Bedfordshire
Fire and Rescue Service

2021/22 BUDGET BOOK

AND

MEDIUM-TERM FINANCIAL STRATEGY

2021/22 to 2024/25

<u>CONTENTS</u>

INTRODUCTION AND BACKGROUND

Welcome to the Budget Book for 2021/22 that includes key strategic financial information and documents such as the Medium-Term Financial Strategy (MTFS).

The Fire and Rescue Authority set the 2020/21 budget on 11 February 2021. It is a budget that takes into account the aims and objectives of the Service and prioritises the resources available for frontline services.

There has been a considerable amount of work towards the 2021/22 budget setting undertaken during 2020/21. This included a robust review and scrutiny of budgets by the Head of Finance/Treasurer and Principal Officers, review and challenge meetings by the Corporate Management Team and two Member budget workshops. This work has covered both the revenue budget and the Capital Programme.

Outcome of Comprehensive Spending Review (CSR) and Formula Funding

The final settlement for 2021/22 is shown below. There is a 0.6% increase from 2020/21 to 2021/22 of the settlement funding assessment. The attached MTFS uses prudent assumptions and estimates for the years 2022/23 to 2024/25.

Table 1: Formula Funding Settlement

	2020/21 £m	2021/22 £m	% change
Revenue Support Grant (RSG) *	2.320	2.333	0.6%
Business Rates baseline funding	5.942	5.942	0.0%
Settlement Funding Assessment	**8.262**	**8.275**	**0.0%**

Budget and Precept for 2021/22 and the Medium-Term Revenue Plan

In setting the budget for 2021/22, the Authority took into account the implications for the following year's financial strategy, namely 2022/23 to 2024/25. 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.

The 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 formula funding and council tax funding.

The Medium-Term Plan assumes that the Authority will achieve year-on-year cashable efficiencies.

The final 3 financial years of the MTFS will be reconsidered annually in future budget setting rounds.

Based on the assumptions and proposals noted, Table 2 below details the key budget information. The budget requirement for 2021/22 was set at £31.713m.

Table 2: Key Budget Information

	2020/21 £m	2021/22 £m	Change £m
Budget Requirement (£m)	**31.063**	**31.713**	0.650
Funded by:			
Precept Requirement (£m)	21.880	22.193	0.313
Central and Local Government Funding (£m)	8.461	8.578	0.117
Section 31 Business Rates grant	0.050	0.293	0.243
Collection Fund surplus/(deficit)	0.368	(0.314)	(0.682)
Business Rates Levy redistribution	0.303	0.310	0.007
New Local Council Tax Support Grant (to compensate for taxbase reductions)	0.000	0.399	0.399
Use of Collection Fund Deficit Reserve	0.000	0.254	0.254
Funding Total (£m)	**31.063**	**31.713**	0.650
Tax Base (Band D equiv. properties)	217,906	216,704	(1,202)
Band 'D' Council Tax	£100.41	£102.41	£2.00

The Section 31 grant included in the table above was new in 2014/15 and is a payment from Government to compensate for the 2% cap on business rates announced by the Chancellor in his autumn statement. The business rates normally increase in line with the Retail Price Index (RPI). The Grant also covers compensation for small business rate relief, retail relief and long term empty property relief.

Table 3 below details the Council Tax per band. As there is a 2% (1.99%) increase from the previous financial year's level, there are updates to all of the valuation bands. The Council Tax of £102.41 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	68.27
B	7/9	79.65
C	8/9	91.03
D	1	102.41
E	11/9	125.17
F	13/9	147.93
G	15/9	170.68
H	2	204.82

Table 4 below details the 2019/20 precepts that the Authority levies on the three councils for the Council Tax set, the Collection Fund surpluses and the Business Rates.

Unitary Councils	£ Council Tax	£ (Deficit)/surplus	£ Business Rates
Bedford Borough	6,033,895	-272,588	674,836
Luton Borough	5,231,768	-391,424	652,871
Central Bedfordshire	10,926,942	-531,918	1,077,819
Total	**22,192,605**	**-1,195,930**	**2,405,526**

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 associated parishes.

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 in 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. It is recommended that the 2019/20 underspend is allocated to the Transformation reserve. The 2017/18 underspend was allocated here too.

<u>Medium-Term Capital Programme</u>

The Authority's Capital Programme to date has been mainly funded by Government Grant and loans.

In the 2012/13 financial year, the Authority received £1.058m of Fire Capital Grant. The 2013/14 and 2014/15 financial years were subject to a bidding round. The Authority did not receive any funding for bids but did receive an allocation from the residual monies post successful bids, which was £0.832m in each year.

For 2015/16, there was again a bidding round for £75m revenue and capital. The prior capital funding of £70m per annum was reduced to £40m and £35m was top sliced from revenue funding to create the £75m funding pot.

The Authority was successful in one individual bid for a Retained Duty System review including new communications hardware £308k and two joint bids. The joint bids were with eight other Fire and Rescue Services to set up insurance pool £220k in total and £1.4m with two other Fire and Rescue Services for IT Service Transformational Efficiency Programme (STEP) developments.

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 was a base budget revenue contribution of c.£1.3m per annum from 2016/17 to 2019/20. In 2021/22 a contribution from revenue of £0.458m with a further £0.580m coming from existing capital receipts and reserves. This is with the assumption that capital grants are not forthcoming. If the capital funding from 2021/22 changes, the base budget revenue contributions could reduce.

The Capital Programme, as per the approved timetable, has followed the same robust challenge/scrutiny route as the revenue budget. The Capital Strategy Team also reviewed and assessed the bids made, approving the schemes that are contained on page 12 the 2020/21 Capital Programme.

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

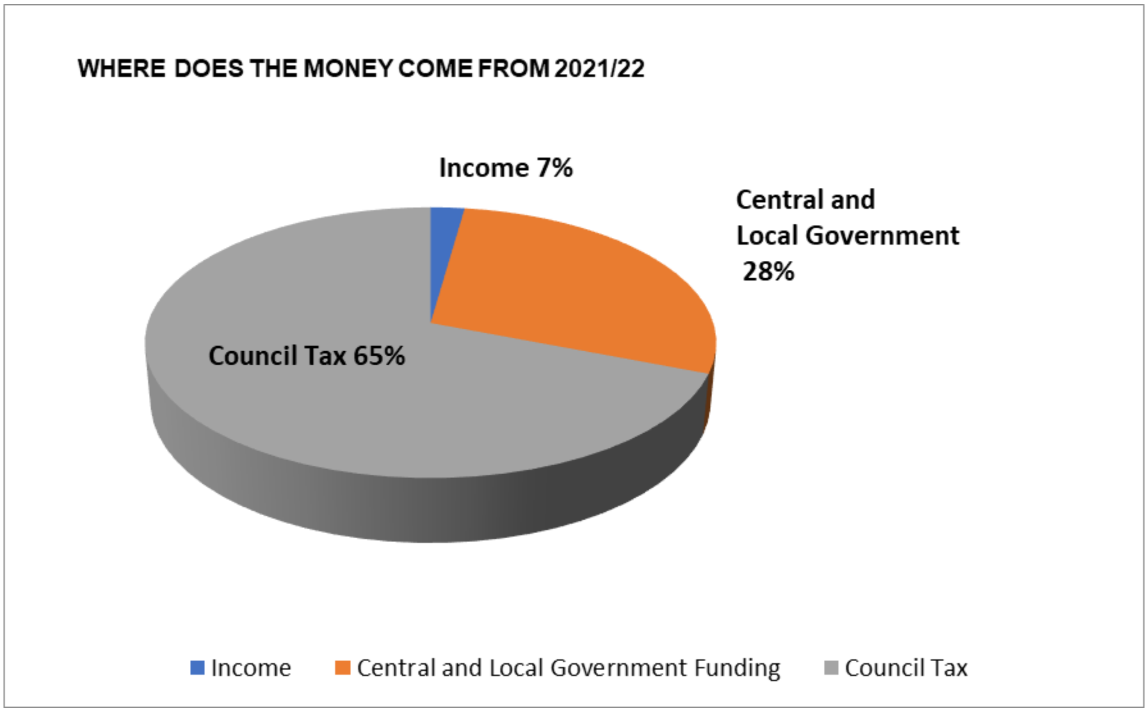
- Investment in our vehicle fleet, to maintain efficient, economic and effective appliances.
- Investment in IT infrastructure and hardware.
- Investment in the modernisation of our buildings and community provision.

Medium-Term Financial Strategy

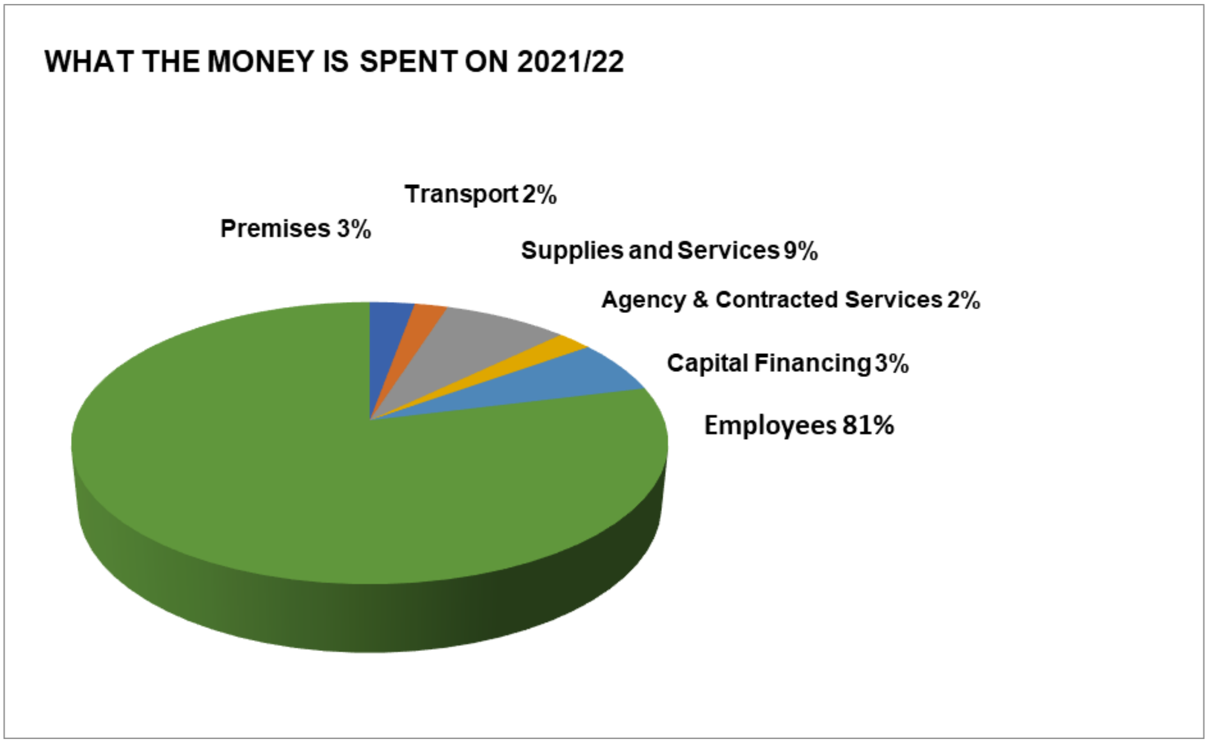
The Medium-Term Financial Strategy is a document that sets the Authority's financial strategy for the next four years. It focuses on the 2021/22 Revenue Budget and Capital Programme, but also sets the scene for future years. It covers national events such as the Comprehensive Spending Review (CSR) and then breaks down how this impacts locally on the Authority.

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 tax base, efficiencies and shared services.

WHERE THE MONEY COMES FROM



WHAT THE MONEY IS SPENT ON



Funding the 2021/22 Budget

	£
2020/21Budget	**32,035**
Full-Year Effects and Forecast Variations to Budget	(213)
Inflation	210
Budget Pressures	(928)
Less Funding to/(from) Reserves	609
Budget Requirement 2021/22	**31,713**
Financed by:	
Central and Local Government Funding	10,716
Precept	22,193
Collection Fund Surplus/(Deficit)	(1196)
Total Financing	**31,713**

	2020/21 £000's	Original 2021/22 £000's	Proposed 2021/22 £000's	Proposed 2022/23 £000's	Proposed 2023/24 £000's	Proposed 2024/25 £000's
Base Budget	**30,328**	**32,035**	**32,035**	**31,104**	**31,988**	**32,995**
Removal of 3% Fire Fighter Pay increase 2020/21 from Base Budget (will review pay award EMR)	0	0	-575	0	0	0
Increase to LGPS pay 2020/21 2% budgeted but 2.75% agreed	0	0	42	0	0	0
Firefighter Salaries differences between pensions and scales due to retirements and recruitment	470	-225	0	0	0	0
Additional Bank Holidays	3	3	3	3	3	3
FF Pensions changes	-23	-23	-23	0	0	0
To capture additional FF employer costs	0	0	1,700	0	0	0
Offset by grant	0	0	-1,700	0	0	0
Reduction in Minimum Revenue Provision (MRP) relating to borrowing costs on previous years vehicles	0	-140	-140	-11	-11	0
Budget Realignment	-2	0	308	-51	31	0
Apprenticeship Levy	2	2	2	2	2	2
SCAPE (FF Pensions Scheme) Costs from 01/04/2019. Grant from 21/22	0	750	0	0	0	0
Local Government Superannuation Revaluation Lump Sum	64	10	10	9	60	20
Increase in Local Government Superannuation Employer Contributions (17.3% to 20.5%) in 20/21	137	0	0	0	0	0
Total Base Budget Adjustments	**651**	**377**	**-373**	**-48**	**85**	**25**
Forecast Variations						
Investment Interest Decrease/(Increase)	-25	-10	50	0	0	0
Revenue Contribution to Capital	-1,076	1,084	138	663	430	1,464
Creation of New Corporate Reserve for future Pensions contributions, then removal	1,000	-1,000	-1,000	0	0	0
Non-Uniform Incremental Drift	79	0	75	41	22	20
Transformational Savings/Efficiencies	-303	-237	-181	-239	-184	-100
Scrutiny Panel Decisions	-50	65	-10	0	0	0
Total Forecast Variations	**-375**	**-98**	**-928**	**465**	**268**	**1,384**
Inflation						
Fire-fighters pay - 2% 1 April to 30 June 2021, then 0% followed by 2% following years	160	183	71	0	73	75
Fire-fighters pay - 1 July 2021 to 31 March 2022 (0% 2021, then 2% each following year)	524	220	0	220	224	228
Retained Pay (As per Fire-Fighters) April to June	97	55	22	0	23	24
July to March			0	30	40	41
Control pay (As per Fire-Fighters) April to June	69	26	14	0	14	14
July to March			0	20	20	20
Non Uniformed pay (0% effective from 01/04/2021, then 2% thereafter)	112	115	0	121	123	126
Member Allowances	2	2	0	2	2	2
Gas, Electricity, Water and Derv Inflation	19	27	27	28	30	31
Prices/Contract Inflation 2021/22 - 2024/25	75	76	76	78	81	82
Total Inflation	**1,058**	**704**	**210**	**499**	**630**	**643**
Budget Pressures						
FMS3' bids (Current Year MTFP process)	477	199	480	167	80	62
FMS3' bids (Previous Years MTFP process)	-104	-320	-320	-199	-56	0
Estimated Net Revenue Expenditure	**32,035**	**32,897**	**31,104**	**31,988**	**32,995**	**35,109**
Contribution to/from Transformational Earmarked Reserves	*-973*	*-1,101*	*609*	*116*	*-140*	*-1,482*
Estimated Budget Requirement	**31,063**	**31,796**	**31,713**	**32,104**	**32,855**	**33,628**
Budget Requirement Increase Year on Year	**1,226.7**	**1,506.0**	**650.9**	**307.4**	**1,141.6**	**1,523.6**
% Budget Increase	**4.1%**	**5.0%**	**2.1%**	**1.0%**	**3.6%**	**4.7%**

	2020/21 £000's	Original 2021/22 £000's	Proposed 2021/22 £000's	Proposed 2022/23 £000's	Proposed 2023/24 £000's	Proposed 2024/25 £000's
Financed by:						
Revenue Support Grant (RSG): expected to cease in 2022/23 and be included within increased business rates funding	2,320	2,320	2,333	2,333	2,333	2,333
Business Rate Baseline	2,302	2,414	2,405	2,429	2,453	2,478
Business Rate Top Up	3,839	3,901	3,840	3,878	3,917	3,956
S31 from Multiplier cap and Small Business Rate Relief	50	0	293	293	293	293
Business Rates Grant (under indexing the multiplier compensation)	303	236	310	310	310	310
Collection Fund Surplus/(Deficit)	368	200	-1,196	-83	-83	0
Use of Collection Fund Deficit Reserve	0	0	254	83	83	0
Council Tax (the remainder)	21,880	22,726	22,193	22,860	23,549	24,257
New Local Council Tax Support Grant (to compensate for taxbase reductions)	0	0	399	0	0	0
Estimate of new 75% Collection Fund relief			37	0	0	0
Business Rates retail, nursery relief (NNDR 1 and 3 timings)	0	0	845	0	0	0
	31,063	**31,796**	**31,713**	**32,104**	**32,855**	**33,628**
Band D equivalent Tax base	217,906	221,910	216,704	218,871	221,060	223,270
% change on Band D's	2.30%	1.84%	-0.55%	1.00%	1.00%	1.00%
Leading to an average council tax (Band D) of	100.41	102.41	102.41	104.45	106.53	108.65
% increase	***1.99%***	***1.99%***	***1.99%***	***1.99%***	***1.99%***	***1.99%***

Use of Transformational Reserves Summary	**Proposed 2020/21 £000s**	**Proposed 2021/22 £000s**	**Proposed 2021/22 £000s**	**Proposed 2022/23 £000s**	**Proposed 2023/24 £000s**	**Proposed 2024/25 £000s**
Transformational Earmark Reserve for Budget Setting	3,507	2,485	2,502	2,861	2,727	2,337
2019/20 year end underspend contribution	17	0	0	0	0	0
Contribution to/from Transformational Earmarked Reserves	-973	-1,101	609	116	-140	-1,482
Annual use of Transformational Reserve for Strategic Projects and Improvements	-250	-250	-250	-250	-250	-250
Reduction of General Reserve from £2.6m to £2.4m in 20/21, with potentail to reduce to £2.1m	200	0	0	0	0	200
Net Balance Transformational Earmark Reserves	**2,502**	**1,134**	**2,861**	**2,727**	**2,337**	**805**

Transformational Savings and Efficiencies 2021/22 to 2024/25

Savings/Efficiencies	£'000s 2021/22	£'000s 2022/23	£'000s 2023/24	£'000s 2024/25
Income from Property Rents & Collaboration	5			
Collaboration Savings/Income				
Change of 4th Area Commander post to Green Book Head of Service (subject to natural turnover)	15			
Energy Management Savings (Insulation & works following bid for grant)	5	5		
Team review/restructure	13			
Efficiencies from Operational Review	64	229	189	100
New for 2021/22 Budget Setting Process				
Freedom of Information and Customer Complaints software	6			
Corporate Telephony	20			
Income from Workshops Non business Activity	25	5	5	
Post sharing - work on Fire Investigation ISO17020 project (part time post shared with Cambs & Herts FRS)	10		-10	
Saving from cessation of software, linked with new purchase of GIS and Data modelling solution	18			
	181	**239**	**184**	**100**

2021/22 SUPPORTED REVENUE BUDGET BIDS (FMS 3s)

Budget Bids Agreed;

Description	2021/22	2022/23	2023/24	2024/25
Grey and Green Book Fire Safety Advisors	45,400	45,400		
Registration and Accreditaion with Professional Fire Safety Bodies	0	5,000	0	0
HMO Fire Safety Inspector Post	0	47,300	0	0
PPE for Rope Rescue platforms at Dunstable	30,000	-27,000	0	0
Business Management Information System (BMIS)	103,000	66,500	66,500	66,500
ACFO post under consideration by CFO/FRA (see capital too)	162,000			
Programme/Project Office team resourcing	50,000			-50,000
GIS and Data Modelling solution (see capital too, shows net rev cost)	90,000	45,000	45,000	45,000
	480,400	**182,200**	**111,500**	**61,500**

Summary of Subjective analysis

2019/20 £'000's		2020/21 £'000's
(587)	**Income**	**(769)**
	Employees	
14,398	Uniformed	15,291
1,875	Retained	2,008
1,065	Control	1,135
5,688	Non-Uniformed	6,315
885	Indirect Employee costs	853
23,911	**Total Employees**	**25,602**
	Premises	
58	Cleaning and Grounds Maintenance	57
245	Heating and Lighting	245
545	Insurance, Rents and Rates	543
243	Repairs and Maintenance	248
1,091	**Total Premises**	**1,092**
	Transport	
143	Maintenance	142
355	Car Allowances	355
178	Fuel and Oil	176
676	**Total Transport**	**673**
	Supplies and Services	
66	Subscriptions	66
3	Bank Charges	3
320	Clothing and Uniforms	320
163	Operational Equipment	201
1,759	Information Technology	1,122
63	Hydrants and Breathing Apparatus Maintenance	63
72	Catering and Catering Equipment	69
79	Printing and Photocopying	79
14	Stationery	14
51	Subsistence	26
127	Telephones	127
937	Other Supplies and Services	1,014
3,654	**Total Supplies and Services**	**3,104**
668	Agency	705
2,251	Capital Financing	2,175
31,663	**Net Revenue Expenditure**	**32,614**
(85)	Transformational Efficiency Savings	(328)
(1,742)	Reserves Funding	(1,223)
29,836	**Budget Requirement**	**31,063**

Capital Programme 2020/21 to 2023/234

Bedfordshire Fire and Rescue Authority Capital Programme	**Capital Budgets 2020/21 £000's**	**Capital Budgets 2021/22 £000's**	**Capital Budgets 2022/23 £000's**	**Capital Budgets 2023/24 £000's**
Scheme				
<u>Fleet:</u>				
Vehicles/associated equipment (See bid sheet for detail)	505	1,072	230	1,247
<u>ICT Projects:</u>				
IT Developments				
ICT New Various (See bid sheet for detail)	597	350	50	737
IT & Communications				
Primary Network Switch replacement	100	0	0	0
Local Area Network (LAN) Active Components Replacement	120	0	0	0
General:				
Capital Works - Service Wide (lighting replacements, CCTV, fire protection, etc) - All locations	86	52	27	30
Drill yard resurfacing (Biggleswade, Luton, Woburn)	0	0	20	0
WC/Shower facility refurbishments (Ampthill, Harrold, Workshops, Training, Luton)	0	0	25	25
Heating - boiler replacements (Ampthill, Bedford, Woburn)	23	0	0	26
Bay Floor replacements (Bedford, Biggleswade, Potton, Shefford, Toddington)	0	65	0	38
Dormitory refurbishment (Bedford, Luton)	0	0	30	10
Station Kitchen Refurbishments (Biggleswade, Leighton Buzzard, Stopsley)	0	0	21	0
Fitness Equipment Expenditure	15	5	5	15
Kempston Station - Mess Deck Refurbishment	12	0	0	0
Dunstable Fire Station - External Rope Rescue Training Rig (WAH wkng at height)	15	0	0	0
Dunstable Fire Station - Internal Rope Rescue Training Platform (WAH wkng at height)	10	0	0	0
Improved provision of female showers/toilets at Stopsley Station	22	0	0	0
Replacement Printer - Democratic Support	0	0	0	0
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**

Bedfordshire
Fire and Rescue Service

BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Medium-Term Financial Strategy

2020/21 – 2023/24

CONTENTS

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

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

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.

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

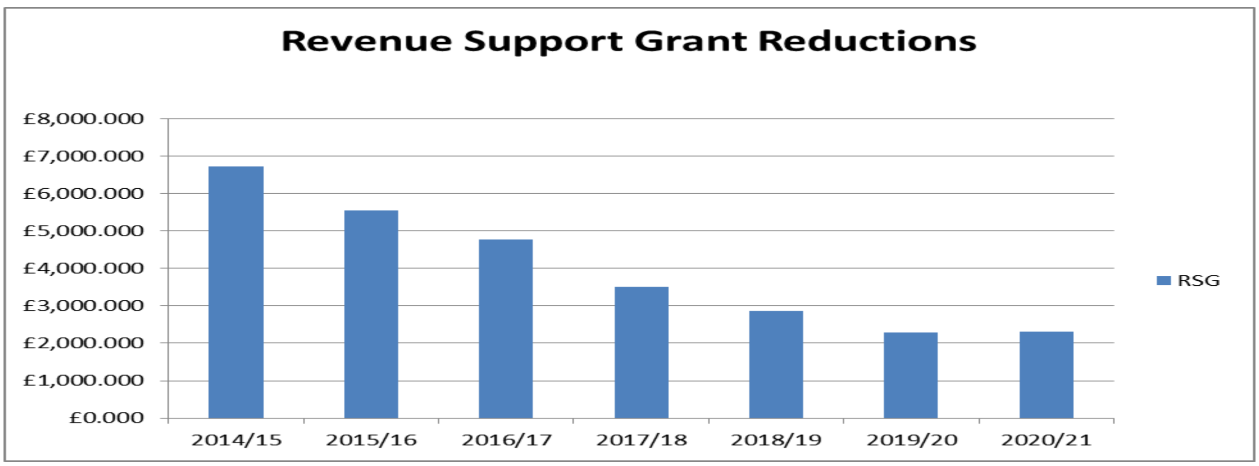
Settlement Funding Assessment	**8.130**	**8.262**	**1.6**

* 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 £235,000 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

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	1,484	1,518	1,518	1,518
Firefighting & Rescue	15,547	16,988	17,271	17,625
Emergency Response Support	2,777	2,746	2,766	2,787
Training & Development	1,618	1,608	1,608	1,608
Human Resources	1,721	1,818	1,706	1,792
Corporate Support	6,146	6,695	6,706	7,462
IT & Communication	1,973	1,683	1,627	1,571
Strategic Management	1,098	1,088	1,088	1,088
Transformational Efficiency Savings	-328	-247	-195	-190

New Pensions Reserve	0	0	0	0
Net Revenue Expenditure	**32,036**	**33,896**	**34,096**	**35,262**
Contribution to/(from) Transformation Reserve	-973	-1,101	-340	-508
Budget Requirement	**31,063**	**32,796**	**33,757**	**34,754**

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.

<u>Uncertainties:</u>

- 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:

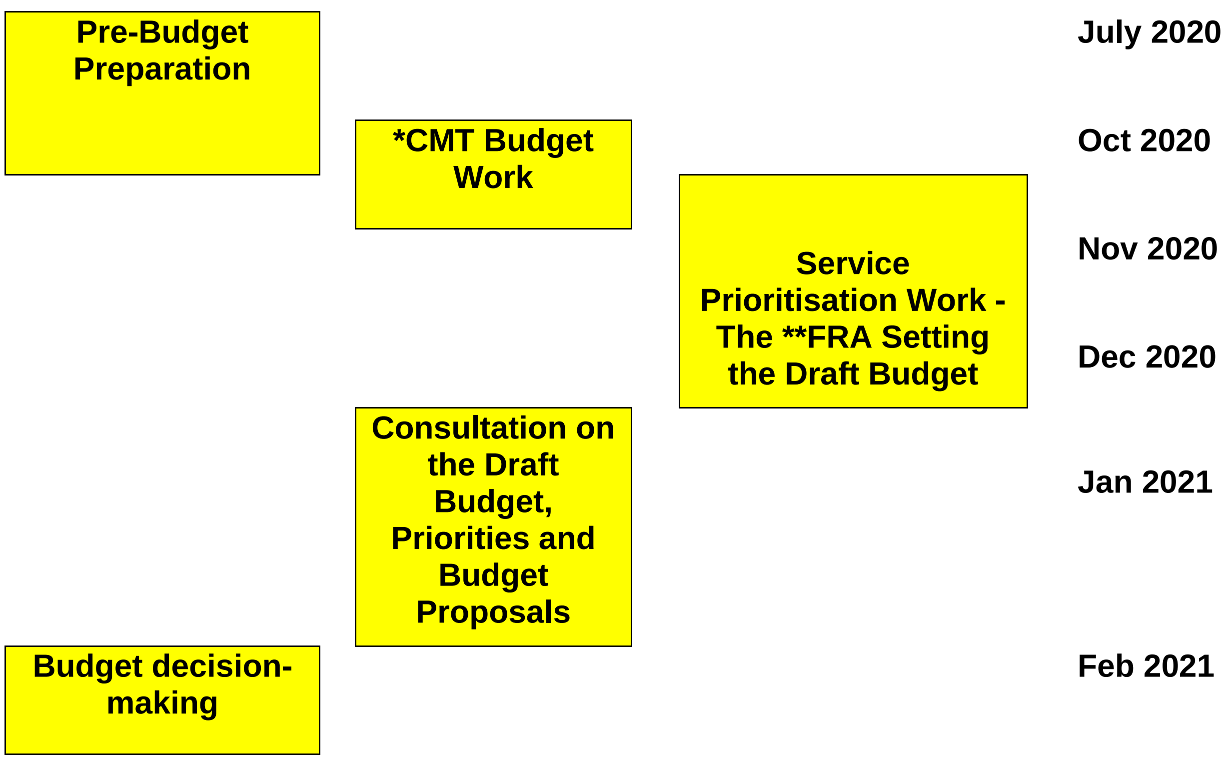
The Authority is committed to achieving and maintaining fit for purpose, quality data enabling sound decision making and informed planning. This is vitally important with key documents, such as this MTFS and the Authority seeks to continually improve the quality characteristics of such data with particular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



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

Reserves Strategy – Budget 2021/22 to 2024/25

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 three year Spending Review, potential Funding Formula changes and Business Rates Retention all scheduled for 2022/23. There are also new pressures from the pandemic.

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. This has reduced, as planned, 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 2021/22 to 2024/25 MTFS assumes that there will be utilisation of the Transformation Reserve for budgeting and transformation/innovation purposes. It forecasts that this reserve will be usable beyond 2024/25. The MTRP details the utilisation of General Reserve (line 79).

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, Pensions/Pay uncertainties, budget pressures and new for 2021/22 a Collection Fund deficit reserve. These reserves and the potential pressures that need to be managed are reviewed as part of the budget setting process. The review of reserves in year and the forecast of a forecast large Collection Fund deficit, led to the FRA in October 2020 establishing an earmarked reserve for this from the 2020/21 year end underspend.

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 7.5% to 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.

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 with three years of annual settlements, with a three year CSR anticipated for 2022/23 onwards.
- Potential changes in the grant funding methodology from 2022/23 onwards – Formula Funding Review, Business Rates 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 2022/23, 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 reserve has been set up to cover this and the unknown cost of employer contributions and Administrator payments.
- Any impacts from Brexit and supplies still could have a financial impact.
- Collection Fund deficits and the volatility of the taxbase during and post the pandemic.

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.

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.

5.5 The earmarked reserves are detailed in Table 2 below.

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
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
Pensions/Pay reserve (£1m set as part of the 2020/21 budget)	1,000
Total Requirement	**2,925**

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 £564k
- Collection Fund Reserve (after allocations as part of 2021/22 budget setting, the balance will be £370k).

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)

Bedfordshire
Fire and Rescue Service

BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Capital Strategy

Contents

1. **Introduction**

1.1 This Capital Strategy outlines how Bedfordshire Fire and Rescue Authority intend to optimise the use of available capital resources to assist in achieving its objectives. The strategy therefore sets out the corporate framework for planning and financing capital in pursuit of the Authority's objectives.

1.2 Capital expenditure is a considerable cost to the Authority and it is necessary to ensure that work, projects and equipment of a capital nature are properly identified, evaluated and prioritised whilst ensuring associated revenue implications are fully understood and affordable.

1.3 Historically, the Authority has used a number of sources of capital financing to fund capital projects, including borrowing, specific grants, capital receipts, revenue contributions and leasing.

1.4 The Authority is committed to ensuring that Value for Money (VFM) is embedded in the decision making process, and the Capital Strategy takes account of the concept of VFM through the capital decision making framework that is in place.

2. **The Role of the Capital Strategy**

2.1 The Capital Strategy has a significant role to play in assisting the Authority to achieve its objectives. The Authority has a vision of 'to provide an excellent Fire and Rescue Service' and within this vision has two strategic aims:

- To maximise the safety of our communities by whatever means possible.
- To deliver a modern, well managed and effective Fire and Rescue Service of which we can all be proud.

2.2 It is essential that the Authority has a capital portfolio that fully supports the vision and priorities that have been set. It is also essential that the provision of appropriate capital assets considers all aspects of VFM, ensuring benefit for the Authority and the local taxpayer.

2.3 The purpose of this strategy is therefore to provide a framework that transparently demonstrates how the investment of capital resources contributes to the achievement of the vision and key priorities set out in the Corporate Plan and Community Risk Management Plan (CRMP).

2.4 **The Strategy:**

- Shows how the investment of capital resources contributes to the achievement of key priorities set out in the Strategic Plan.
- Provides a framework for the consideration of capital options that are competing for scarce capital resources.
- Provides a framework for the management and monitoring of the capital programme.
- Sets out the processes for generating capital investment proposals and the appraisal of options.
- Demonstrates how the revenue implications of capital investment are taken into account.
- Raises the profile of capital and asset management with Members, staff, partners and the public, to ensure the economic, efficient and effective use of the Authority's assets.

2.5 By implementing the Capital Strategy, the Authority has a framework in place to consider and implement recommendations from the Strategic Asset Management Plan (AMP) and the individual asset management plans for Land and Buildings, Vehicles and Operational Equipment and ICT. This approach will also ensure that capital investment is sustainable, and VFM is routinely considered across all aspects of capital investment.

3. Managing the Capital Strategy

3.1 A Capital Strategy Team (CST) will oversee all developments relating to the use and management of capital resources in respect of the capital programme, ensuring that asset planning, acquisition, financing and use is consistent with the Strategic Plan and CRMP.

3.2 The CST will ensure that the capital programme is formulated so as to support the delivery of the Authority's priorities. The broad role of the CST will be to oversee:

- Preparation of the capital programme.
- Assessment of the capital programme bids.
- Assessment of capital value for money considerations.
- Advise the Corporate Services Policy and Challenge Group of ongoing and imminent capital schemes.
- The commissioning of post implementation reviews.
- Assessment of revenue implications of the capital programme and individual schemes.
- Informing the content of the Medium-Term Financial Plan in relation to capital expenditure and associated revenue implications.

3.3 The CST will also oversee compilation and review of the Asset Management Strategy and ensure that information flows between the Capital Strategy, AMPs, ICT Strategy, HR Strategy, Service Delivery Strategy and the Medium-Term Financial Strategy.

3.4 The Membership of the Service's Capital Strategy Team is as follows:

- Chief Fire Officer
- Deputy Chief Fire Officer
- Head of Finance/Treasurer
- Specialist staff seconded to the CST as required

3.5 The CST is supported by a Capital Working Group, as and when required,to assist in developing capital investment submissions for consideration by CST, and to prepare the capital programme based on CST recommendations. The membership of the Group is as follows:

- Treasurer (Section 151 Officer)
- Chief Accountant (Deputy Section 151 Officer)
- Property Manager
- Strategic Support Manager
- Information Systems Manager

4. The Capital Strategy and the Strategic Planning Process

4.1 The Capital Strategy will reflect the key strategic plans of the Authority. It is essential that all key strategic documents produced by the Authority inform the Capital Strategy, and it is equally important that strategic documents give consideration to the capital framework that is in place when considering proposals that impact on assets and capital expenditure.

4.2 The strategic planning process links the key plans and strategies of the organisation including the CRMP and the MTFS.

5. The Role of Partnerships

5.1 The Authority recognises that strategic priorities can only be achieved by working in partnership with other agencies.

5.2 The advantages of partnership working are clear. With Government funding streams becoming increasingly target based and focused on partnership working, the benefits of partnership working could include access to additional sources of funding for the Authority.

6. **Key Strategic Priorities and the Capital Strategy**

6.1 As explained within the MTFS, the Authority's strategic priorities are driven by the Authority's vision of 'to provide an excellent Fire and Rescue Service' together with its aims and objectives. These are realised through a number of strategic priorities identified through a process of Strategic Assessment, which in turns guides the production of the annual CRMP and the specific priorities, projects and programmes within it. The implications of these for capital expenditure are reflected within the Capital Strategy and Programme.

6.2 The process of risk assessment inherent within the CRMP, ensures that the Authority fully understands the nature and extent of the risks to the community and the actions that need to be prioritised to address these risks. The Plan sets out how to reduce these risks, as well as how to deliver services effectively, taking account of external influences such as the National Framework, national assessment processes, improvement plans and the financial resources available to the Authority.

6.3 The Capital Strategy is designed to assist in achieving these objectives and priorities. By ensuring that the Authority's capital assets are appropriate to the demands that the Corporate Plan places upon them, financial planning can ensure resources are sustainable in the years ahead.

6.4 The practical implications of how the Capital Strategy supports the Authority's planning by providing information relating to the links between the strategic priorities of the Authority, are set out in the following section.

6.5 Consultation is a key aspect of setting strategic priorities, and the Authority undertakes detailed consultation with the public in relation to the CRMP.

7. **Links between Strategic Priorities and Capital Investment**

7.1 The Authority recognises that there is a requirement to invest in capital assets to realise its strategic priorities. The Capital Strategy has four key strands to its approach to capital investment and asset maintenance:

7.1.1 *Buildings:*

Repairs and Maintenance investment in 'fit for purpose' fire stations and buildings is essential in providing a community safety service that meets the demands of a modern fire and rescue service. The Authority has undertaken a complete review of its existing premises and, by investing in existing property maintenance, the Authority can continue to provide building assets to meet its strategic aims.

7.1.2 *Capital Investment:*

The Authority has historically provided a significant element of capital funding for the replacement or ongoing enhancement of building stock. However, the Fire and Rescue Service improvement agenda requires the Authority to assess existing building stock and take consideration of the role of community fire stations and how this impacts on the existing estate. A recent example of this approach is the newest Fire Station at Dunstable, which was designed to meet the needs of staff and the public. Investment in the station was related to all of the strategic priorities and the CRMP, and has resulted in a modern fit for purpose Community Fire Station that provides an asset for the benefit of the local communities. The Authority recognises that there is a requirement to invest in the building stock and has undertaken a review of building assets with a view to producing options for improvement and replacement in line with the CRMP. Additionally, future capital investment decisions will need to be mindful of the Public Sector Equality Duty.

By investing in existing building stock and identifying requirements for new buildings, the Authority can demonstrate a commitment to meeting its strategic priorities through capital investment. It is recognised that the community engagement agenda and associated improvement to building stock will require capital investment. This investment requirement has been acknowledged by the Authority – see section 9.

7.1.3 *Vehicles and Equipment*:

The Authority plans for vehicle and equipment replacement over generally a fifteen year period. The Authority is committed to ensuring that its front line appliances, which provide vital means of responding to incidents, are fit for purpose. To this end, a twelve/fifteen year lifespan policy for rescue pumps and special appliances has been adopted.

The replacement programme is fully costed and is included within the capital programme and Medium-Term Financial Strategy. The Authority's Capital Strategy acknowledges the necessity of ensuring that adequate provision is made for new and replacement equipment as appropriate. The ongoing replacement programme demonstrates value for money by replacing appliances and equipment within the most appropriate timescales. Vehicles are rotated between stations to ensure that there is a more equal use of them. For example, retained stations pumps where use may be low, may be swapped with Luton where use is the highest. Increasingly, the CRMP has required the Authority to examine alternative types of vehicles and, to this end the Authority is examining alternative vehicles that may offer increased efficiency and improved value for money. The Authority also has regard to the National Procurement Strategy when considering capital acquisitions.

7.1.4 *National Modernisation Projects:*

The Authority is committed to the Government's strategy of preparedness in order to deal with the impact of any exceptional incidents that could occur within the country. The Capital Strategy takes into account the need to ensure that the Authority's building infrastructure is capable of providing the necessary support for this type of work. The Authority has been committed to supporting national projects aimed at ensuring there is a resilient infrastructure in place to deal with large scale and widespread incidents.

The FiReControl project that was due to provide a regional control centre in Cambridge ceased. The Authority is now replacing its own mobilisation system in conjunction with Essex FRS. The Authority was successful in 2011/12 in securing a DCLG grant of £1m to fund this work in collaboration with Essex FRS.

Firelink will provide a wide area radio network offering resilience and inter-operability between fire and rescue services. New Dimensions grant cover local costs associated with hosting and maintaining skills associated with national resilience vehicles. The Authority expects to continue to receive both grants.

8. **Capital Resourcing**

8.1 There are numerous methods of financing the capital programme. Historically, the Authority has utilised borrowing, leasing, capital grants, capital receipts and revenue contributions to fund the capital programme.

8.2 The Authority has identified the need to review its estate and ensure that buildings are fit for purpose and meet the requirements of the public and staff.

8.3 The Authority undertakes an assessment of the most cost-effective means of funding the capital programme. Future programmes that include increased expenditure in relation to building works will be assessed according to capital investment criteria including:

- Expected duration of service for new assets.
- Potential for fundamental changes to service provision over a twenty-five year period.
- Likelihood of alternative methods of finance becoming available over the short to medium-term.
- The revenue implications of capital expenditure.
- Demonstrating VFM.

8.4 The Local Government Act 2003 introduced a new Prudential regime for capital expenditure. Local Authorities are free to borrow if they can afford the debt without extra government support. Authorities must, however, demonstrate to Members that capital spending plans are affordable, sustainable and prudent.

8.5 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code requires the Authority to report a number of key prudential indicators. Authorities are free to undertake unsupported prudential borrowing, subject to meeting certain criteria.

9. Resource Allocation

9.1 The existing capital programme is mainly concentrated in the areas of premises and vehicle acquisition. Resource allocation has, in the past, matched the requirements of the capital programme, subject to this being affordable.

9.2 Any capital expenditure bid requires an investment appraisal process to be followed that assesses the suitability of the proposed capital works against key criteria. These bids will be considered by the Capital Strategy Team as part of the medium-term and annual budget setting process.

9.3 Resources will be allocated to specific projects depending on the outcome of the assessment of capital bids (see 8.4).

10. Capital Programme – Implementation and Monitoring

10.1 Capital resources are dependent on capital receipts, capital grants, revenue contributions and the Authority's potential to prudently afford additional borrowing. As the Authority examines its building portfolio and identifies areas for capital investment, there is likely to be a requirement for capital investment that will require funding from these and other available funding streams.

10.2 The capital programme is approved by the Authority on an annual basis and provides details of the expected programme over a three year period.

10.3 The capital programme is monitored by the Service's Capital Strategy Team, with a view to monitoring expenditure and timescales of individual projects against plan.

11. Capital Strategy Review

11.1 The Capital Strategy will be reviewed annually to ascertain its effectiveness and enable updates as necessary.

Bedfordshire and Fire and Rescue Service

Fire and Rescue Service

TREASURY MANAGEMENT PRACTICES

2021/22

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 5th February 2021 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 or Deputy S151 Officer.
- 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 2020/21 budget and continues to do so in the 2021/22 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/Chief Executive 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 2021/22 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 05.02.2021)**

AAA
- Australia
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland
- U.S.A

AA+
- Canada
- Finland

AA
- Abu Dhabi (UAE)
- France

AA-
- Belgium
- Qatar
- U.K.

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/Chief Executive

|

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/Chief Executive**

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 Fire & Rescue Authority 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