approach to setting the Reserves Strategy

2.1 The Reserves Strategy is integral to the MTFS and the annual budget setting process. This strategy includes:

- Information showing the current level of reserves
- Consideration of the forward strategy for reserves needed to support the Authority's MTFS
- A summary of the financial risks facing the Authority in conjunction with
- An explanation of the purpose and level of any earmarked reserves
- Details of the plans for reserves within the published budget

2.2 Reserves will be monitored throughout the year and the level of reserves reported as part of the year end accounting processes.

3 Why the Authority holds reserves

3.1 We use different terms to refer to the reserves depending on why they are held. Terms we use in this report have the following meanings:

- *General* – the main balance that the Authority wishes to set aside. This is the £2.4m and is compared annually to other Combined Fire Authorities. For 2020/21, this has reduced from the previous £2.6m.
- Available *earmarked reserves* – funds we hold set aside to meet known or predicted future spending or ring-fenced by previous Authority decisions (such as the Collaboration Reserve)
- *Other reserves* the Authority holds but which are not available to fund their general spending; some reserves with statutory restrictions on how they can be spent, such as capital receipts or specific revenue grants
- Total reserves – the sum of earmarked, other and General

3.2 Available earmarked reserves include funds for contingent spending that is hard to predict (risk-based reserves) – for example property or vehicle damage, or reserves to cover shortfalls in investment income, pay award projections and so on.

3.3 Reserves are distinct from provisions. Provisions are funds set aside for probable future liabilities where the timing and amounts are uncertain

Delivering a balanced budget

3.4 There are a number of reasons why a Fire and Rescue Authority or Local Authority might hold reserves, these include to:-

(a) Mitigate potential future risks such as increased demand and costs;
(b) Help absorb the costs of future liabilities;
(c) Temporarily plug a funding gap should resources be reduced suddenly;
(d) Enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax;
(e) Spread the cost of large scale projects which span a number of years.

Reserves only provide one-off funding so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan.

Long-Term Sustainability - Reserves are an essential tool to ensure long term budget stability particularly at a time when the Authority is facing significant year on year reductions in grant funding over the medium term. Due to the fact that funding for future Capital Projects is held as an Earmarked Reserve, the overall level of reserves held by the Authority is currently still high, but will reduce significantly as the Capital programme progresses.

Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.

3.5 The Local Government Finance Act 1992 requires the Authority to calculate its expected outgoings and income for the year – including any additions to or use of reserves. Where expected outgoings exceed expected income, the difference is the Authority's tax requirement for that year.

3.6 If unplanned costs are incurred during the year that are not funded externally – for example, by a grant from government or an insurance policy – or the Authority experiences a shortfall in expected income/funding, there will be few options if it is to deliver to budget. Raising extra income or making in-year savings may have an unacceptable impact on service users. Therefore the Authority may want to consider using reserves to balance spending and income.

3.7 The 2020/21 to 2023/24 MTFS assumes that there will be utilisation of the Transformation Reserve for budgeting and transformation/innovation purposes. It forecasts that this reserve will be used by 2023/24. However, with the proposed strategy to reduce both General and Earmarked Reserves once the Authority knows the outcome of the funding for 2021/22 onwards, this could increase the longevity of the Transformational Reserve for another couple of years. The MTRP details the utilisation of General Reserve (line 81).

4 Reserves and the management of risks – Annual Review

4.1 With regard to the Authority's financial stability, reserves are used to manage risks. There are certain earmarked reserves that have been set aside for specific risks, for example: insurance/protection, ill health and early retirement, HR matters, Health and Safety matters, grant loss, the collection fund (in the past) and budget pressures. These reserves and the potential pressures that need to be managed are reviewed as part of the budget setting process. The review for the 2018/19 budget process recommended that the Collection Fund reserve of £270k was used as part of the budget process.

This reserve had not been required over recent years and each year sees a Collection Fund surplus for council tax from the Unitary Authorities negating the requirement for this reserve. This position may change in the future and it may be deemed appropriate to reinstate this reserve.

4.2 The Authority also manages unforeseen financial shocks by maintaining a General Fund/Working Balance. The Authority's agreed policy is to maintain working balance at £2.4m. Some Authorities set a minimum desired percentage and although the Authority has not done this, the policy would maintain general balances at approximately 8% of the net budget. This level of working balance is kept under review and the Chief Finance Officer has expressed a view that the level is reasonable as part of the budget setting process. Note the planned change though in 2022/23 detailed in para 3.7.

Increasing Financial Risks

4.3 The risk environment for local government has significantly increased. This strategy identifies the following issues that have increased risk:

- Continued reductions in Government funding as indicated in the four year settlement offer (2019/20 is the fourth and final year of this arrangement, with 2020/21 being an unexpected roll on year)
- Changes in the grant funding methodology from 2021/22 onwards – Formula Funding Review and Spending Review
- Significant movement and growth in resident population numbers brings pressures to a range of services and requires more investment in infrastructure – could have impacts on hydrant and operational provision
- Localisation of business rates presents a collection rate risk, an economic downturn risk and a risk in respect of backdated appeals – From 2021/22, Business Rates Retention Scheme and no RSG
- A key new uncertainty is the outcome of the Remedy for the age discrimination case (McCloud) and the impact that this may have financially on Fire and Rescue Services. A new £1m earmarked is proposed to be set up to cover this and the unknown cost of employer contributions, Administrator payments and also the unknown continuation of the new Pensions Grant that is £1.5m to the Authority annually.
- Brexit could also have a financial impact.

On-going risks in the current strategy

4.4 In addition to the new risks there are still the risks that are usually managed within the MTFS and the Corporate Risk Register.

5 Budgeted Reserves – Risk Assessment

5.1 The forecast Earmarked Reserves usage assumed as part of the budget strategy are included in the Medium Term Revenue Plan.

5.2 The forecast value of General Fund Reserves as at 1st April 2020 is £2.4m as detailed in Table 1 below. The table will be updated over the year, to align the reserves to the Authority's revised risk register. As this is in a point of transition, for this year's presentation, the link to the risk register has been removed.

5.3 The earmarked reserves are detailed in Table 2 below.

Table 1: Risk Assessed General Reserves

Description	**Likelihood**	**Impact**	**£'000**
Large scale failure of Personal Protective Equipment or other safety critical equipment	Possible	Significant	300
Major incident within the County/Region	Likely	Significant	650
Failure of operational vehicle prior to planned replacement in Capital Programme/unforeseen inability to provide service requirements	Possible	Significant	300
Failure of a major supplier	Likely	Significant	300
Failure/corruption/security breach of ICT System	Possible	Significant	200
Non-specific General Reserves to meet any other unforeseen service requirements			650
Total General Reserves			**2,400**

5.4 The reserves below have been set aside for foreseen circumstances that may necessitate usage. They are annually reviewed and if not deemed necessary, released to support the revenue budget. Some have been set up as a result of base revenue budget scrutiny, where budgets in the past were held for just in case events necessitated their use. Where this was so, these have been removed from base revenue budget and an earmarked reserve created. The large items, such as ESMCP, Hydrants and the Replacement mobilising system, are where the spend is unknown so these amounts have indicatively been set aside to avoid budget pressure in the medium term and to assist with the Medium Term budget setting. The items listed below are not contractually or legally committed, at this point in time. All are clearly linked to supporting the Authority's service delivery plans.

Table 2: Earmarked Reserves

Description	**£'000**
Emergency Services Mobile Communications Programme (ESMCP) reserve – Emergency Services Network (ESN)	200
Replacement Mobilising Project	100
Contingency for doubtful debts	10
Pay increases for operational and/or support staff in excess of assumptions and / or costs of external appointments in excess of budget provision	100
Hydrant installation (taken out of revenue budget due to uncertainty)	225
Goods and services, contractual inflation in excess of assumptions (1%)	80
Potential liability as a result of legal/disciplinary action in relation to Personnel and/or Health and Safety issues (includes expected contaminant works at initially £100k)	300
Adverse weather conditions resulting in higher than average numbers of emergency incidents (excludes Bellwin incidents)	150
Sudden absenteeism of a large number of personnel across the whole of the Service due to pandemic or similar	125
Ill-health retirements in excess of budget provision/injury pension	125
Unplanned urgent property works (eg roof repairs)	100
Contingency for insufficient Insurance cover (additional contribution)	25
Interruption to Business Continuity (including Industrial Action)	200
Unplanned urgent maintenance/replacement of particular item of equipment (eg engine or gearbox wearing out/failing earlier than anticipated)	50
Invest to Save/Innovation Fund (these have been taken out of annual revenue budgets)	60
ICT Innovation/Application Development	75
Total Requirement	**1,925**

5.5 Other Reserves for noting:

- Collaboration Reserve £2.378m (includes 2017/18 year end additional contribution of £498k from Home Office Pensions refund)
- Capital Receipts Reserve £664k
- The new Pensions Earmarked Reserve £1m
- Pay Award Reserve £116k if approve to allocate here from the 2019/20 underspend.

There is also a Capital Reserve that holds the approved funding where schemes run over the financial year end, this includes vehicles, property works and ICT projects.

Annex 1 – Extract from National Framework reference reserves

Reserves

1.1
Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

1.2
Fire and rescue authorities should establish a policy on reserves and provisions in consultation with their chief finance officer. General reserves should be held by the fire and rescue authority and managed to balance funding and spending priorities and to manage risks. This should be established as part of the medium-term financial planning process.

1.3
Each fire and rescue authority should publish their reserves strategy on their website, either as part of their medium term financial plan or in a separate reserves strategy document. The reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The reserves strategy should cover resource and capital reserves and provide information for the period of the medium term financial plan (and at least two years ahead).

1.4
Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the fire and rescue authority’s medium term financial plan. The strategy should be set out in a way that is clear and understandable for members of the public, and should include:

- how the level of the general reserve has been set;
- justification for holding a general reserve larger than five percent of budget; and
- details of the activities or items to be funded from each earmarked reserve, and how these support the FRA’s strategy to deliver a good quality service to the public. Where an earmarked reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.

1.5
The information on each reserve should make clear how much of the funding falls into the following three categories:

a. Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
b. Funding for specific projects and programmes beyond the current planning period.
c. As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance)

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Appendix 6

TREASURER'S STATEMENT

Section 25 of the Local Government Act 2003 requires the Treasurer to report to the Fire and Rescue Authority when it is making the statutory calculations required to determine its council tax and the Authority is required to take that report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

Dealing firstly with the robustness of the estimates; an improved budget scrutiny process was introduced some years ago and, as reported to Members throughout the budget process, this has been followed again this year. Members have also been briefed on and involved in debating the more important aspects of the budget at two Members' Budget Workshops. Feedback from the budget consultation has also been reported back to Members. Therefore, both Officers and Members have arrived at this budget setting meeting fully informed on all the major issues. Given this background, I can confirm my satisfaction as to the robustness of the estimates presented to you in this report.

Members will also be aware from previous years' discussions and at the two Budget Workshops of the need to make adequate provision for Reserves and Working Balances. The requirement for financial reserves is acknowledged in Statute and Sections 32 and 43 of the Local Government Finance Act 1992, requiring precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

CIPFA has published a Guidance Note on Local Authority Reserves and Balances. It details that it is the responsibility of the Treasurer to advise the Authority concerning the level of reserves and the protocols for their establishment and use.

The importance of sound working balances, reserves and provisions cannot be over emphasised. It is critical, particularly where an emergency service is involved, to have adequate working capital. A working balance is needed to even out the peaks and troughs of cash flow. It guards against the need (and cost) of regular short-term borrowing. Apart from the day to day fluctuations in cash flow, the working balance will be made up principally by the level of reserves and provisions.

There are three main purposes for the establishment and maintenance of reserves:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events or emergencies.
- A means of building up funds to meet known or predicted liabilities.

It has been recognised previously by Members that this latter purpose is crucial at the present time as Government support funding is decreasing and is expected to continue to do so over the next few years.

There is an annual review of the level of reserves. The detail on the level and strategy for both General and Earmarked Reserves is included within the Reserves Strategy. The levels for the General Reserve and Ear marked Reserves have both reduced for 2020/21 and are currently £1.925m for general earmarked reserves and there is a risk assessed General Reserve of £2.400m. As detailed in the Strategy and MTRP, from 2022/23 onwards further reductions are proposed to the General Reserve. The level of general reserves was compared with those of other fire authorities and compared favourably with the average percentage. The Transformational earmarked reserve, used for transformation and budget setting purposes, is forecast to be £3.507m at the 2019/20 year end in line with the Authority's financial strategy. This excludes the 2019/20 year-end underspend, that is proposed to be allocated to a Pay Award Reserve.

The reserves are fully detailed in the Reserves Strategy.

The Authority created a Collaboration Reserve that was predominantly funded from the 2015/16 and 2016/17 underspends and a pensions reimbursement.

For the 2020/21 year, a new earmarked reserve has been set up for the significant uncertainties around firefighter pensions. This £1m reserve has been funded from revenue in place of revenue funding £1m towards the 2020/21 Capital Programme, as this has been predominantly funded by un-earmarking capital reserves.

Gavin Chambers CPFA
Treasurer to the Fire and Rescue Authority

For Publication

Fire and Rescue Authority
11 February 2020

REPORT AUTHOR: **CHIEF FIRE OFFICER AND TREASURER**

SUBJECT: **TREASURY MANAGEMENT STRATEGY AND PRACTICES**

For further information on this Report contact:

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Background Papers:

The Treasury Management Strategy and Treasury Management Policies for 2019/20 were scrutinised by the Corporate Services Policy and Challenge Group on 27 February 2019 and approved by the Fire and Rescue Authority on 28 March 2019

Implications (tick ✓):

LEGAL		FINANCIAL	✓
HUMAN RESOURCES		EQUALITY IMPACT	
ENVIRONMENTAL		POLICY	✓
ORGANISATIONAL RISK	✓	OTHER (please specify)	

Any implications affecting this report are noted at the end of the report.

PURPOSE

To review the Authority's Treasury Management Strategy Statement and Treasury Management Policies.

RECOMMENDATION

To consider the documents and recommend that the Fire and Rescue Authority adopt the updated:

i. Treasury Management Strategy Statement
ii. Minimum Revenue Provision Policy and Annual Investment Strategy
iii. Treasury Management Practices

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1. Outcome

1.1 Sound internal control and governance arrangements for Treasury Management will ensure the Authority can reduce the risk it faces from treasury management activities.

2. Reason for Report

2.1 Treasury management activities can be defined as follows:

'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.' Source the Chartered Institute of Public Finance and Accountancy (CIPFA).

2.2 The reporting of treasury management activity and the treasury management prudential indicators must meet the requirements of the 2009, 2011 and 2017 revised CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities (as required through Regulations issued under the Local Government Act 2003). The main 2017 Code updates, for information, are noted in para 3.2 below.

3. Updated Documentation

3.1 The Authority is required to consider and scrutinise the relevant treasury management documents. The revised documents that are attached are:

- The Treasury Management Strategy (including the Minimum Revenue Provision Policy and Annual Investment Strategy)
- Treasury Management Practices

The Corporate Services Policy and Challenge Group was nominated by the Fire and Rescue Authority on 10 December 2010 as the Group to scrutinise Treasury Management. Since the FRA's Governance review and trial period of additional FRA meetings and no Policy and Challenge Groups, the appropriate meeting to consider and approve these documents is now the full FRA.

3.2 The updated Treasury Management Strategy Statement is attached at Appendix A. There was an update in 2017 to the Code. These updates are summarised on pages 37 and 38 of Appendix 7. They were updated to capture the increasingly commercial approach being taken by many councils who are investing in property, with many outside of their own authority's area. The Code is now less prescriptive as to what indicators to be included in the strategy.

3.3 Since 2018/19, Inter Authority lending has also been included as an option to consider, should this arise, within the Strategy at para 6.4.

3.4 The Treasury Management Practices are in accordance with the requirements of the Code and Guidance. The updated Treasury Management Practices are attached to this report for Members scrutiny and consideration at Appendix B. These documents provide the cornerstones for effective treasury management and ensure the approved Treasury Management Strategy is adhered to.

The Treasury Management Practices set out the manner in which the Authority will seek to achieve those policies and objectives, and prescribe how it will manage and control those activities.

There are no material updates to comment on for 2020/21.

4. Treasury Management and Support

4.1 The Treasurer recognises that treasury management is inevitably a highly technical and challenging area. To ensure that those Authority Members tasked with treasury management responsibility, including those responsible for scrutiny, have the support they need the following training was arranged:

- Training sessions were provided to Members in 2011, 2013 and 2015 by Capita Asset Services (now Link Asset Services).
- The most recent training was again provided by Link Asset Services at the Members Development on 4 July 2017. A further training session will be arranged for 2020 should Members request this.

5. Equality and Diversity Implications

5.1 There are no equality and diversity implications arising from this report.

6. Financial Implications and Value for Money

6.1 The Authority currently has:

- a total borrowing of £9.987m,
- short-term investments of up to £10m, £17m if including short term notice accounts (95 to 180 day notice)
- budgeted interest of £115k in 2020/21 from investments.

It is vital these transactions are managed efficiently and effectively.

Brexit may of course have some impact on the Authority's investments during 2020 and the Service will react appropriately to these.

7. Health and Safety and Environmental Implications

7.1 None arising from this report.

PAUL FULLER CBE QFSM MStJ DL
CHIEF FIRE OFFICER

GAVIN CHAMBERS
FRA TREASURER

APPENDIX A

Bedfordshire Fire and Rescue Service

Fire and Rescue Service

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2020/21

1. Introduction

1.1 Background

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer term cash flow planning to ensure that the Authority can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Authority risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

- *'The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'*

This authority has not engaged in any commercial investments and has no non-treasury investments.

1.2 Reporting Requirements

1.2.1. Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity will contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full authority fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.2.2. Treasury Management reporting

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

a. **Prudential and treasury indicators and treasury strategy** (this report) –

   The first, and most important report is forward looking and covers:

   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organized), including treasury indicators; and
   - an investment strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinized before being recommended to the Authority. This role is undertaken by the Fire and Rescue Authority (FRA).

1.3 Treasury Management Strategy for 2020/21

The strategy for 2020/21 covers two main areas:

Capital issues

- The capital expenditure plans and the associated prudential indicators
- The minimum revenue provision (MRP) policy.

Treasury Management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities on the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training can be provided to Members by our Treasury Advisor's, Link Asset Services, in 2020 at the FRA's request.

1.5 Treasury Management Consultants

The Authority uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2. The Capital Prudential Indicators for 2020/21 – 2022/23

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

2.1 Capital expenditure

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously and those forming part of this budget cycle.

Members have approved the capital expenditure forecasts below as part of the annual budget setting process:

Capital Expenditure £000's	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Total	1,292	668	2,648	1,544	1,408

Other long-term liabilities. The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £000's	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Capital receipts	11	0	140	140	0
Capital grants	134	0	0	0	0

Capital reserves	1,147	200	1,185	0	0
Revenue	0	468	1,323	1,404	1,408
Net financing need for the year	0	0	0	0	0

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

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

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

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

The Authority is asked to approve the CFR projections below as part of this Strategy:

£m	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Total CFR	**8,890**	**8,462**	**8,038**	**7,619**	**7,342**
Movement in CFR	**(429)**	**(424)**	**(419)**	**(277)**	**(266)**

Movement in CFR represented by;					
Net financing need for the year (above)	**0**	**0**	**0**	**0**	**0**
Less MRP/VRP and other financing movements	(429)	(424)	(419)	(277)	(266)
Movement in CFR	**(429)**	**(424)**	**(419)**	**(277)**	**(266)**

3. Borrowing

The capital expenditure plans set out in Section 3 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Authority's treasury portfolio position at 31 March 2019 with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement (CFR), highlighting any over or under borrowing.

£m	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
External Debt					
Debt at 1 April	9,987	9,987	9,987	9,987	9,987
Expected change in Debt	0	0	0	0	0
Other long-term liabilities (OLTL)	6	0	0	0	0
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	9,993	9,987	9,987	9,987	9,987
The Capital Financing Requirement	8,890	8,462	8,038	7,619	7,342
Under/(over) borrowing	(1,097)	(1,525)	(1,949)	(2,368)	(2,645)

3.2 **Treasury Indicators: limits to borrowing activity**

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £M	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**
Debt	9,987	9,987	9,987	9,987
Other long term liabilities	0	0	0	0
Overdraft	0	0	0	0
Total	9,987	9,987	9,987	9,987

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Authority. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all Authority's plans, or those of a specific Authority, although this power has not yet been exercised.

2. The FRA is asked to approve the following authorised limit:

Authorised Limit £M	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**
Debt	9,987	9,987	9,987	9,987
Other long term liabilities	0	0	0	0
Overdraft	0	0	0	0
Worst Case Scenario Payroll	1,900	2,000	2,000	2,000
Total	11,887	11,987	11,987	11,987

3.3 **Prospects for Interest Rates**

The Authority has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

Bond yields / PWLB rates. There has been much speculation during 2019 that the bond market has gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there have been heightened expectations that the US was heading for a recession in 2020, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. *(See paragraph 3.7 for comments on the increase in the PWLB rates margin over gilt yields of 100bps introduced on 9.10.19.)* There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this, and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. 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, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by **H.M. Treasury** to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. 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.

3.4. <u>Borrowing Strategy</u>

3.4.1 Borrowing Rates

The Authority is currently maintaining an over-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has been exceeded by loan debt and leasing liabilities. The strategy for the CFR and the under/over borrowed position going forward will be discussed at the next meeting with our Treasury advisors.

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Sensitivity of the forecast – In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Authority officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- *If it were felt that there was a significant risk of a sharp FALL in long and short term rates,* eg 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 were 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 a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

3.4.2 **Policy on Borrowing in Advance of Need**

The 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 Authority can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the 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 rate bases available, the most appropriate periods to fund 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.

3.5 **<u>Debt Rescheduling</u>**

As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the strategy outlined in paragraph 7 above;

- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the FRA at the earliest meeting following its action.

4. **Annual Investment Strategy**

4.1 Investment Policy

The Authority's investment policy has regard to the following:

- MHCLG's Guidance on Local Government Investments ('the Guidance')
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ('the CIPFA TM Code')
- CIPFA Treasury Management Guidance Notes 2018

The Authority's investment priorities will be security first, portfolio liquidity second, then return.

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:-

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor couterparties are the Short Term and Long Term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of types of investments instruments that the treasury management team are authorised to use. There are two lists in appendix 5.4 under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with the high level of credit quality and subject to a maturity limit of one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is class as non-specified, it remains non-specified all the way though to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.

Non-specified investments limit. Under previous regulations the investment of surplus cash was restricted to periods not exceeding 365 days. Under the new regulations that restriction is removed, however investments that do exceed 365 days are classified as non-specified investments because of the greater degree of risk they carry. The Authority has no investments over 365 days.

Should the Authority make use of Property Funds to supplement their investment portfolio, these would be in excess of 365 days. The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The Authority will seek guidance on the status of any fund it may consider using.

4.2 **Creditworthiness Policy**

This Authority applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- CDS (Credit Default Swap) spreads that may give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will therefore use counterparties within the following durational bands:

- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days

- No Colour   not to be used for Investments

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Authority use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored quarterly. The Authority is alerted to changes to ratings of all three agencies through its use of the Link Asset creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits, are required, by UK law, to separate core retails banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other member of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Authority will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 **Country Limits**

Due care will be taken to consider the exposure of the Authority's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified investment limit.** The Authority has determined that it will limit the maximum total exposure to non-specified investments as being 30% of the total investment portfolio

b) **Country limit.** The Authority has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Other limits.** In addition:

- No more than £5m will be placed with any non-UK country at one time
- Limits in place above do not apply to a group of companies where the limit is £7m per group
- Sector limits will be monitored regularly for appropriateness

4.4 **Investment Strategy**

***In-house funds**:*
Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. Members of the FRA, during the member budget workshops for 2018/19, enquired about the potential of lending to local authorities. This is a possibility should an amount, interest rate and loan period be agreed. If this was to be something to implement that aligned with our cash flow, guidance and relevant paperwork would be sought and discussed with Link Asset Services.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obainable, for longer periods.

Investment returns expectations:
On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2019/20	0.75%
2020/21	0.75%
2021/22	1.00%
2022/23	1.25%
2023/24	1.50%
2024/25	1.75%
Later years	2.25%

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside
- In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increased in Bank Rate is likely to change to the upside.

4.5 **Investment performance/risk benchmarking**

This Authority will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day LIBID rate.

4.6 **End of Year Investment Report**

At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

4.7 **Policy on the Use of External Service Providers**

The Authority uses Link Asset as its external treasury management advisers.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Money Market Funds for short-term investments will be considered.

4.8 **Scheme of Delegation**

Please see Appendix 6.

4.9 **Role of the Section 151 Officer**

Please see Appendix 7.

Appendices

1. Prudential and treasury indicators and MRP Statement
2. Interest Rate Forecasts
3. Economic Background
4. Treasury management Practice
5. Approved countries for investments
6. Treasury management scheme of delegation
7. The Treasury Management Role of the Section 151 Officer

MINIMUM REVENUE PROVISION POLICY STATEMENT 2020/21

The Authority implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10 and will assess their MRP for 2020/21 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The major proportion of the MRP for 2020/21 will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 of the guidance. Certain expenditure reflected within the debt liability at 31 March 2011 will under delegated powers be subject to MRP under option 3, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method*).* For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Authority. However, the Authority reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

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

Affordability prudential indicators

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

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
% Ratios	2.36%	2.34%	2.33%	2.25%	2.17%

The estimates of financing costs include current commitments and the proposals in this budget report.

Treasury indicators for debt

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. 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. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates:

- Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The FRA is asked to approve the following treasury limits:

Maturity structure of fixed rate borrowing during 2020/21		
	Lower	**Upper**
Under 12 months	0%	25%
12 months to 2 years	0%	25%
5 years to 10 years	0%	25%
10 years and above	0%	100%

INTEREST RATE FORECASTS

1. Individual Forecasts

Link Asset Services

Interest rate forecast – January 2020

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Bank Rate	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%
5yr PWLB rate	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%	2.80%
10yr PWLB rate	2.70%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%
25yr PWLB rate	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%
50yr PWLB rate	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%	3.60%

Capital Economics

Interest rate forecast – January 2020

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Bank Rate	0.75%	0.75%	0.75%	0.75%	**No information is provided past Dec 2020 at time of writing.**		
5yr PWLB rate	2.40%	2.50%	2.50%	2.60%			
10yr PWLB rate	2.60%	2.70%	2.80%	2.80%			
25yr PWLB rate	3.10%	3.20%	3.20%	3.30%			
50yr PWLB rate	3.00%	3.10%	3.20%	3.20%			

5.3 ECONOMIC BACKGROUND

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the **general election** on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

While the Bank of England went through the routine of producing another **quarterly Inflation Report,** (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

The **MPC meeting of 19 December** repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%.. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.
However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period.** At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by ‘growth friendly’ fiscal policy.

There were no policy changes in the December meeting, which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. **Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates**.

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, 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.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary 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,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

5.4 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

SPECIFIED INVESTMENTS:

All such investments will be sterling dominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS;

These are any investments which do not meet the specified investment criteria. A maximum of 30% will be held in aggregate in non-specified investment. A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Green	In-house

Strategy for specified Investments:

The Authority expects to have a net surplus of funds throughout 2020/21 and will invest those funds through the money markets with those organisations included on its approved lending list (attached as Annex A).

The Authority's approved lending list includes the following organisations which are thus deemed to have a high credit rating:

- UK and Foreign Banks with a short-term rating of F1 or F1+ and a long-term rating of A- or higher.
- UK Building Societies with a short-term rating of F1 or F1+ and a long-term rating of A- or higher.

Ratings are those given by Fitch, the credit rating agency. In compiling the lending list, other factors such as legal rating and individual rating, which Fitch also provide, have been taken into consideration. The lending list is regularly reviewed to ensure that the organisations included maintain their credit ratings at the required level.

Investments will be made for terms of up to 365 days. The Authority will consider its cash flow requirements, prevailing market conditions and advice from its Treasury Advisers when determining exact terms for each investment, in order to ensure that it is both favourable and prudent. At the time of writing, interest rates are at a low point.

Non-Specified Investments:

These are any other investments that do not meet the criteria above for Specified Investments.

The Authority has no investments other than the short-term investment of surplus cash through the money market. Under previous regulations the investment of surplus cash was restricted to periods not exceeding 365 days. Under the new regulations that restriction is removed, however investments that do exceed 365 days are classified as non-specified investments because of the greater degree of risk they carry.

The Authority is investigating the use of Property Funds to supplement their investment portfolio and these would be in excess of 365 days. The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The Authority will seek guidance on the status of any fund it may consider using.

SPECIFIED INVESTMENTS: (All such investments will be sterling denominated, with **maturities up to maximum of 1 year,** meeting the minimum 'high' rating criteria where applicable)

	Minimum 'High' Credit Criteria	**Use**
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Green	In-house

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max % Limit	Max Maturity Period
UK banks	Orange	In-house	50%	**1 year**
UK banks and Building Societies	Red	In-house	50%	**6 months**
UK banks and Building Societies	Green	In-house	50%	**100 days**
UK banks and Building Societies	No Colour	In-house	Not to be used	
UK part nationalised banks	Blue	In-house	90%	**1 year**
DMADF – UK Government	AAA	In-house	Unlimited	**6 months**
Local Authorities	Yellow	In-house	50%	**5 years**
Money Market Funds LVNAV	AAA	In-house and Fund Managers		**1 year**
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	In-house and Fund Managers		**1 year**
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	In-house and Fund Managers		**1 year**
Non-UK Banks	Orange	In-house and Fund Managers	50%	**1 year**

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Authority. To ensure that the Authority is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Approved countries for investments

Based on lowest available rating as at 23.12.19

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

APPENDIX 6

TREASURY MANAGEMENT SCHEME OF DELEGATION

i. **FRA**

- Receiving and approving reports on treasury management policies, practices and activities ;
- approval of annual strategy;
- budget consideration and approval;
- review and recommend for approval the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- reviewing a selection of external Treasury service providers and agreeing terms of appointment.;
- the review and challenge function of Treasury Management.

ii. **Treasurer**

- reviewing the treasury management strategy, policy and procedures and making recommendations to the responsible body.

APPENDIX 7

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (Responsible) Officer:

- 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.

The above list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management)): -

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities

- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees – our Authority doesn't have these.
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (TM Code p54): -
- Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

  - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

  - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

  - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

  - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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:	Fitch Ratings				Moodys Ratings			S & P Ratings		
Organisation	Long Term	Short Term	Viability	Support	Long Term	Short Term	FSR	Long Term	Short Term	Suggested Duration (CDS Adjusted with manual override)
.										
U.K	AA	-	-	-			-			
Collateralised LA Deposit*							-			Y - 60 mths
Debt Management Office							-			Y - 60 mths
Multilateral Development Banks							-			Y - 60 mths
Supranationals							-			Y - 60 mths
UK Gilts					Aa3	P-1	-			Y - 60 mths
Abbey National Treasury Services PLC	A	F1		1	Aa3	P-1	-			R - 6 mths
Bank of Scotland PLC (RFB)	A+	F1		5	Aa3	P-1	-	A+	A-1	O - 12 mths
Barclays Bank PLC (NRFB)	A+	F1		5	A2	P-1	-	A	A-1	R - 6 mths
Barclays Bank UK PLC (RFB)	A+	F1		1	A1	P-1	-	A	A-1	R - 6 mths
Close Brothers Ltd	A	F1		5	Aa3	P-1	-			R - 6 mths
Goldman Sachs International Bank	A	F1		1	A1	P-1	-	A+	A-1	R - 6 mths
Handelsbanken Plc	AA	F1+		1			-	AA-	A-1+	O - 12 mths
HSBC Bank PLC (NRFB)	A+	F1+		1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
HSBC UK Bank Plc (RFB)	A+	F1+		1			-	AA-	A-1+	O - 12 mths
Lloyds Bank Corporate Markets Plc (NRFB)	A	F1		1	A1	P-1	-	A	A-1	R - 6 mths
Lloyds Bank Plc (RFB)	A+	F1		5	Aa3	P-1	-	A+	A-1	O - 12 mths
NatWest Markets Plc (NRFB)	A	F1		1	Baa2	P-2	-	A-	A-2	G - 100 days
Santander UK PLC	A+	F1		2	Aa3	P-1	-	A	A-1	R - 6 mths
Standard Chartered Bank	A+	F1		5	A1	P-1	-	A	A-1	R - 6 mths
Sumitomo Mitsui Banking Corporation Europe Ltd	A	F1		1	A1	P-1	-	A	A-1	R - 6 mths
Coventry Building Society	A-	F1		5	A2	P-1	-			R - 6 mths
Leeds Building Society	A-	F1		5	A3	P-2	-			G - 100 days
Nationwide Building Society	A	F1		5	Aa3	P-1	-	A	A-1	R - 6 mths
Skipton Building Society	A-	F1		5	Baa1	P-2				G - 100 days
Yorkshire Building Society	A-	F1		5	A3	P-2	-			G - 100 days
National Westminster Bank PLC (RFB)	A+	F1		5	A1	P-1	-	A	A-1	B - 12 mths
The Royal Bank of Scotland Plc (RFB)	A+	F1		5	A1	P-1	-	A	A-1	B - 12 mths

:	Fitch Ratings				Moodys Ratings			S & P Ratings		
Organisation	Long Term	Short Term	Viability	Support	Long Term	Short Term	FSR	Long Term	Short Term	Suggested Duration (CDS Adjusted with manual override)
Foreign Banks										
United States	AAA				Aaa			AA+		
Bank of America N.A.	AA-	F1+		5	Aa2	P-1	-	A+	A-1	O - 12 mths
Bank of New York Mellon, The	AA	F1+		5	Aa1	P-1	-	AA-	A-1+	P - 24 mths
Citibank N.A.	A+	F1		5	Aa3	P-1	-	A+	A-1	O - 12 mths
JPMorgan Chase Bank N.A.	AA	F1+		5	Aa1	P-1	-	A+	A-1	O - 12 mths
Wells Fargo Bank, NA	AA-	F1+		5	Aa1	P-1	-	A+	A-1	O - 12 mths
Australia	AAA				Aaa			AAA		
Australia and New Zealand Banking Group Ltd.	AA-	F1+		1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Commonwealth Bank of Australia	AA-	F1+		1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Macquarie Bank Ltd.	A	F1		3	A2	P-1	-	A+	A-1	R - 6 mths
National Australia Bank Ltd.	AA-	F1+		1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Westpac Banking Corp.	AA-	F1+		1	Aa3	P-1	-	AA-	A-1+	O - 12 mths
Belgium	AA-				Aa3			AA		
BNP Paribas Fortis	A+	F1		1	A1	P-1	-	A+	A-1	R - 6 mths
KBC Bank N.V.	A+	F1		5	Aa3	P-1	-	A+	A-1	O - 12 mths
Canada	AAA				Aaa			AAA		Not Applicable
Bank of Montreal	AA-	F1+		5	Aa2	P-1	-	A+	A-1	O - 12 mths
Bank of Nova Scotia	AA-	F1+		5	Aa2	P-1	-	A+	A-1	O - 12 mths
Canadian Imperial Bank of Commerce	AA-	F1+		5	Aa2	P-1	-	A+	A-1	O - 12 mths
National Bank of Canada	A+	F1		5	Aa3	P-1	-	A	A-1	R - 6 mths
Royal Bank of Canada	AA	F1+		5	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Toronto-Dominion Bank	AA-	F1+		5	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Denmark	AAA				Aaa			AAA		Not Applicable
Danske A/S	A	F1		5	A2	P-1	-	A	A-1	R - 6 mths
Finland	AA+				Aa1			AA+		Not Applicable
Nordea Bank Abp	AA-	F1+		5	Aa3	P-1	-	AA-	A-1+	O - 12 mths
France	AA				Aa2			AA		Not Applicable
BNP Paribas	A+	F1		5	Aa3	P-1	-	A+	A-1	O - 12 mths
Credit Agricole Corporate and Investment Bank	A+	F1		WD	Aa3	P-1	-	A+	A-1	O - 12 mths
Credit Agricole S.A.	A+	F1		5	Aa3	P-1	-	A+	A-1	O - 12 mths
Credit Industriel et Commercial	A+	F1		5	Aa3	P-1	-	A	A-1	R - 6 mths
Societe Generale	A	F1		5	A1	P-1	-	A	A-1	R - 6 mths
Germany	AAA				Aaa			AAA		Not Applicable
Bayerische Landesbank	A-	F1		1	Aa3	P-1	-	NR	NR	R - 6 mths
Commerzbank AG	BBB+	F1		5	A1	P-1	-	A-	A-2	G - 100 days
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	AA-	F1+		WD	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Landesbank Baden-Wuerttemberg	A-	F1		1	Aa3	P-1	-	NR	NR	R - 6 mths
Landesbank Berlin AG					Aa2	P-1	-			O - 12 mths
Landesbank Hessen-Thueringen Girozentrale	A+	F1+		WD	Aa3	P-1	-	A	A-1	O - 12 mths
Landwirtschaftliche Rentenbank	AAA	F1+		1	Aaa	P-1	-	AAA	A-1+	P - 24 mths
Norddeutsche Landesbank Girozentrale	A-	F1		1	A3	P-2	-	NR	NR	G - 100 days
NRW.BANK	AAA	F1+		1	Aa1	P-1	-	AA	A-1+	P - 24 mths
Netherlands	AAA				Aaa			AAA		Not Applicable
ABN AMRO Bank N.V.	A+	F1		5	A1	P-1	-	A	A-1	R - 6 mths
Bank Nederlandse Gemeenten N.V.	AAA	F1+		1	Aaa	P-1	-	AAA	A-1+	P - 24 mths
Cooperatieve Rabobank U.A.	AA-	F1+		5	Aa3	P-1	-	A+	A-1	O - 12 mths
ING Bank N.V.	AA-	F1+		5	Aa3	P-1	-	A+	A-1	O - 12 mths
Nederlandse Waterschapsbank N.V.					Aaa	P-1	-	AAA	A-1+	P - 24 mths
Qatar	AA-				Aa3			AA-		Not Applicable
Qatar National Bank	A+	F1		1	Aa3	P-1	-	A	A-1	R - 6 mths
Singapore	AAA				Aaa			AAA		Not Applicable
DBS Bank Ltd.	AA-	F1+		1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Oversea-Chinese Banking Corp. Ltd.	AA-	F1+		1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
United Overseas Bank Ltd.	AA-	F1+		1	Aa1	P-1	-	AA-	A-1+	O - 12 mths
Sweden	AAA				Aaa			AAA		Not Applicable
Skandinaviska Enskilda Banken AB	AA-	F1+		5	Aa2	P-1	-	A+	A-1	O - 12 mths
Svenska Handelsbanken AB	AA	F1+		5	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Swedbank AB	AA-	F1+	NW	5	Aa2	P-1	-	AA-	A-1+	O - 12 mths
Switzerland	AAA				Aaa			AAA		Not Applicable
Credit Suisse AG	A	F1		5	A1	P-1	-	A+	A-1	R - 6 mths
UBS AG	AA-	F1+		5	Aa2	P-1	-	A+	A-1	O - 12 mths
United Arab Emirates	AA				Aa2			AA		Not Applicable
First Abu Dhabi Bank PJSC	AA-	F1+		1	Aa3	P-1	-	AA-	A-1+	O - 12 mths

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APPENDIX B

Bedfordshire and Fire and Rescue Service

Fire and Rescue Service

TREASURY MANAGEMENT PRACTICES

2020/21

TREASURY MANAGEMENT PRACTICES

The Treasury Management Practices (TMPs) set out the manner in which this Authority will seek to achieve its treasury management policies and objectives and how it will arrange and control these activities.

The following Treasury Management Practices are in accordance with the requirements of the CIPFA Code on Treasury Management in the Public Services:

TMP1 RISK MANAGEMENT

The Treasurer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6, Reporting Requirements and Management Information Arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set below.

1. Credit and Counterparty Risk Management

This Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques as listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.1. Policy on the Use of Credit Risk Analysis Techniques

1. The Authority will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard and Poors.
3. Treasury management consultants will provide regular updates of changes to all ratings relevant to the Authority.
4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

Minimum Ratings 1	Fitch	Moodys	Standard & Poors
Short-term	**F1+**	**P1**	**A1+**
Long-term	AA-	Aa3	AA-
Individual*	C	C	n/a
Support	3	n/a	n/a

* Moodys Financial Strength Rating

Maturity limits will vary from three to twelve months. The maximum limit being twelve months and guidance will be taken from Link Asset Services creditworthiness service based on using colour, as shown below:

• Purple	2 years
• Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
• Orange	1 year
• Red	6 months
• Green	3 months
• No Colour	Not to be used for Investments

5. Credit ratings for individual counterparties can change at any time. The Treasurer is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury Management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.

6. This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including:

   - The quality financial press
   - Market data
   - Information on government support for banks and
   - The credit ratings of Banks/Building Societies that government support

7. Maximum maturity periods and amounts to be placed in different types of investment instrument are as follows:

   - UK and Foreign Banks with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.
   - UK Building Societies with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.

8. Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following:

   - Maximum amount to be placed with any one institution - £5m.
   - Group limits where a number of institutions are under one ownership – maximum of £7m.
   - Link limits.
   - Country limits – a minimum sovereign rating of AA- is required for an institution to be placed on our approved lending list.

9. Investments will not be made with counterparties that do not have a credit rating in their own right.

10. Full individual listings of counterparties and counterparty limits as at 17 January 2020 is attached at Annex A.

2. **Liquidity Risk Management**

This Authority will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

This Authority will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The Treasury Management Section shall seek to minimise the balance held in the Authority's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim. At the end of each financial day any unexpected surplus funds are transferred to the SIBA (Special Interest Bearing Account) account which is available from the Authority's main bank. The balance on this account is instantly accessible if the group bank account becomes overdrawn. Should this balance exceed the Group Limit then excess funds will be transferred to the Authority's Barclays account. The balance on the Barclays account is also instantly accessible.

- All payments over £50,000 have to be authorised by the Treasurer.
- There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

3. **Interest Rate Risk Management**

This Authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

The details of the Authority's views on interest rates are laid out for the coming financial year in the Treasury Management Strategy Report in the prior year to the activity.

The Treasury Management Strategy Report to the Authority each year approves the following limits:

- Authorised limit for external debt
- Operational boundary for external debt
- Upper limit on fixed interest rate exposures
- Upper limit on variable interest rate exposures
- Upper and lower limits for the maturity structure of borrowing
- Total principal sums invested for periods over 365 days

The indicator for the authorised limit for external debt is the maximum the Authority will allow itself to borrow in each financial year. It includes long-term debt, overdrafts, other long-term liabilities and short-term borrowing (to cover temporary cash shortages).

The operational boundary is the day-to-day or 'normal' limit for borrowing. It includes all long-term debt plus the normal overdraft limit.

4. **<u>Exchange Rate Risk Management</u>**

This Authority will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

The Authority will, as far as possible, limit its exposure to exchange rate fluctuations by ensuring as many transactions as possible are carried out in sterling.

5. **<u>Refinancing Risk Management</u>**

This Authority will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

The Authority will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

a. the generation of cash savings at minimum risk;

b. to reduce the average interest rate;

c. to amend the maturity profile and /or the balance of volatility of the debt portfolio.

The maturity profile of the Authority's debt will be reviewed regularly in association with the Authority's Treasury Management Advisers where necessary. Such reviews will seek to determine whether or not market conditions are suitable for refinancing any of the Authority's debt to allow more advantageous borrowing terms. The revenue consequences of refinancing will be evaluated prior to the transaction being completed. The effect on the maturity profile prudential indicator will be analysed to ensure that any changes to the profile are within limits. Any rescheduling would only be undertaken after consultations between the Treasurer.

Rescheduling will be reported to the FRA (Fire and Rescue Authority) *at the meeting immediately following it's action/in the annual review report.*

5.1 **Projected Capital Investment Requirements**

The responsible officer will prepare a four year plan for capital expenditure for the Authority. The capital plan will be used to prepare a four year revenue budget for all forms of financing charges.

The definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

In considering the affordability of its capital plans, the Authority will consider all the resources currently available/estimated for the future together with the total of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the three following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this four year period.

The Authority budgeted for revenue contributions for capital expenditure in the 2019/20 budget and continues to do so in the 2020/21 revenue budget.

The Authority will use the definitions provided in the Prudential Code for borrowing (65), capital expenditure (66), capital financing requirement (67), debt (68), financing costs (69), investments (70), net borrowing (71), net revenue stream (72), other long term liabilities (73).

6. **Legal and Regulatory Risk Management**

This Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

The treasury management activities of the Authority shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Authority. These are:

- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2017
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2017
- CIPFA Treasury Management in the Public Services Guidance Notes 2018
- CIPFA statement 17.10.18 on borrowing in advance of need and investments in commercial properties
- CIPFA Bulletin 02 Treasury and Capital Management Update October 2018
- Statutory investment guidance where it has been updated in 2018
- Statutory MRP guidance where it has been updated in 2018
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- Local Government Act 2003
- SI 2003 No 3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- SI 2004 No 533 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04

- SI 2003 No 3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- SI 2004 No 534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Guidance on Investments ODPM 12.3.2004 (revised 1.4.10)
- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006 Statutory Instrument No. 521
- SI 2007 No 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- SI 2008 No 414 f(Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- SI 2009 No 321 (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- SI 2009 No 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- SI 2009 No 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- SI 2010 No 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Revised Guidance on Investments CLG 1.4.2010 (Revised 2018)
- PWLB circulars on Lending Policy
- Financial Services Authority's Code of Market Conduct
- The Authority's Standing Orders relating to Contracts
- The Authority's Financial Regulations
- The Authority's Scheme of Delegated Functions

6.1 **Procedures for Evidencing the Authority's Powers to Counterparties**

The Authority's powers to borrow and invest are contained in legislation:

Investing: Local Government Act 2003, Section 12
Borrowing: Local Government Act 2003, Section 1

In addition, it will make available on request the following:

a. the Scheme of Delegation of Treasury Management activities which is contained in the Annual Investment Strategy, Appendix 6, which states which officers carry out these duties;

b. the document which sets which Officers are the authorised signatories.

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Authority's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard and Poors.

The responsible officer shall take appropriate action with the Authority the Chief Fire Officer and the Chair of the Authority to respond to and manage appropriately political risks such as change of majority group, leadership in the Authority, change of Government etc.

The Monitoring Officer is currently Mr J Atkinson. The duty of this officer is to ensure that the treasury management activities of the Authority are lawful.

The Assistant Chief Officer is Treasurer, with the CA (Chief Accountant) who is the deputy S151 Officer; the duty of this officer is to ensure that the financial affairs of the Authority are conducted in a prudent manner and to make a report to the Authority if he has concerns as to the financial prudence of its actions or its expected financial position.

7. **<u>Fraud, Error and Corruption, and Contingency Management</u>**

The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Authority will, therefore:

a. seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks;

b. fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are;

c. staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision;

d. records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

7.1. **Systems and Procedures, Including Internet Services**

7.1.1 **Authority**

The Scheme of Delegation to Officers is that overall responsibility for Treasury Management is delegated to the Treasurer. Delegation of other officers is set out in TMP 5 below.

All loans and investments, including PWLB (Public Works Loan Board), are negotiated by the responsible officer or authorised persons.

7.1.2 **Procedures**

The Treasury Team check and monitor the bank accounts daily by using the on-line service. This is password controlled and only delegated officers have access and are issued with ‘Smartcards’ to carry out transactions. The Team ensure that all necessary daily transactions are carried out to achieve the maximum interest possible on available funds.

These transactions are authorised and checked by at least two members of the Treasury Team.

CHAPS (Clearing House Automated Payment System) payments are now available on-line too. These are same-day payments. However, any CHAPS payments have to be authorised by the Treasurer or the Deputy Section 151 Officer. These are very rarely used, normally for investments only.

7.1.3 **Investment and Borrowing Transactions**

A detailed spreadsheet register of all loans and investments is maintained by the Treasury Management Team.

A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.

Written confirmation is received and checked against the dealer’s records for the transaction.

Any discrepancies are immediately reported to the Treasurer for resolution.

All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer’s records for the transaction. Any discrepancies are immediately reported to the Treasurer for resolution.

7.1.4 Regularity and Security

Lending is only made to institutions on the approved list of counterparties.

The delegated officer has a record of all investments maturity dates and loan repayment dates.

All loans raised and repayments made go directly to and from the bank account of approved counterparties.

Brokers have a list of named officials authorised to agree deals.

7.1.5 Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- A debt charge/investment income listing is produced every six months when a review is undertaken against the budget for interest earnings and debt costs
- The Authority will ensure that the external funds we invest in, are accounted for in accordance with proper accounting practices.
- The Authority will treat our external fund(s) as our own investments and will separate the assets into their component parts. As a result, the Authority will only take realised gains and losses and interest (accrued and received) to the Income and Expenditure Account.

7.1.6 Calculations

The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the delegated Treasury Officer.

The spreadsheet automatically calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to lenders.

Average weighted capital loans fund interest rates and debt management expenses are calculated monthly using information from the spreadsheet and a monthly report from our Treasury consultants.

These interest and expense rates are then used to calculate the principal, interest and debt management expense charges to the Loans Fund.

7.2 Emergency and Contingency Planning Arrangements

Arrangements are in place within the Finance Department's Business Continuity Plan for Treasury Management.

In the event of the failure of the Internet Banking System then all information required to carry out the daily procedures can be obtained by phone from the Authority's bank. BACS/CHAPS payments may be made by using paper forms and faxing to the bank, after all relevant authorising signatories are obtained.

It is possible for the delegated member of the Treasury Team to access the on-line banking from home, should the need arise.

All members of the Treasury Management Team are familiar with this plan and new members will be briefed on it.

All computer files are backed up on the server to enable files to be accessed from remote sites.

7.3 Protection Policy/Insurance

The Authority's current protection policy is with the Fire and Rescue Indemnity Company (FRIC). This is for Motor, Property, Public Liability, Employees/Employers Liability, personal accident, business interruption and computers.

For business travel the Service is insured by Zurich Municipal (ZM). ZM also carry out the service engineering (equipment) inspection.

8. Market Risk Management

This Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

The Authority has no intention of making investments where the principal value can fluctuate (Gilts, CDs, Etc).

TMP 1 SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS:

These are sterling investments that do not exceed 365 days and are with:

- an organisation that has a high credit rating;
- other local authority or,
- Central Government.

Strategy for specified Investments:

The Authority expects to have a net surplus of funds throughout 2020/21 and will invest those funds through the money market with those organisations included on its approved lending list (attached as Annex A).

The Authority's approved lending list includes the following organisations which are thus deemed to have a high credit rating:

- UK and Foreign Banks with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.
- UK Building Societies with a short-term rating of F1 or F1+ and a long-term rating of AA- or higher.

Ratings are those given by Fitch, the credit rating agency. In compiling the lending list, other factors such as legal rating and individual rating, which Fitch also provide, have been taken into consideration. The lending list is regularly reviewed to ensure that the organisations included maintain their credit ratings at the required level.

Investments will be made for terms of up to 365 days. The Authority will consider its cash flow requirements, prevailing market conditions and advice from its Treasury Advisers when determining exact terms for each investment, in order to ensure that it is both favourable and prudent. At the time of writing, interest rates are at a low point.

Non-Specified Investments:

These are any other investments that do not meet the criteria above for Specified Investments.

The Authority has no investments other than the short-term investment of surplus cash through the money market. Under previous regulations the investment of surplus cash was restricted to periods not exceeding 365 days. Under the new regulations that restriction is removed, however investments that do exceed 365 days are classified as non-specified investments because of the greater degree of risk they carry.

The Authority is investigating the use of Property Funds to supplement their investment portfolio and these would be in excess of 365 days. The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The Authority will seek guidance on the status of any fund it may consider using.

SPECIFIED INVESTMENTS: (All such investments will be sterling denominated, with **maturities up to maximum of 1 year,** meeting the minimum 'high' rating criteria where applicable.)

	*** Minimum 'High' Credit Criteria**	**Use**
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Green	In-house

**** Countries included on Lending List: (as at 23/12/2019)**

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore

- Sweden
- Switzerland

AA+

- Finland
- U.S.A

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar
- .S.A

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max % Limit	Max Maturity Period
UK banks	Orange	In-house	50%	**1 year**
UK banks and Building Societies	Red	In-house	50%	**6 months**
UK banks and Building Societies	Green	In-house	50%	**100 days**
UK banks and Building Societies	No Colour	In-house	Not to be used	
UK part nationalised banks	Blue	In-house	90%	**1 year**
DMADF	AAA	In-house	Unlimited	**6 months**
Local Authorities	N/A	In-house	50%	**5 years**
Money Market Funds LVNAV	AAA	In-house and Fund Managers		**1 year**
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	In-house and Fund Managers		**1 year**
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	In-house and Fund Managers		**1 year**
Non-UK Banks	Orange	In-house and Fund Managers	50%	**1 year**

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Authority. To ensure that the Authority is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

NON-SPECIFIED INVESTMENTS

The Authority is investigating the use of Property Funds to supplement their investment portfolio and these would be in excess of 365 days. The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The Authority will seek guidance on the status of any fund it may consider using.

TMP 2 PERFORMANCE MEASUREMENT

1. Evaluation and Review of Treasury Management Decisions

The Authority has a number of approaches to evaluating treasury management decisions:

a. quarterly reviews carried out by the Treasury Management Team,
b. reviews with our treasury management consultants,
c. annual review after the end of the year as reported to full FRA,
d. half yearly/quarterly/other monitoring reports to FRA,
e. comparative reviews,
f. strategic, scrutiny and efficiency value for money reviews.

2. Periodic Reviews during the Financial Year

The Treasurer holds a treasury management review meeting with the Treasury Management Team every quarter to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts.

This will include:

a. Total debt (both on-and off balance sheet) including average rate and maturity profile.
b. Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.

3. Reviews with Our Treasury Management Consultants

The Treasury Management Team holds reviews with our consultants every six months to review the performance of the investment and debt portfolios. Our consultants also provide a monthly Investment portfolio.

4. Annual Review after the End of the Financial Year

An Annual Treasury Report is submitted to the FRA each year after the close of the financial year. The report details the performance of the debt/investment portfolios. This report contains the following:

a. total debt and investments at the beginning and close of the financial year and average interest rates,
b. borrowing strategy for the year compared to actual strategy,

c. investment strategy for the year compared to actual strategy,
d. explanations for variance between original strategies and actual,
e. debt rescheduling done in the year,
f. actual borrowing and investment rates available through the year,
g. comparison of return on investments to the investment benchmark,
h. compliance with Prudential and Treasury Indicators,
i. other.

5. **Comparative Reviews**

When data becomes available, comparative reviews are undertaken to see how the performance of the Authority on debt and investments compares to other Authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from:

- CIPFA Treasury Management statistics published each year for the last complete financial year.
- Reviews from Treasury Advisers (Link).

6. **Benchmarks and Calculation Methodology**

6.1 **Debt Management**

- Average rate on all external debt.
- Average period to maturity of external debt.
- Average period to maturity of new loans in previous year.

6.2 **Investment**

The performance of investment earnings will be measured against the following benchmarks:

7 day LIBID uncompounded

7. **Consultants'/Advisers' Services**

This Authority's policy is to appoint full-time professional treasury management consultants and separate leasing advisory consultants.

8. **Policy on External Managers (Other Than Relating to Superannuation Funds)**

The Authority's policy is not to appoint external investment fund managers.

TMP 3 DECISION-MAKING AND ANALYSIS

1. **Funding, Borrowing, Lending, and New Instruments/Techniques**

1.1 **Records to Be Kept**

The Treasury Section has a paper treasury management system backed up by electronic records in which all investment and loan transactions are recorded.

Full details of the system are covered in the user manual. The following records will be retained:

Daily cash balances and forecasts
Money market rates obtained by email from brokers/banks
Dealing slips for all money market transactions
Brokers' confirmations for investment and temporary borrowing transactions
Confirmations from borrowing/lending institutions where deals are done directly
PWLB loan confirmations
PWLB debt portfolio schedules.

1.2 **Processes to Be Pursued**

Cash flow analysis
Debt and investment maturity analysis
Ledger reconciliation
Review of opportunities for debt restructuring
Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
Performance information (eg monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns etc.)

1.3 **Issues to Be Addressed**

1.3.1 *In respect of every treasury management decision made the Authority will:*

a. above all be clear about the nature and extent of the risks to which the Authority may become exposed;

b. be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained;

c. be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good housekeeping;

d. ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded;

e. be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

1.3.2 *In respect of borrowing and other funding decisions, the Authority will:*

a. consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets;

b. evaluate the economic and market factors that might influence the manner and timing of any decision to fund;

c. consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;

d. consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

1.3.3 *In respect of investment decisions, the Authority will:*

a. consider the optimum period, in the light of cash flow availability and prevailing market conditions;

b. Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

1. Approved Activities of the Treasury Management Operation

Borrowing
Lending
Debt repayment and rescheduling
Consideration, approval and use of new financial instruments and treasury management techniques
Managing the underlying risk associated with the Authority's capital financing and surplus funds activities
Managing cash flow
Banking activities
Leasing

2. Approved Instruments for Investments

The Authority must approve an Annual Investment Strategy in compliance with Government Guidance on Local Government Investments issued under Section 15 (1) (a) of the Local Government Act 2003. This sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3. Approved Techniques

The strategy deals with the credit ratings defined for each category of investments ensuring security and liquidity of investments.

4. Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Authority has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Internal (capital receipts and revenue balances)	●	●
Leasing (not operating leases)	●	●

Other Methods of Financing
Government and EC Capital Grants
Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

5. Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

6. Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

1. Allocation of Responsibilities

1.1 Fire and Rescue Authority

- Receiving and reviewing regular reports on treasury management policies, practices and activities.
- Recommending approval of annual strategy.
- Approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.
- Approving the selection of external service providers and agreeing terms of appointment.

1.2 Treasurer

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

2. Principles and Practices Concerning Segregation of Duties

The following duties must be undertaken by separate officers:

Dealing	Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation.
Accounting Entry	Production of transfer note. Processing of accounting entry.
Authorisation/Payment of Deal	Entry onto system. Approval and payment.

3. **Treasury Management Organisation Chart**

Chief Fire Officer

Assistant Chief Officer/Treasurer

Chief Accountant

Principal Finance Officer

Principal Finance Officer

4. **Statement of the Treasury Management Duties/Responsibilities of each Treasury Post**

4.1 The Responsible Officer (Treasurer)

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Authority is the Treasurer.

This person will carry out the following duties:

a. recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;

b. submitting regular treasury management policy reports;

c. submitting budgets and budget variations;

d. receiving and reviewing management information reports;

e. reviewing the performance of the treasury management function;

f. ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;

g. ensuring the adequacy of internal audit, and liaising with external audit;

h. recommending the appointment of external service providers;

i. the responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments;

j. the responsible officer may delegate his power to borrow and invest to members of his staff. The Chief Accountant and the Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above;

k. the responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible;

l. prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Authority's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Authority's Financial Regulations;

m. it is also the responsibility of the responsible officer to ensure that the Authority complies with the requirements of The Non-Investment Products Code (formerly known as the London Code of Conduct) for principals and broking firms in the wholesale markets.

4.2 **The Chief Accountant**

The responsibilities of this post will be:

a. adherence to agreed policies and practices on a day-to-day basis,

b. supervising Treasury Management staff,

c. monitoring performance on a day-to-day basis,

d. submitting management information reports to the responsible officer,

e. identifying and recommending, opportunities for improved practices.

4.3 **The Chief Fire Officer**

The responsibilities of this post will be:

a. Ensuring that the system is specified and implemented.

b. Ensuring that the responsible officer reports regularly to the Corporate Services Policy and Challenge Group on treasury policy, activity and performance.

4.4 **The Principal Finance Officers**

The responsibilities of this post will be:

a. Monitoring the daily cashflow and day-to-day transactions.

b. Execution of transactions.

c. Maintaining relationships with counterparties and external service providers.

d. Monitoring investments and loans with regards to maturing and repayment dates.

e. Monthly bank reconciliations.

f. Ensuring all paperwork for raising loans and investments is recorded correctly and is in accordance with the Treasury Management Strategy.

4.5 **Internal Audit**

The responsibilities of Internal Audit will be:

a. Reviewing segregation with approved policy and treasury management practices.

b. Reviewing segregation of duties and operational practice.

c. Assessing value for money from treasury activities.

d. Undertaking probity audit of treasury function.

4.6 Absence Cover Arrangements

Both Principal Finance Officers have access, passwords and smartcards to enable them to use the on-line banking service for all day-to-day transactions.

4.7 Dealing Limits

There are no dealing limits for individual posts.

4.8 Settlement Transmission Procedures

A formal form/letter signed by two agreed cheque signatories setting out each transaction is completed where preliminary instructions have been given by telephone. For payments a transfer will be made through the Banks on-line system to be completed by 2.00 pm on the same day.

4.9 Documentation Requirements

For each deal undertaken a record is prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker (if one used).

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

1. **Annual Programme of Reporting**

a. Annual reporting requirements before the start of the year:

   i. review of the organisation's approved clauses, Treasury Management Policy Statement and practices;

   ii. strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement.

b. Mid-year review.

c. Annual review report after the end of the year.

2. **Annual Treasury Management Strategy Statement**

2.1 The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to FRA for scrutiny and approval before the commencement of each financial year.

2.2 The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Authority may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

2.3 The Treasury Management Strategy Statement is concerned with the following elements:

   a. Prudential and Treasury Indicators
   b. current Treasury portfolio position
   c. borrowing requirement
   d. prospects for interest rates
   e. borrowing strategy
   f. policy on borrowing in advance of need
   g. debt rescheduling
   h. investment strategy
   i. creditworthiness policy
   j. policy on the use of external service providers

k. any extraordinary treasury issue
l. the MRP strategy

2.4 The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

3. **The Annual Investment Strategy Statement**

At the same time as the Members receive the Treasury Management Strategy Statement they will also receive a report on the Annual Investment Strategy which will set out the following:

a. The Authority's risk appetite in respect of security, liquidity and optimum performance.

b. The definition of high credit quality to determine what are specified investments as distinct from non specified investments.

c. Which specified and non specified instruments the Authority will use.

d. Whether they will be used by the in house team, external managers or both (if applicable).

e. The Authority's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list.

f. Which credit rating agencies the Authority will use.

g. How the Authority will deal with changes in ratings, rating watches and rating outlooks.

h. Limits for individual counterparties and group limits.

i. Country limits.

j. Levels of cash balances.

k. Interest rate outlook.

l. Budget for investment earnings.

m. Policy on the use of external service providers.

4. The Annual Minimum Revenue Provision

This statement will set out how the Authority will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

5. Policy on Prudential and Treasury Indicators

5.1 The Authority approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.

5.2 The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the FRA.

6. Mid-Year Review

The Authority will review its treasury management activities and strategy on a six monthly basis. This review will consider the following:

a. activities undertaken,

b. variations (if any) from agreed policies/practices,

c. interim performance report,

d. regular monitoring,

e. monitoring of treasury management indicators for local authorities.

7. Annual Review Report on Treasury Management Activity

An annual report will be presented to the FRA at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:

a. transactions executed and their revenue (current) effects,

b. report on risk implications of decisions taken and transactions executed,

c. compliance report on agreed policies and practices, and on statutory/regulatory requirements,

d. performance report,

e. report on compliance with CIPFA Code recommendations,

f. monitoring of treasury management indicators

8. **Management Information Reports**

Management information reports will be prepared at least twice a year by the Treasurer and will be presented to the FRA.

These reports will contain the following information:

a. a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);

b. measurements of performance including effect on loan charges/investment income;

c. degree of compliance with original strategy and explanation of variances;

d. any non-compliance with Prudential limits or other treasury management limits.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

1. Statutory/Regulatory Requirements

The Accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Authority has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Authority's treasury management activities.

2. Accounting Practices and Standards

Due regard is given to the Statements of Recommended Practice and Accounting Standards (SORP's) as they apply to Local Authorities in Great Britain.

3. Sample Budgets/Accounts/Prudential and Treasury Indicators

The Treasurer will prepare a four year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Treasurer will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

4. List of Information Requirements of External Auditors

- Reconciliation of loans outstanding in the financial ledger to treasury management records.
- Maturity analysis of loans outstanding.
- Certificates for new long term loans taken out in the year.
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type.
- Calculation of loans fund interest and debt management expenses.
- Calculation of interest on working balances.

- Interest accrual calculation.
- Principal and interest charges records.
- Analysis of any deferred charges.
- Calculation of loans fund creditors.
- Annual Treasury Report.
- Treasury Management Strategy Statement and Prudential and Treasury Indicators.
- Review of observance of limits set by Prudential and Treasury Indicators.
- Calculation of the Minimum Revenue Provision.
- Treasury Management consultants valuations including investment.
- Income schedules and movement in capital values.

5. **Monthly Budget Monitoring Report**

Monthly electronic Budget Monitoring reports are produced for the CMT and go out monthly. Whilst a written budget monitoring report goes to CMT regularly. The report is intended to highlight any variances between budgets and spend in order that the Authority can assess its financial position. Details of treasury management activities are included within this report.

TMP 8 CASH AND CASHFLOW MANAGEMENT

1. Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

2. Bank Statements Procedures

The Authority receives weekly bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

A formal bank reconciliation is undertaken on a monthly basis by a Principal Finance Officer (PFO).

3. Payment Scheduling and Agreed Terms of Trade With Creditors

Our policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments.

4. Arrangements for Monitoring Debtors/Creditors Levels

The Treasurer is responsible for monitoring the levels of debtors and creditors. A monthly Debtors and Creditors reconciliation is carried out monthly by a PFO.

5. Procedures for Banking of Funds

All money received by an officer on behalf of the Authority will without unreasonable delay be passed to the Finance Admin Assistants (FAA), to deposit in the Authority's banking accounts. The FAA will notify a PFO each week of cash and cheques being banked the next day so that the figures can be taken into account in the daily cash flow.

TMP 9 MONEY LAUNDERING

This Authority is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money.

Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed below:

1. Background Legislation

There are several Acts of Parliament and the FSA (Financial Services and Markets Act 2000) has also made provisions relating to money laundering, with the main legislation being contained in the Criminal Act 1993 (which contains the provision to implement the EU Money Laundering Directive).

Detailed money laundering regulations came into effect on 1 March 2004 under SI 2003 No 3075, and this Statutory Instrument, along with the Acts listed below, cover the main compliance requirements.

The key requirements of this legislation cover an area wider than the fairly narrow Treasury Management function, including possessing, or in any way dealing with, or concealing, the proceeds of crime.

Whilst the Authority is not directly required to implement the requirements of the Money Laundering Regulations 2003 (except through this TMP), the implications of the Terrorism Act 2000, the Anti-Terrorism, Crime and Security Act 2001 and The Proceeds of Crime Act 2002 place an onus of responsibility on individuals associated with treasury process to consider its implications.

2. Outline of the Requirements of the Regulations and Statutes

Every Officer should in the course of Authority business implement:

2.1 Identification Procedures

(SI 2003/3075 Money Laundering Regulations, 4 & 5). This regulation applies if:

a. You are forming a business relationship; or

b. considering undertaking a one-off transaction; and

i. suspect a transaction involves money laundering,

ii. a payment is to be made for Euro 15,000 or more (approximately £10,000).

c. In respect of two or more one-off transactions that the transactions are linked and involve Euro 15,000 or more.

2.2 **In these instances you should:**

a. Set up and maintain identification procedures to ensure the counterparty produces satisfactory evidence of his identity.

b. Follow the procedures to ensure the counterparty provides satisfactory evidence.

2.3 **These procedures should reflect:**

a. The greater potential for money laundering if the counterparty is not physically present when being identified.

b. If satisfactory evidence is not obtained the relationship or transaction does not proceed.

c. If the counterparty acts, or appears to act, for another person, reasonable measures must be taken for the purpose of identifying that person.

2.4 The primary exception to this requirement is if the counterparty carries on FSA regulated business in the UK (or comparable or by overseas regulatory authority) it is not required that you obtain evidence. In this case most treasury transactions will be undertaken with or via relevant businesses, although there may be isolated exceptions such as the Post Office.

2.5 **Record Keeping Procedures (Money Laundering Regulation 6)**

The Authority should maintain procedures covering the retention of records. To ensure compliance, records are required to be kept for 5 years after the end of the transaction or relationship.

2.6 **Internal Reporting Procedures (Money Laundering Regulation 7)**

The Authority maintains internal reporting procedures which document:

a. the "nominated officer", the Treasurer is the Money Laundering Reporting Officer (MLRO) who will receive nominations under this regulation;

b. any other person in the organisation to whom information may arise which may result in them knowing or suspecting reasonable grounds for knowing or suspecting money laundering, fraud or use of the proceeds of crime;

c. if the MLRO receives a disclosure they should consider, in the light of all information, whether it gives rise to such knowledge or suspicion; and

d. if the MLRO determines that the information or matters should be disclosed they should do so to the National Criminal Intelligence Service (see 8. below).

2.7 **Other Procedures (Money Laundering Regulation 3(b))**

The Authority should establish other procedures of internal control and communication as may be appropriate for the purpose of forestalling and preventing money laundering.

2.8 **Training (Money Laundering Regulation 3(c))**

The Authority should take appropriate measures to ensure that relevant employees are:

a. Made aware of the provisions of these regulations, Part 7 of the Proceeds of Crime Act 2002, Section 117 of the Anti-Terrorism, Crime and Security Act 2001 and sections 18 and 21A of the Terrorism Act 2000 (these deal with the offences and are available from www.legislation.hmso.gov.uk)

b. Given training in how to recognise and deal with transactions which may be related to money laundering.

c. National Crime Intelligence Service – In the event of an offence or a possible offence you should contact: NCIS Law enforcement personnel: Contact NCIS initially through 020 7238 8000.

2.9 In order to address these requirements the Authority has set up the following procedures:

2.9.1 *For Treasury Management Purposes:*

1. ***Training –*** Through this document and specific training, Treasury staff will be kept aware of developments in money laundering regulations. The Treasurer will keep abreast of money laundering issues through publications and internet. The Treasurer will, if required, arrange appropriate training for Treasury Management staff to ensure that they are kept up-to-date with treasury management issues including money laundering.

2. ***Material and regular deposits or borrowing –*** For all investment or borrowing counterparties, the ACO and Treasury Officer will ensure that the counterparty has been suitably identified. This will take the form of:

2.9.2 *Investment Counterparties* - All investment counterparties which are maintained on the Authority's lending list will be a deposit taker authorised by a regulatory body such as the FSA. Those counterparties not authorised as a deposit taker though the FSA are institutions such as the Bank of England or Post Office and are not required to be the subject of stringent identification procedures, but Treasury staff will review these on a case by case basis.

2.9.3 *Borrowing Counterparties* – All borrowing counterparties are dealt with through either the following routes:

i. ***Via Money brokers –*** In this instance Money Laundering Regulations 5(2) applies in as much as the combination of the use of brokers and reasonable grounds that the counterparty carried on authorised business in the UK.

ii. ***Direct dealing –*** In this instance the Authority uses only recognised names, ones with credit ratings and to which the Authority has reasonable grounds to expect that the counterparty carries on regulated business in the UK. For a few notable exceptions such as Bank of England or Post Office, the nature of their business does not require stringent identification procedures, but the Authority will undertake procedures to 'know the counterparty'.

2.9.4 If any Treasury investment counterparties are not known to the Authority the Treasury Officer will ensure identification of the counterparty by checking the credit rating of the organisation via the Authority's treasury advisers, Sector. This would normally be undertaken during the compilation of the counterparty list. If the counterparty is neither credit rated, nor known to be carrying on regulated business (eg FSA), the Authority will not deal with that organisation.

2.9.5 *Small or Irregular Treasury Deposits* **–** The Authority does not accept deposits from local institutions of individuals.

2.10 **Non-Treasury Management Transactions**

2.10.1 **Regular cash and other receipts –** The Authority will in the normal operation of its services accept cash payments from individuals or organisations in relation to rents, sundry debtors etc. However the de minimus limit of Euro 15,000 applied in the regulations will mean that the requirements of the regulations do not apply to the majority of the Authority's customers, unless the Authority employee would have reasonable grounds to suspect money laundering activities of crime or is simply suspicious.

2.10.2 Significant cash receipts should be properly evaluated, evidence gathered and if not supported, refused. Any bank payments from unknown or overseas banks should be subject to similar scrutiny.

2.10.3 **Occasional receipts from infrequent customers –** The main receipts accepted by the Authority will be related to capital receipts from the sale of assets, although any other receipts in excess of Euro 15,000 will be reviewed.

2.10.4.**Payments –** The majority of the payments by the Authority will be via the payroll directly to bank accounts. Similarly the majority of creditor payments will be paid via BACS directly to domestic bank accounts or by crossed cheques and so the same controls will apply. In these cases the relevant bank will be required to comply with the money laundering regulations for their clients.

2.10.5 **Cash Payments –** The Authority does not make cash payments.

2.10.6 **Refunds –** A significant overpayment which results in a repayment will be properly investigated and authorised before payment.

2.10.7 **Fraud –** The Authority will regularly review risk areas, materiality and probability of loss.

2.11 Reporting

The Money Laundering Reporting Officer for this Authority is the Treasurer. Any concern of a transaction possibly being linked to either money laundering of the proceeds of crime must be referred to the MLRO for consideration and if the concerns are validated the NCIS must be notified.

2.12 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland;
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property;
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

2.13 **Terrorism Act 2000**

This Act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

2.14 **The Money Laundering Regulations 2007**

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In December 2007 the UK Government published the Money Laundering Regulations 2007, which replaced the Money Laundering Regulations 2003.

2.15 **Local Authorities**

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Authority will do the following:

a. evaluate the prospect of laundered monies being handled by them;

b. determine the appropriate safeguards to be put in place;

c. require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness;

d. make all its staff aware of their responsibilities under POCA;

e. appoint a member of staff to whom they can report any suspicions. This person is the Treasurer.

2.16 **Procedures for Establishing Identity/Authenticity of Lenders**

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be affected by following the procedures below:

The Authority does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FSA website on www.fsa.gov.uk .

When repaying loans, the procedures in 2.17 will be followed to check the bank details of the recipient.

2.17 **Methodologies for Identifying Deposit Takers**

In the course of its Treasury activities, the Authority will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fsa.gov.uk.

All transactions will be carried out by BACS/CHAPS for making deposits or repaying loans.

TMP 10 TRAINING AND QUALIFICATIONS

The Authority recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals:

a. Treasury management staff employed by the Authority,

b. Members charged with governance of the Treasury Management function.

All Treasury Management staff should receive appropriate regular training relevant to the requirements of their duties at the appropriate time. The Authority uses the Consultancy services of Link Asset Services Ltd to provide training for individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Treasurer to ensure that all staff under his/her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the Treasury Management Team.

1. Details of Approved Training Courses

Treasury Management staff and Members will go on courses provided by our treasury management consultants, Link Asset Services Ltd, or on approved treasury management courses by providers such as CIPFA.

2. Records of Training Received by Treasury Staff

The Treasurer will maintain records on all staff and the training they receive.

3. Approved Qualifications for Treasury Staff

Assistant Chief Officer / Treasurer

Title: Treasurer
Professional Qualifications: CPFA

Officer responsible for TM under ACO

Title: Chief Accountant
Professional Qualifications: CGMA

Treasury Manager on a daily basis

Title: Principal Finance Officer
Professional Qualification: AAT

Other TM Team Members

Titles: Principal Finance Officers
Professional Qualifications: AAT

4. Record of Secondment of Senior Management

Records will be kept of senior management who are seconded into the Treasury Management Section in order to gain first hand experience of treasury management operations.

5. Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of Consultative Committee of Accounting Bodies (CCAB) must also comply with the SOPP.

6. Member Training Records

Records will be kept of all training in treasury management provided to Members.

7. Members Charged With Governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

1. Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

This Authority will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in-house Treasury Management Team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury Management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press.
- Market data.
- Information on Government support for banks.
- The credit ratings of that Government support.

2. Banking Services

Nat West

a. Name of supplier of service is the Nat West Bank.
b. Regulatory status – banking institution authorised to undertake banking activities by the FSA.
c. The branch address is:
High Street, Bedford
Corporate Service Team Tel No: 0345 835 1215
d. Cost of service is variable depending on schedule of tariffs and volumes.
e. Payments due monthly.
f. Annual review with the Bank to discuss, agree and sign the Advice of Borrowing Terms and Conditions.

Barclays

a. Name of second supplier of service is the Barclays Bank.
b. Regulatory status – banking institution authorised to undertake banking activities by the FSA.
c. The branch address is:
   16/18 St. Peters Street, St. Albans AL3 4DZ
   Corporate Service Team Tel No: 0800 027 1319
d. Cost of service is variable depending on schedule of tariffs and volumes.
e. Payments due monthly.
f. Annual review with the Bank to discuss, agree and sign the Advice of Borrowing Terms and Conditions.

3. <u>Consultants'/Advisers' Services</u>

3.1 Treasury Consultancy Services

The Authority will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

The performance of consultants will be reviewed by the Treasurer every 6 months to check whether performance has met expectations.

Name and address of supplier of service is:

Link Asset Services (formerly Capita)

6th Floor
65 Gresham Street
London
EC2V 7NQ
Tel: 0871 664 6800

a. Regulatory status: investment adviser authorised by the FSA.
b. Contract commenced 1 June 2018 and runs for three years to 31 May 2021.
c. Cost of service is £6,000 + VAT (increasing by 2.1% each year).

d. Payments due on 30 June 2018, 30 June 2019 and 30 June 2020.

3.2 **Credit Rating Agency**

The Authority receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

TMP 12 CORPORATE GOVERNANCE

List of Documents to be Made Available for Public Inspection

The Authority is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

The following documents are available for public inspection:

Treasury Management Policy Statement
Treasury Management Strategy Statement
Annual Investment Strategy
Minimum Revenue Provision Policy Statement
Annual Treasury Review Report
Treasury Management monitoring reports (eg half yearly)
Annual Accounts and Financial Instruments Disclosure Notes
Annual Budget
Four Year Capital Programme
Minutes of Committee Meetings

For Publication

Bedfordshire Fire and Rescue Authority
11 February 2020

REPORT AUTHOR: **CHIEF FIRE OFFICER**

SUBJECT: **LOCALISM ACT 2011 – PAY STATEMENT FOR 2020**

For further information on this Report contact:
Ms Denise Clarke
Head of Human Resources
Tel: 01234 845048

Background Papers:

- Hutton Review of Fair Pay in the Public Sector March 2011 (available on request)
- DCLG Openness and accountability in local pay: Draft guidance under Section 40 of the Localism Act November 2011 (available on request)
- Localism Act 2011 Chapter 20 Part 1 Local Government, Chapter 8 Pay Accountability (available on request)
- Localism Act Pay Policy Statements guidance for Local Authority Chief Executives November 2011 (available on request)
- Policy on Principal Officer Salary reviews – March 2009 (available on request)
- 2019 Pay Policy Statement (available on request)
- Localism Act 2011 – Pay Policy Statement FRA paper February 2019 (available on request)
- Local Government Association Pay Policy and Practice in local authorities 2013 (available on request)
- Local Government Transparency Code 2015

Implications (tick ✓):

LEGAL	✓		FINANCIAL	✓
HUMAN RESOURCES	✓		EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	✓
CORPORATE RISK	Known		OTHER (please specify)	
	New			

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To advise the Fire Authority of the requirement to agree and publish an annual pay policy statement and its constituent parts for the financial year 2020/21.

RECOMMENDATION:

That the submitted proposed pay policy statement for 2020/21 be approved.

1. <u>Introduction</u>

1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for 2012/13 and for each financial year thereafter. This is Bedfordshire Fire and Rescue Service's ninth annual Pay Policy Statement.

1.2 The Department for Communities and Local Government (DCLG) Guidance on Section 40 of the Localism Act clarified that each local authority is an individual employer in its own right and has the autonomy to make decisions on pay that are appropriate to local circumstances. The provisions in the Act do not seek to change this, determine what decisions on pay should be taken, or what policies individual authorities should have in place. Rather, they require that authorities are more open about their local policies and how decisions are made.

1.3 Bedfordshire Fire and Rescue Authority's proposed pay policy statement is derived from the 'model' pay policy statement contained in the Local Government Association Document 'Pay Policy and Practice in Local Authorities' which was recommended to Fire and Rescue Authorities by the Head of Workforce at the Local Government Association via the principal negotiating officer of the National Joint Council for Fire and Rescue Authorities in November 2013.

2. Pay Policy Statement Content

2.1 Matters that must be included in the statutory pay policy statement are:

- Information on the approach to Chief Officer remuneration at recruitment, salary, bonus/performance related pay, charges, fees allowances, benefits in kind and enhancement to pension at termination. The definition of chief officer is not limited to heads of paid service or statutory chief officers; it includes those who report directly to them;
- Local authority's policy on the level and elements of remuneration for each chief officer;
- Local authority's policy on the remuneration of its lowest-paid employees (together with its definition of 'lowest-paid employees' and its reasons for adopting that definition); and
- A local authority's policy on the relationship between the remuneration of its chief officers and other officers.

2.2 The Act does not require the pay policy statement to include numerical data on pay; the statement is about policy and not the actual pay of individuals.

2.3 Information that has changed since the last Annual Pay Policy Statement is highlighted in bold.

3. Process for Annual Adoption of a Pay Policy Statement

3.1 The Localism Act also prescribes that the pay policy statement must be approved formally by a meeting of Members. In the case of a Fire and Rescue Authority, it cannot be delegated to any sub-committee and must be approved by the end of March each year, and can be amended in-year. It must also be published on the Authority's website (and in any other way the Authority chooses) and must be complied with when the Authority sets the terms and conditions for a Chief Officer.

4. Information

4.1 Nationally negotiated pay increases for employees covered by the Green Book (National Joint Council for Local Government Services National Agreement on Pay and Conditions), are applied as advised by the National Joint Council. In April 2018 the NJC announced agreement on a two year pay deal for 2018 and 2019. The first year of the pay deal provided a 2% increase for the majority of employees, with those on lower pay points receiving between 9% and 3%, this bottom loading of the pay award was primarily made to secure a bigger increase for lower earners and in order to meet the obligations of the National Living Wage. In the second year of the pay deal Green Book employers were required to implement a new pay spine, which entirely replaced the existing pay spine. The Service assimilated all employees from their existing spinal column point to their new spinal column point on 1 April 2019.

4.2 Nationally negotiated pay increases for employees covered by the Grey Book (National Joint Council for Local Authority Fire and Rescue Services) are applied as advised by the National Joint Council. In September 2019 the NJC announced a pay award of 2% backdated to 1 July 2019 for grey book employees whilst negotiations continue to put in place a longer term deal. Any longer-term deal is contingent upon a successful conclusion to negotiations regarding broadening the role of the fire and rescue service and securing additional funding from government**.**

4.3 In accordance with nationally negotiated pay awards advised by the National Joint Council (NJC) for Brigade Managers of Local Authority Fire and Rescue Services in January 2019 a 1% increase was awarded to Gold Book employees (the Chief Fire Officer, Deputy Chief Fire Officer, and Assistant Chief Officer).

4.4 The Fire Authority is asked to consider and approve the proposed pay policy statement at Appendix 1.

PAUL M FULLER CBE QFSM MStJ DL
CHIEF FIRE OFFICER

APPENDIX 1

**ANNUAL PAY STATEMENT OF
BEDFORDSHIRE FIRE AND RESCUE SERVICE**

1. Introduction and Purpose

This is the Pay Statement of Bedfordshire Fire and Rescue Service covering the period April 2020 to March 2021.

This Pay Statement (the 'statement') sets out Bedfordshire Fire and Rescue Service's (the Service) approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011.

This pay statement has been approved by Bedfordshire Fire and Rescue Authority and is effective from 1 April 2020. It will be reviewed annually and in accordance with new or proposed legislation to ensure that it remains relevant and effective.

2. Accountability and Decision Making

Decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Service is determined by the Fire Authority and Human Resources Policy and Challenge Group.

3. Responsibility and Scale

The Service is directly responsible for a budget of £31.572m and for the employment of 586 staff.

4. The Service Pay Strategy

In determining the pay and remuneration of its employees the Service will comply with all relevant employment legislation this includes the Equality Act 2010, the Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000 and The Agency Workers Regulations 2010.

The Service takes the following approach to determining overall pay levels.

4.1 Firefighting Roles - Salary and Remuneration

This relates to the following roles within Bedfordshire Fire and Rescue Service:

Firefighter, Crew Manager, Watch Manager, Station Manager, Group Manager and Area Manager, regardless of duty system (eg wholetime, day duty, retained or flexible duty) and Control specific roles. The pay structure for employees conditioned to the Scheme of Conditions of Service for Local Authority Fire and Rescue Services (Grey Book) provides a three point pay structure at Firefighter level and a two point pay structure for all other roles. Rates of pay are based on defined stages of development such as training, development and competent pay levels. After all the applicable functions have been assessed as having been achieved, and a quality assured process is in place, competence is deemed to have been demonstrated and competent salary rate applied.

Pay awards applied to the salary scales are as agreed through the national joint council and notified to Authorities.

4.2 Support Roles - Salary and Remuneration

Salary and remuneration levels for support staff roles are determined in accordance with the National Joint Council for Local Government Services (NJC) National Agreement on Pay and Conditions of Service (Green Book).

The pay structure is aligned to the National spinal column point system. In 2005 Bedfordshire Fire and Rescue Service applied the Korn Ferry (formerly Hay) analytical job evaluation process that systematically ranked each job objectively and fairly. This evaluation system is a recognised best practice non-discriminatory method of ranking jobs against a pre-determined scale. The system is used in over ninety countries and within the public and private sector. In 2018 Korn Ferry were commissioned to quality assure the job evaluation scheme and reviewed the ranking of all Green Book roles against the pre-determined scale to ensure the job evaluation scheme was being applied correctly.

Spinal column points are configured into groups to provide incremental pay points. The incremental rises occur on 1 April, subject to National pay bargaining. Starting salary may be uplifted along the incremental structure if experience and knowledge warrant this approach.

In 2019 Green Book employers were required to implement a new National pay spine, which entirely replaced the existing pay spine. The Service assimilated employees from their existing spinal column point to their new spinal column point on 1 April

2019**.** For some time the Service has experienced recruitment difficulties in certain Green Book posts, this has primarily been 'professional' posts in areas like HR, Finance and Property and there were concerns at Corporate Management Team level that salaries were no longer competitive in the local labour market. Therefore, as part of the assimilation exercise, the Service took the opportunity to compare the pay line to other organisations that also use the Korn Ferry Job Evaluation Scheme, by undertaking a salary benchmarking exercise. This resulted in the application of the 2% NJC pay award to employees at Grade 12 and below, whilst Grades 13-17 were aligned to the 60^{th} percentile of the Industrial and Service Sector.

4.3 Chief Fire Officer and Principal Officer - Salary and Remuneration

The National Joint Council (NJC) for Brigade Managers of Local Authority Fire and Rescue Authorities will publish annually recommended minimum levels of salary applicable to Chief Fire Officers/Chief Executives employed by local authority fire and rescue authorities. The Fire Authority recognises that there is a two-track approach for determining levels of pay for Chief Fire Officer/Chief Executives and Director roles.

i. At national level, the NJC shall review annually the level of pay increase applicable to all those covered by the Gold Book. Any increase agreed by the NJC will be communicated to fire authorities by circular.

ii. Pay increases will be considered for local negotiation on an annual basis. All decisions about the level of pay and remuneration to be awarded to individual Chief Fire Officer and Principal Officer roles will be taken by the Fire Authority paying due regard to the information circulated by the NJC.

Details of senior salaries is published on the Transparency pages of our website and can be accessed on the internet at https://www.bedsfire.gov.uk/About/Governance/Budget-Responsibilities-and-Pay-Details-for-Senior-Positions.pdf. Alternatively at page 61 of the Annual Statement of Accounts https://www.bedsfire.gov.uk/About/Finance-and-budget/Monthly-Financial-Reports/Audited-Statement-of-Accounts-2018-19-20th-November-2019.pdf

5. All Roles - Allowances, Expenses, Bonuses and Performance Related Pay

The Chief Fire Officer and Principal Officers are employees of Bedfordshire Fire and Rescue Service and are not self-employed. The Fire Authority (the Authority) will not award bonuses or Performance Related Pay (PRP) additional to base salary, as the Authority expects excellent performance of its Principal Officers at all times in line with the Authorities objectives. Individual performance will be reviewed via the performance management framework.

When legitimately incurred in the performance of their duties all employees are able to claim a restricted range of legitimate expenses. These are reimbursed in accordance with the relevant terms and conditions specified in the Gold, Grey or Green Book. All expenses have the usual audit requirements with the requirement to produce receipts, authorisation of all expenditure and the requirement to retain records. Eligible employees have access to the car leasing scheme. Operational officers can utilise pool cars to undertake their operational duties and responsibilities. Use of a pool car for non-official purposes will require reimbursement to the Service.

A range of allowances are payable subject to employees meeting relevant criteria. These include:

- Shift allowances for Green Book employees working unsocial hours;
- Flexible Duty System supplement for fire officers conditioned to the flexible duty system;
- Overtime allowances for employees required to work additional hours;
- Continuous Professional Development (CPD) payments for Grey Book employees who meet the qualifying length of service criteria and are able to demonstrate and provide evidence of continuous professional development in four key areas prescribed by the NJC;
- Essential user car allowance or (Grey Book only) access to a lease car scheme for employees required to use their own vehicle on official business;
- Honoraria payments to recognise employees acting up to a higher role, special projects involving work outside the job role and outstanding contribution;
- Additional Responsibility Allowance to reward additional skills and responsibilities outside of the requirements of Grey Book job roles;
- Acting up and temporary promotion allowances for employees performing the duties of a higher role.

(Strategic Operational Commanders, Area Manager B) are paid an Additional Responsibility Allowance. This is to reflect the additional responsibility they undertake in the performance of Service operational command cover and for working a locally agreed rota that provides the Service with additional managerial hours.

6. Severance Arrangements

Provision for severance arrangements exist in the Local Government Pension Scheme applicable to Green Book and Control employees. The Fire Authority has previously agreed policy in relation to The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006. Regulation 7 states that employing authorities must formulate, publish and keep under review discretionary powers that they apply in the exercise of their discretionary powers under regulations 5 and 6. They provide the discretions that local authorities can use in awarding compensation to employees whose employment is terminated early as the result of redundancy, early retirement on the grounds of efficiency.

There is currently no provision for enhanced redundancy payments in the Firefighters Pension Scheme 1992, New Firefighter Pension Scheme 2006, or the Firefighters Pension Scheme 2015 for Grey Book/operational employees.

7. Pension Schemes

The Service operates five pension schemes, the Firefighters Pension Scheme 1992, the New Firefighters Pension Scheme 2006, the Firefighters Pension Scheme 2015, the Retained Modified Pension Scheme 2015 and the Local Government Pension Scheme 2014. New employees are automatically enrolled to the relevant occupational pension scheme as defined by their terms and conditions of employment on appointment and qualifying employees are automatically re-enrolled during their employment.

Employer contribution rates for each scheme are set by Actuaries and subject to regular review. As at 1 April 2019 the employer contribution rates are 37.30% for 1992 Fire Fighters Pension Scheme**,** 27.4% for the 2006 New Fire Fighters Pension Scheme, 28.8 % for the Firefighters Pension Scheme 2015**,** 37.30% for the Retained Modified Pension Scheme and 17.3% for the Local Government Pension Scheme. Employee contribution rates are defined by statute and vary across the different pension schemes. Current employee contribution rates as at 1 April 2019 for the 1992 Firefighters pension scheme range from 11% –17%, contribution rates for the 2006 New Firefighter Pension Scheme are 8.5% - 12.5%, Firefighters Pension Scheme 2015 contribution rates range from 11% - 14.5%, contribution rates for the Retained Modified Pension Scheme are between 11% - 17%. The employee contribution rates for the Local Government Pension Scheme are presently 5.5**%** to 12.5%.

8. Abatement and Re-engagement

The Service will consider re-employment of retired employees in accordance with the relevant pension scheme orders and governance arrangements. There is no automatic right to be re-employed; the decision will be strictly based on organisational needs and will usually follow an advertising and selection process. Bedfordshire Fire and Rescue Service apply re-engagement and abatement rules for Grey Book employees in line with the requirements of the relevant pension scheme and in line with all Government guidance.

Abatement and re-engagement is a provision within the Firefighters' Pension Schemes that enables a retired member of the pension scheme to be re-employed. This means that the pensioner receives their commutation (lump sum) upon retirement. Pensioners who are re-engaged following their retirement are subject to the Abatement Rules under the terms of the relevant pension scheme. This requires that the current pension plus current pay cannot be more than pay on retirement, so any excess is abated (reduced). The Chief Fire Officer was re-employed under the abatement and re-engagement rules of the 1992 Fire Fighters Pension Scheme in February 2010 under these rules. From 2019, the Service will not reappoint Principal Officers after retirement to their previous, or a similar, post save for in exceptional circumstances when such a decision is necessary in the interests of public safety. Any such appointment must be transparent, justifiable and time limited.

9. Low Pay Definition

The lowest paid employees of the Service are employed on full time (37 hours) equivalent salaries in accordance with the minimum scale point in use within the Service grading structure. As at 1 April 2020, used to take account of the revised pay structure implemented on 1 April 2019 this is Grade 6, spinal column point 6 £9.9368 per hour, £19171.00 per annum. The Service believe that this is the most easily understood definition of low pay as it is the lowest pay grade routinely used for substantive roles.

10. Pay Multiples

The Service uses an established process to determine job size and salary levels. This process determines the relationship between the rate of pay for the lowest paid employee and the highest paid Chief Officer, described as a pay multiple.

The current pay multiple between the lowest paid employee and the highest paid Chief Officer is 7.74:1. This ratio can be measured as being lower than the public sector averages of 8:1 to 12:1 identified by Lord Hutton in March 2011. The reduction in the current pay multiple to below the public sector average is as a result of the Green Book pay award for 2018 and 2019 which resulted in a salary uplift equivalent to 5.06% to the lowest paid employees spinal column point.

BFRS pay multiple for the lowest earner has been calculated using all taxable earnings for the given year, including base salary, allowances, overtime and the cash value of any benefits-in-kind; pro rated to a full time equivalent, compared to the unabated Chief Fire Officer full time equivalent.

11. Part-Time Employees

The salary and remuneration of part-time employees is the same as those of full-time employees (pro-rata where appropriate) unless otherwise stated.

12. Code of Recommended Practice for Local Authorities on Data Transparency

Bedfordshire Fire and Rescue Service is committed to the three principles enshrined in the Code:

- Responding to public demand;
- Releasing data in open formats available for re-use; and
- Releasing data in a timely way.

Data on senior salaries is published in the annual statement of accounts and the most recently produced can be accessed on the internet at page 61 of the Annual Statement of Accounts https://www.bedsfire.gov.uk/About/Finance-and-budget/Monthly-Financial-Reports/Audited-Statement-of-Accounts-2018-19-20th-November-2019.pdf

The approved Pay Policy Statement will also be available from https://www.bedsfire.gov.uk/About/Governance/Transparency.aspx as well as the intranet site. In addition a range of information relating to Bedfordshire Fire and Rescue Services responsibilities under the local Government Transparency Code can be found on https://www.bedsfire.gov.uk/About/Governance/Transparency.aspx

13. Risk Management Implications

The Fire Authority needs to attract, retain and motivate staff to support excellent performance. Extensive research shows that individuals are attracted, retained and engaged by a range of both financial and non-financial rewards so a coherent link between reward, people management and attraction is essential.

14. Financial Implications

The financial implications are set out in the paper and contained within the Service's Medium-Term Financial Plan.

15. Legal Implications

The legal implications are set out in the paper.

16. Environmental Implications

The Pay Policy Statement will be published on the Service website.

17. Equality Implications

The requirements of the Equality Act are considered as part of the recruitment, selection and pay structure processes.

For Publication

Bedfordshire Fire and Rescue Authority
11 February 2020

REPORT AUTHOR: **SECRETARY/MONITORING OFFICER**

SUBJECT: **MEMBERS' ALLOWANCES SCHEME 2020/21**

For further information on this Report contact: Nicky Upton
Democratic and Regulatory Services Supervisor
Tel No: 01234 845149

Background Papers: None

Implications

LEGAL			FINANCIAL	
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	
COPRPORATE RISK	Known		OTHER (please specify)	
	New			

Any implications affecting this report are noted at the end of the report

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PURPOSE:

To review the Members' Allowances Scheme for 2020/21.

RECOMMENDATION:

That the Members' Allowances Scheme be updated from 1 June 2020 in accordance with the proposals set out in this report and that the Scheme be adopted for the financial year 2020/21 subject to any amendments that may be agreed following the FRA's further consideration of the Governance Review at its meeting on 30 April 2020.

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1. Introduction

1.1 The Fire Authority's Members' Allowances Scheme (the Scheme) was introduced on 1 January 2004. The Fire Authority (FRA) reviews the Scheme annually.

1.2 The Scheme was fully reviewed by Members at their meeting on 9 February 2007, when it was agreed that in future Member allowances would be based on a daily rate of mean weekly earnings advised by the Local Government Association (LGA) multiplied by an assessment of days required to perform each Member's tasks.

1.3 At its meeting on 11 December 2013, the FRA agreed that in the absence of LGA Member rates information, the Local Annual Government Pay Settlement would be applied to Members' allowances effective from April 2013 and each year since then the allowances have been updated in the same way.

1.4 At its meeting on 15 December 2016, the Fire Authority reviewed and amended the Special Responsibility Allowances.

1.5 A report on Members' Allowances for 2019/20 was presented at the FRA's meeting on 13 December 2018 when it was decided to defer any decision until the outcome of the Governance Review was known.

1.6 At its meeting on 18 July 2019, the Fire Authority reviewed the Special Responsibility Allowances payable under the Scheme in the light of the Governance Review that had taken place and reduced the allowances payable to the Chair, Vice-Chair and Executive Members.

2. Current Scheme – Summary

2.1 The current Scheme is detailed in the Members' Handbook and included on the Authority's website.

2.2 The current daily rate is £167.32. In accordance with previous practice this rate will be adjusted in line with the Local Government Pay Settlement in April 2020.

2.3 The following assessment of days applies to each Member's tasks:

2.3.1 *All Members Allowance:*

In addition to the agendas, reports and attendance relating to scheduled meetings of the Fire Authority (FRA), Members are required to attend budget workshops, station visits, training and official functions.

All Members (12)	20 days

2.3.2 *Special Responsibility Allowances (SRAs):*

The FRA may pay SRAs to FRA members who carry out responsibilities specified in the Regulations. Under the Scheme SRAs are payable to the Chair, Vice Chair, Executive Members and the Chair of the Audit and Standards Committee.

In addition to the duties of a basic Member, the Chair, Vice Chair and Executive Members undertake additional responsibilities including: attending regional meetings, LGA meetings, audit meetings etc, together with ad-hoc Appointment Panels, Statement of Accounts signing etc, and taking decisions in between meetings of the FRA.

The Chair of the Audit and Standards Committee presides at meetings of the Audit and Standards Committee and acts as a substitute Member with regard to ad hoc Appointment Panels, etc, and consultation on decision making between meetings of the FRA.

Following discussion at the Members Development Day on 2 July 2019 in connection with the Governance Review, it was proposed that the Policy and Challenge Groups should be suspended on a trial basis, that two additional FRA meetings would be added to the calendar and that the Executive Committee would continue in its current format as decided at the Annual Meeting held on 6 June 2019. It was also suggested that the Member who attends meetings of the Collaboration Group should receive an SRA to acknowledge the additional work involved. These proposals were formally adopted by the FRA on 18 July 2019.

On 4 September 2019, the Fire Authority considered whether a Member should be able to receive more than one SRA. Although there was no provision in the Regulations covering this question, it was general practice for local authorities to include a provision in their Schemes providing that members can receive no more than one SRA and the Fire Authority agreed to include this restriction in its Scheme.

FRA Chair	80 days
FRA Vice Chair	30 days
FRA Executive Member	6 days
Chair of Audit and Standards Committee	6 days
Collaboration Working Group	3 days

3. <u>Standards Provision</u>

3.1 Since 1 July 2012, the Audit and Standards Committee has been responsible for ethical standards.

3.2 The FRA is required to appoint at least one independent person who must be consulted when the FRA investigates complaints made against its members.

3.3 In September 2016 the FRA appointed two independent persons jointly with Bedford Borough Council. Each Independent Person receives a nominal annual retainer of £300 and a flat payment of £50 for each case the independent person handles. The cost of the retainers are shared with Bedford, but the case fees are met by the relevant authority.

4. <u>Updating the Scheme for 2020/21</u>

4.1 As outlined in paragraph 1.3, it has been the FRAs policy in recent years to increase allowances in line with the Local Government Pay Settlement.

4.2 The 2020/21 Members Allowance will be paid from 1 June 2020 to 31 May 2021 with Special Responsibility Allowances being paid from the date of the June 2019 Annual General Meeting.

4.3 Members are also requested to agree that subsistence and carers' allowances remain unchanged, and that the mileage rate payable to Members continues to be the same rate that is payable to employees covered by the National Joint Council for Local Government Services.

4.4 The Policy and Challenge Groups are currently suspended with the above interim changes being applied in July 2019. There may, therefore, be the need for further amendments during the course of 2020/21 dependent on the outcome of the governance review which will be considered at the 30 April 2020 meeting.

5. Legal Implications

5.1 The payment of allowances to Members of the FRA is governed by The Local Authorities (Members Allowances) (England) Regulations 2003 and the FRA's Scheme of Allowances complies with those regulations.

6. Recommendations of the Independent Remuneration Panels

6.1 When making or amending its Scheme of Members Allowances the FRA is required to have regard to any relevant recommendations made by to the constituent local authorities by their Independent Remuneration Panels (IRPs). At the time of writing there have been no recent recommendations submitted to the constituent local authorities. In February 2019, the IRP for Bedford Borough Council recommended that the basic allowance should remain unchanged but that the SRAs should be increased by 2% in line with the NJC pay award. In March 2019, the IRP for Luton Borough Council recommended that there should be no change to the basic allowance or to SRAs. Central Bedfordshire Council expects to receive a report from its IRP in February 2020.

JOHN ATKINSON
SECRETARY/MONITORING OFFICER

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For Publication

Bedfordshire Fire and Rescue Authority
11 February 2020

REPORT AUTHOR: **SECRETARY/MONITORING OFFICER**

SUBJECT: **CALENDAR OF MEETINGS 2020/21**

For further information on this report contact: Nicky Upton
Democratic and Regulatory Services Supervisor
Tel No: 01234 845149

Background Papers: None

Implications (tick ✓):

LEGAL			FINANCIAL	
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	
CORPORATE RISK	Known		OTHER (please specify)	
	New			

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To consider a calendar of meeting dates for the Fire Authority in 2020/21.

RECOMMENDATION:

That, the submitted provisional calendar of dates for meetings of the Fire and Rescue Authority and its associated Committees for the forthcoming year be approved, subject to consideration of the Governance Review update to be received in April 2020.

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1. <u>Calendar of Meetings 2020/21</u>

1.1 A calendar for all meetings of the Authority for 2020/21 of the full Fire and Rescue Authority, including meetings of committees, is submitted for Members' consideration.

1.2 The constituent Councils were contacted in the preparation of the proposed programme of meetings and their meetings were taken into account where available.

1.3 A programme of regular Members' visits to Fire Stations will be put in place, in due course, by the CFOs Strategic Staff Officer.

1.4 It will be noted that two Members' Development Days have been included for 23 June 2020 and 4 November 2020 and two Budget Workshop days have been included for 19 November 2020 and 19 January 2021.

JOHN ATKINSON
SECRETARY/MONITORING OFFICER

FRA Meetings Calendar 2020/21

Public Meetings noted in bold type

May 2020		
FRA Briefing (with Chair)	*Via telephone*	*22 May 2020 (10:00)*
June 2020		
FRA Annual Meeting	**Fire and Rescue Service Headquarters**	**2 June 2020 (10:00)**
Members' Development Day	Fire and Rescue Service Headquarters	23 June 2020 (10:00)
ASC Briefing (with Chair)	*Via telephone*	*29 June 2020 (11:00)*
July 2020		
Audit and Standards Committee	**Fire and Rescue Service Headquarters**	**2 July 2020 (10:00)**
FRA Briefing	*Via telephone*	*9 July 2019 (10:00)*
FRA	**Dunstable Community Fire Station**	**16 July 2020 (10:00)**
September 2020		
Awards Evening	tbc	tbc
FRA Briefing (with Chair)	*Via telephone*	*1 Sept 2020 (10:00)*
FRA	**Dunstable Community Fire Station**	**3 Sept 2020 (10:00)**
LGA Fire Commission (FRA Chair)	LGA	tbc
ASC Briefing (with Chair)	*Via telephone*	*15 Sept 2020 (11:00)*
Audit and Standards Committee	**Fire and Rescue Service Headquarters**	**22 Sept 2020 (10:00)**
October 2020		
CFA Conference	tbc	tbc

NFCC Autumn Conference	tbc	Tbc
FRA Briefing (with Chair)	*Via telephone*	*19 Oct 2020 (11:00)*
FRA	**Dunstable Community Fire Station**	**21 Oct 2019 (10:00)**
November 2020		
Members' Development Day	Fire and Rescue Service Headquarters	4 Nov 2020 (10:00)
Budget Workshop (no 1)	Fire and Rescue Service Headquarters	19 Nov 2020 (10:00)
ASC Briefing (with Chair)	*Via telephone*	*26 Nov 2020 (10:00)*
December 2020		
Christingle Service	Woburn	tbc
Audit and Standards Committee	**Fire and Rescue Service Headquarters**	**1 Dec 2020 (10:00)**
FRA Briefing (with Chair)	*Via telephone*	*8 Dec 2020 (10:00)*
FRA (Draft Budget)	**Dunstable Community Fire Station**	**10 Dec 2020 (10:00)**
January 2021		
Budget Workshop (no 2)	Fire and Rescue Service Headquarters	19.012020 (10:00)
February 2021		
FRA Briefing (with Chair)	*Via telephone*	*9 Feb 2021 (10:00)*
FRA (Draft Budget)	**Dunstable Community Fire Station**	**11 Feb 2021 (10:00)**
March 2021		
LGA Fire Conference	*Tbc*	*Tbc*
ASC Briefing (with Chair)	*Via telephone*	*2 March 2021 (10:00)*

Contact: Nicky Upton 01234 845149 democratic.services@bedsfire.gov.uk

Audit and Standards Committee	**Fire and Rescue Service Headquarters**	**4 March 2021 (10:00)**
FRA Briefing (with Chair)	*Via telephone*	*18 March 2021 (10:00)*
FRA	**Dunstable Community Fire Station**	**23 March 2021 (10:00)**
April 2021		
FRA Briefing (with Chair)	*Via telephone*	*27 April 2021 (10:00)*
FRA	**Dunstable Community Fire Station**	**29 April 2021 (10:00)**

For Publication

Bedfordshire Fire and Rescue Authority
11 February 2020

REPORT AUTHOR: **CHIEF FIRE OFFICER**

SUBJECT: **WORK PROGRAMME 2019/20**

For further information on this report contact: Nicky Upton
Democratic and Regulatory Services Supervisor
Tel No: 01234 845149

Background Papers: None

Implications (tick ✓):

LEGAL			FINANCIAL	
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	
CORPORATE RISK	Known	✓	OTHER (please specify)	
	New			

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To review and report on the work programme for 2019/20 and to provide Members with an opportunity to request additional reports for the Fire Authority meetings for 2019/20.

RECOMMENDATION:

That Members consider the work programme for 2019/20 and note the ‘cyclical’ Agenda Items for each meeting in 2019/20.

PAUL FULLER CBE QFSM MStJ DL
CHIEF FIRE OFFICER

FIRE AND RESCUE AUTHORITY – PROGRAMME OF WORK 2019/20

Meeting Date	'Cyclical' Agenda Items		Additional/Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
11 February 2020	Communications		Presentation by Daisy Byron on Rogue Landlords	Requested at the 17.12.19 FRA meeting.
	Blue Light Collaboration Strategic Board	Deferred to April		
	ASC Minutes from 06.12.19 (including Statement of Assurance)			
	Q3 Performance Report	Deferred to April		
	Q3 Projects and Programmes Update	Deferred to April		
	Revenue Budget and Capital Programme Monitoring			
	The 2020/21 Revenue Budget, Capital Programme and Council Tax setting			
	2020/21 Community Risk Management Plan	Added by ACO/DCFO		
	Treasury Management Strategy and Practices			
	Localism Act 2011 – Pay Policy Statement 2020			
	Proposed Indicators and Targets for 2020/21	Deferred to April		

	2019/20 Corporate Health and Safety Objectives to date and Proposed 2020/21Corporate Health and Safety Objectives	Deferred to April		
	Members' Allowances Scheme	Deferred from December		
	Calendar of Meetings for 2020/21	Deferred from December		
	Governance Review update following Members Development Day	Deferred to April		
	Information Bulletin (Q3 Oct – Dec)			
	Work Programme			

Meeting Date	'Cyclical' Agenda Items		Additional/Commissioned Agenda Items	
	Item	**Notes**	**Item**	**Notes**
30 April 2020	Communications			
	Blue Light Collaboration Strategic Board			
	ASC Minutes from 26.03.20			
	Q3 Performance Report	Deferred from February		
	Q3 Projects and Programmes Update	Deferred from February		
	Proposed Indicators and Targets for 2020/21	Deferred from February		
	2019/20 Corporate Health and Safety Objectives to date and Proposed 2020/21Corporate Health and Safety Objectives	Deferred from February		
	Governance Review update following Members Development Day	Deferred from February		
	Asset Management Strategy (reviewed every 3 years, next review 2021/22)			
	Disposal of Assets under the Scheme of Delegated Authority			
	Information Bulletin (Q4 Jan – March)			
	Work Programme			

For Publication

Bedfordshire Fire and Rescue Authority
11 February 2020

Bedfordshire
Fire and Rescue Service

Information Bulletin

October to December 2019

Personnel

Statistics Covering Period October to December 2019

Wholetime Uniformed Staff:

Strength as at 31 December 2019	291

Firefighters on the Retained Duty System:

Strength (Includes whole time retained)	149

Appointments:

Whole time Duty System	18
Retained Duty System	18
Support Staff	32

Leavers:

Whole time	23
Retained	21
Support Staff	16

Operations

Statistics for the Period October to December 2019

	Incident Statistics	2019/20 Q3
1	Total Incidents attended (Fires, Special Services and Fire Alarms)	1388
2	Total Fires Attended*	331
3	Primary Fires	212
4	Accidental Dwelling Fires	95
5	Non Domestic Property Fires	34
6	Chimney Fires	15
7	Fire Fatalities	0
8	Fire Injuries	11
	Total Special Service Attended	448
9	Road Traffic Incidents	134
10	Road Traffic Accident – Number of Extrications	24
11	Total Fire Alarms Attended	596
12	Malicious False Alarm	25
13	False Alarm Good Intent	211
14	Alarm caused by Apparatus	360
16	OTB Mobilised To	4

*Note: Total fires attended is not a total of the sub fire categories listed.

(Contact Mr A Turner, Service Performance Officer, Headquarters, Tel 01234 845022)

Incidents of Note

ROAD TRAFFIC COLLISIONS

Transportation RTC Up To 2 Persons (no LGV)
Shakespeare Road, Bedford
23 October 2019 – 1819 hours
Rescue Pumps from Bedford, Kempston and Specialist Rescue Unit. RTC involving 3 cars, 1 male casualty extricated by Fire Service using cutting equipment and small gear.

(Contact Station Commander J Clarke, Bedford and Harrold Fire Stations, Tel 01234 245507)

Transportation RTC 3 or more Persons
Thorncote Road Northill
16 November 2019 – 1458 hours
Rescue Pumps from Biggleswade, Shefford, Kempston, Rescue Unit from Kempston. 1 80 year old female trapped in car overturned in ditch. 1 child self-released before arrival of FS. Triple Extension Ladder Rescue Path Rhino Windscreen Cutter 30M line and Holmatro cutting equipment and life jackets used.

(Contact Station Commander A Lewington, Biggleswade, Potton, Sandy and Shefford Fire Stations, Tel 07717 275302)

Transportation RTC 3 or More Persons
Hatters Way, Luton
21 December 2019 – 0001 hours
Rescue Pumps from Luton, Stopsley and Rescue Unit from Stopsley. RTC involving one private vehicle and 50 seater coach with eleven passengers and one driver on board. One female casualty extricated from car with traumatic injuries in care of Air Ambulance. Eleven causalities and driver from coach assessed and confirmed with minor injuries by Ambulance Service. Holmatro small gear, peli lighting, hosemaster, sil support and Lukas ram, TIC in use. Scene safety maintained by police for both road and carriages of busway.

(Contact Station Commander S Brereton, Luton and Toddington Fire Stations, Tel 01582 875217)

FIRES

Fire Domestic House Upper Floor
London Road, Bedford
9 October 2019 – 1927 hours
Rescue Pump from Bedford. Fire in first floor bedroom of semi-detached house. 4 BA, 2 hosereels TIC in use. Tactical ventilations stage two. 1 dog removed from property suffering smoke inhalation and first aid rendered by Fire Service. Dog conveyed to vet by owner. Roof void and loft space investigated using TIC.

(Contact Station Commander J Clarke, Bedford and Harrold Fire Stations, Tel 01234 245507)

Fire Building persons reported
Havelock Road, Luton
13 November 2019 – 0039 hours
Rescue Pumps from Luton and Stopsley. Building fire in domestic property consisting of 2 floors, 80% damaged by fire. 3 adult casualties and 1 child casualty, 6 breathing apparatus under stage 1, positive pressure ventilation phase 1, 2 hose reel jets and 1 52ml jet in use.

(Contact Station Commander S Brereton, Luton and Toddington Fire Stations, Tel 01582 875217)

Fire Building Derelict
Upper George Street, Luton
10 December 2019- 1144 hours
Rescue Pumps from Luton, Stopsley, Dunstable, Toddington, Aerial Platforms from Luton, Bedford, ICU from Leighton Buzzard, OSU and Drone from Potton. Fire involving derelict nightclub consisting of basement and two floors, 50m x 30m. First floor 100% destroyed by fire, roof 50% destroyed by fire. 12 BA under stage two, 3 jets, 2 HR's and one AP used. Incident sectorised with sectors 1 and 3 active. Fire Service handed incident to Police for overnight scene guard, fire investigation to proceed in daylight.

(Contact Station Commander S Brereton, Luton and Toddington Fire Stations, Tel 01582 875217)

RESCUES

Special Service Lock In
Interchange Retail Park, Race Meadows Way, Kempston
10 September 2019 – 1147 hours
Rescue Pump from Kempston. 1 x 21 month old child locked in car and released by fire service using big easy tool and packexe glass management.

(Contact Station Commander S Williams, Kempston and Ampthill Fire Stations, Tel 01234 845023)

Rescue Water
Mill Lane, Kempston
22 November 2019 – 1548 hours
2 Rescue Pumps from Kempston and RBT from Bedford. 2 persons rescued from river prior to arrival of Fire Service. 1 adult male and 1 male child in care of Ambulance Service.

(Contact Station Commander S Williams, Kempston and Ampthill Fire Stations, Tel 01234 845023)

Rescue Animal Small
Fountains Road, Luton
23 December 2019 – 0509 hours
Rescue Pump from Luton. Small muntjack deer released from gate using holmatro equipment special service now complete.

(Contact Station Commander S Brereton, Luton and Toddington Fire Stations, Tel 01582 875217)

Letters of Appreciation or Complaint

Complaint:

No complaints (past Stage I) have been received for this period.

Appreciation:

We continue to receive letters of appreciation from members of the public, schools and organisations that we visit and/or assist with charitable events.

The following is a selection:

Thank you from **Member of the Public**:

"I just wanted to say a massive thank you to the fire crew that attended a fire in Shortstown yesterday at the local park. Not just for putting the fire out but my son and his friend were having their birthday party in the village hall. The fire crew let the boys sit in the fire engine which they absolutely loved! Honestly cannot thank them enough, a small gesture like that made for 2 very happy little boys!!"

Thank you from **Paramedic**

"I wanted to pass on my thanks and gratitude for I believe White watch at Studley and the rescue van from Stopsley who attend and assisted myself and colleagues on Sunday 13th October. We were on scene dealing with a cardiac arrest when an incident evolved directly outside involving a major trauma patient, meaning we had to split up and treat both patients. Extrication for the cardiac arrest was going to be difficult due to several factors so we requested assistance from BFRS. Your crew were fantastic, offering help wherever possible, professional throughout and although the outcome was not what we wanted and extrication no longer required they remained on scene and assisted us with carrying out the families wishes on where they wanted their loved one to be. We all fully appreciate their help on a job which was both clinically and emotionally challenging throughout. Please can you pass this to the relevant at Stopsley for the 2 guys that came out also."

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