To: All Members and Officers of the
Staffordshire Police, Fire and Crime Panel.

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My Ref: **Your Ref:** **Date:** 8 February 2019

Dear Sir/Madam,

Staffordshire Police, Fire and Crime Panel - Friday, 15th February, 2019

I have recently forwarded to you a copy of the agenda for the next meeting of the Staffordshire Police, Fire and Crime Panel.

I am now able to enclose, for consideration at Friday, 15th February, 2019 meeting of the Staffordshire Police, Fire and Crime Panel, the following reports that were unavailable when the agenda was issued..

5. **Staffordshire Commissioner Fire and Rescue Authority - Proposed Budget and Precept 2019/20 (Pages 1 - 60)**

   a) Procedure note (Attached)

   b) Proposed Fire Revenue Budget 2019/20(incl MTFS and Precept)

   c) Capital Strategy and Capital Programme 2019/20 – 2021/22(incl Minimum Revenue Provision Policy)

   d) Fire Treasury Management Strategy 2019/20

6. **Fire and Rescue Authority - Statement of Assurance 2017/18 (Pages 61 - 76)**

John Tradewell
Secretary to the Panel

Enc

Report to the Police Fire and Crime Panel

15th February 2019

Fire Revenue Budget Report (incl. MTFS and Precept)

Report of the Staffordshire Commissioner

Introduction

The purpose of this report is to set out the proposed revenue budget and precept proposals for the Staffordshire Commissioner Fire and Rescue Authority for 2019/20. It is the first budget report for the Staffordshire Commissioner following the changed in governance on 1 August 2019. It will deliver one of the Commissioner's key responsibilities as laid out within section 5 of the Police Reform and Social Responsibility Act 2011.

The report sets out the following:

- Net revenue budget requirement for 2019/20
- Proposed precept for the fire element of the council tax 2019/20
- Proposed Medium Term Financial Strategy (MTFS)
- Outline Capital Budget for 2019/20 to 2021/22

The report should be read in conjunction with the accompanying:

- Treasury Management Strategy
- Capital strategy and Capital Programme Report

Recommendations

The Police, Fire and Crime Panel is asked to:

a) Examine the information presented in this report, including:

- The Total 2019/20 net revenue budget requirement of £40.936m, including
- A council tax requirement for 2019/20 of £26.247m before collection fund surplus/deficits are taken into account **(see Appendix 6)**

b) Note that the funding for 2019/20 is based upon the finalised Local Government Finance Settlement for 2019/20, and includes the final business rates information received from the nine billing authorities (as per NNDR1 returns). No further adjustments are therefore anticipated.

c) Support the proposal to increase the 2019/20 precept for the fire element of the council tax bill by 2.99% or £2.20 per annum which is equivalent to 4p per week, increasing the council tax to £75.73 for a Band D Property **(see Appendix 6).**

d) To note that the Council Tax base has increased to 346,580 properties, equivalent to an increase of 1.49% (0.33% lower than the 2018/19 increase). The Council Tax collection fund has also been finalised delivering a surplus of £0.385m **(see Appendix 4).**

e) To note the MTFS summary financials **(Appendix 7)** and MTFS assumptions **(page 11)**

f) To note that the budget includes £0.5m of savings to be achieved during the budget year, equivalent to a 1.2% reduction on total budget, and is the final year of an approved plan to deliver £4.0m of savings in the four years 2016/17 to 2019/20. This saving target was reduced by £0.5m based upon the revised Council Tax assumptions for 2018/19 and 2019/20 following the increase in the referendum limit to 3%.

g) Support the proposed three year Capital Investment Programme (see appendix 8 and Capital Strategy and Capital Programme Paper for further information)

h) Note the outcome of The Staffordshire Commissioner's budget consultation document which included a survey regarding the proposed increase in precept of 4p per week. The results of the survey showed a 61% response in favour of an increase in precept for Fire of 4p per week.

i) To note the proposed fees and changes for 2019/.20 **(see Appendix 9)**

Matthew Ellis
Staffordshire Commissioner

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Executive Summary

This report advises the Police Fire and Crime Panel on the proposed revenue budget for 2019/20, and provides the Panel with the opportunity to scrutinise the budget proposal and underlying assumptions.

The Settlement Funding assumptions contained within this report are based upon the Local Government Finance Settlement received on 13 December 2018 and finalised in January 2019. This Settlement Funding Assessment for 2019/20 is broadly in line with the original 4-year settlement covering the period from 2016/17 to 2019/20 with the individual elements being discussed in more detail within this report. The budget for 2019/20 is the final year of this settlement period and also the Authority's approved Efficiency Plan. The Government will be consulting on the financial settlement beyond 2020 during the next Comprehensive Spending Review (CSR19), the underlying assumptions are contained with the updated MTFS presented within this report.

The Settlement Funding for 2019/20 includes a reduction in Revenue Support Grant (RSG) of c.£0.6m, which has resulted in an overall reduction in RSG of £4.8m during the 4 year period 2016/17 to 2019/20. In total the amount of RSG has now reduced by 65% (£9m) from the level received back in 2012.

The Core Spending Power explanatory note issued during the settlement for the Staffordshire Commissioner Fire and Rescue Authority assumes that the Band D Council Tax will increase in line with 3% referendum limit announced for 2019/20. This increase in referendum limit for 2018/19 and 2019/20 facilitated the reduction in targeted efficiency savings by £0.5m to a total of £1.3m.

This report includes a proposed 2.99% increase in Council Tax equivalent to an additional £2.20 per annum (4 pence per week) and will increase Band D Council Tax for the Staffordshire Commissioner Fire and Rescue Authority to £75.73 (equivalent to £1.45 per week).

The budget process for 2019/20 involved full consultation with all budget holders and calculated from a zero base. Where possible all recurring efficiencies and savings achieved to date have been incorporated into the base budget.

The budget also assumes and recognises the costs pressures that are currently in place, which includes pay inflation (following the removal of the public sector pay cap), business rates, increasing level of general inflation, and the revenue consequences of capital spend and impact upon future borrowing requirements.

In accordance with the approved financial regulations for the Staffordshire Commissioner fire and Rescue Authority (see B.10) the Authority Strategic Governance Board at the meeting held on 1 February 2019 supported the recommendation regarding approval of the revenue budget, the level of precept and allocation of financial resources to services, the provision for contingencies, the use of reserves and balances and the setting of the precept to the Staffordshire Commissioner.

Background

Settlement Funding 2016/17 to 2019/20 Background

1. Following the release of the Autumn Statement by the Government in November 2015, under the previous governance arrangements the Authority received the provisional Local Government Finance Settlement in December 2015 and an offer to councils for future years. This offered single purpose Fire and Rescue Authorities firm four-year funding allocations to 2019/20 in return for robust and transparent efficiency plans.

2. The Authority submitted an Efficiency Plan to the Home Office in October 2016 in order to accept the four-year funding allocations, alongside 97% of authorities who accepted this offer from Government. The offer included certainty over the following funding streams; Revenue Support Grant (RSG), Business Rates tariff and top-up payments, and also Transition Grant.

3. The budget proposals contained within this report are based upon the final 2019/20 Local Government Finance Settlement.

4. The original Local Government Finance Settlement incorporated a total reduction in Revenue Support Grant of £4.8m during the four year period 2016/17 to 2019/20, this reduction has now been fully implemented with final £0.6m included within the 2019/20 settlement.
5. The above is equivalent to a reduction in RSG of c.50% during the period 2016/17 to 2019/20. Based upon the above the Revenue Support Grant for 2019/20 will be £9m (65%) lower than the level received in 2012.

6. Settlement Funding comprises of three funding streams shown below as incorporated within the draft settlement issued for 2019/20, with the 1% share of local business rates based upon a forecast received from the local billing authorities.

	2018/19 £m	**2019/20 £m**	**Movement £m**
1% share of Local Business Rates	3.691	3.667	(0.024)
Business Rates Top-up	5.846	5.962	0.116
Revenue Support Grant (RSG)	5.255	4.675	(0.580)
Total Settlement Funding	**14.792**	**14.304**	**(0.488)**

Business Rates / Business Rates Top-up

7. The Staffordshire Commissioner Fire and Rescue Authority receives a 1% share of local business rates, in addition to a business rates top-up. The Panel should note that the actual 1% share of local business is extracted from the district, borough and city council's NNDR forms (Non-Domestic Rating Income Calculation and Estimate of Collection Fund Surpluses and Deficits). The deadline for completion of the NNDR was 31 January 2019, the 1% share included within this report is based upon the returns submitted by the nine billing authorities. The 1% share of business rates for 2019/20 shows a marginal reduction on the previous year.

8. The business rates top-up included within this budget report is based upon the Settlement Funding estimate received within the Local Government Financial Settlement, and is the final allocation.

Council Tax

9. The setting of Council Tax is under the control of the Staffordshire Commissioner Fire and Rescue Authority. The process for issuing the Precept is aligned to the setting of the Staffordshire Police precept under the new governance arrangements. This process is laid out within Schedule 5 of the Police Reform and Social Responsibility Act 2011.

10. From 1 August 2018, the Staffordshire Commissioner assumed the functions of the former Stoke-on-Trent and Staffordshire Fire and Rescue Authority, including the power to issue a fire precept from 2019-20. The Staffordshire Commissioner Fire and Rescue Authority is a new legal entity which has not previously set a fire precept. In order to ensure the effective operation of the council tax referendum system and provide certainty for the authority and council tax-payers, the Secretary of State has now issued an alternative notional amount (ANA) for this charge that has been approved by the House of Commons. The ANA is simply set at the level of the 2018-19 precept set by the outgoing Stoke-on -Trent and Staffordshire FRA. The 2018/19 bandings shown within **Appendix 6** is therefore based upon this approved ANA.

11. The Band D Council Tax for the Authority was approved at £73.53 for 2018/19, this report includes the assumption that the precept will increase by 2.99% to £75.73 in 2019/20, and the Police Fire and Crime Panel are asked to support this increase.

12. The referendum limit was increased for 2018/19 and 2019/20 to 3%, the maximum Council Tax increase without triggering a referendum would therefore be 2.99%.

13. A 2.99% increase in Council Tax is equivalent to an increase in Band D of £2.20 per annum (4p per week), and would increase Band D to £75.73.

14. The Council Tax base shown in **Appendix 5** has increased to 346,580 properties in 2019/20, which is equivalent to an increase of 1.49%. The Council Tax collection fund is

also in surplus by £0.385m, shown in **Appendix 4**. Both the Council Tax base and the surplus on the collection fund have been finalised and agreed.

15. A 1% sensitivity in precept for the Staffordshire Commissioner Fire and Rescue Authority is equivalent to £0.25 million.

16. Overall, the budgeted precept has increased by £1.1m with £0.38m attributable to the 1.49% increase in the Council Tax Base and £0.76m due to the proposed increase in Band D precept of 2.99%.

17. The Staffordshire Commissioner issued a budget consultation document in December which also included a survey regarding the proposed increase in precept of 4p per week. The results of the survey showed that 305 of the 500 responses were in favour of an increase in funding for fire, equivalent to 61%.

Revenue Budget 2019/20

18. The Revenue Budget sets out to support and enable the delivery of the final year of the Corporate Safety Plan covering the period 2017/18 to 2019/20.

19. **Appendix 1** sets out the proposed revenue budget of £40.936 for 2019/20 based upon a Council Tax Increase of 2.99%.

20. The key features of the budget, are as follows:

Pay costs Revenue budget

The overall pay costs budget for 2019/20 at £29.5m, is £0.6m more than last year's budget, this also incorporates a lower savings and efficiencies target to be delivered during the year 2019/20.

The pay budget also reflects the upwards pressure on pay and includes the impact of a 3% assumed pay award for 2019/20 for operational staff. In addition the MTFS assumes a 2% pay award for 2020/21 and beyond. The Fire Brigades Union remain in discussion with fire service employers through the National Joint Council and the Government regarding the pay claim for 2019. The FBU have concluded that it is reasonable that Grey Book rates of pay should be increased by 17%, and consider such an increase in pay is required to reflect the value of today's firefighters. There is therefore risk associated with the assumed level of pay award budgeted for 2019/20 and into the medium term.

The pay costs also fully reflect the impact of the Prevention Review that has resulted in a structure saving around £0.2m per annum in line with the Efficiency Plan target.

A saving of £0.5m (10.6 FTE) has also been achieved through the removal of posts from the establishment, this includes the posts removed following the change in governance, and the move to the Staffordshire Commissioner on 1 August 2018.

It has been identified by the Governments Actuarial Department (GAD) that there will be a significant increase in the required employer contribution rate into the Firefighters' Pension Schemes. The 2016 Valuation results have indicated that the employer contribution rates will increase on average by 12.6% to 30.2% and will apply from April 2019. The indicative results show that the 16.8% cost cap (this is the percentage of contribution of total scheme costs made by employers) for the 2015 Scheme has been breached by 5.2%. An average increase of 12.6% in employer contributions is estimated at around £1.1 million per annum of additional cost. The Home Office has agreed to fund around 90% of this increase for 2019/20 with the full impact included within the MTFS for 2020/21 and beyond. £0.15m is included as an additional contribution for the budget year (shown below).

The following bridge explains the net increase in pay costs:

	£m
Pay Budget - 2018/19	**28.9**
Prevention Review completed 2018	(0.2)
Posts removed (incl. governance change)	(0.5)
Reduction in pay efficiency target	(0.2)
Pay increase (3% operational, 2% staff)	0.7
New recruits – timing of transfer and retirements	0.3
Reduced Vacancy Provision for on-call	0.1
Maternity Provision	0.2
Firefighters Pension Contribution Increase (19/20 impact)	0.2
Pay Budget - 2019/20	**29.5**

Non-pay costs

Non-pay costs are budgeted to increase by £0.2m in the budget 2018/19. Some of the main movements in non-pay costs are as follows:

- Premises costs have increased by £0.1m, this includes anticipated RPI increases in utility costs and business rates. Following the 2017 business rates revaluation exercise completed by the Valuations Office Agency (VOA) the Service is pursuing a formal Check, Challenge and Appeal process that is being undertaken with the VOA. This process has not yet progressed to the appeal stage.
- Transport costs at £0.8m are in line with previous year. The increase in the price of fuel has been offset by a forecast reduction in mileage
- The targeted non pay efficiency saving has reduced by £0.1m

- Non Pay includes a charge of £1.1m payable to West Midlands Fire Service, this represents 30% of the budgeted cost of running the Joint Fire Control
- A review of community safety budgets has been completed during 2018. A more effective and targeted approach has resulted in savings of £0.1m per annum for Risk Reduction Equipment.

(ii) Income

Income for 2019/20 is budgeted to increase by £0.3m to £2.6m with the increase driven by the following:

- Business rates Pilot – Staffordshire and Stoke on Trent have successfully applied to take part in the pilot 75% business rates retention programme for 2019/20. This will result in a payment of £0.2m coming from the Staffordshire Business Rates Pool in line with the revised pooling agreement.
- The S31 Grant receivable from the NNDR1 has increased by £0.2m
- The level of income from grants and non recurring funded posts has reduced in year.

(iii) Capital Charges

Total capital charges at £5.2m are in line with the two previous years.

- The £1.5m minimum revenue provision requirement for 2019/20
- The budget assumes that the overall level of borrowing (loans) for the Authority will reduce by £1,500,000 with the repayment of two Public Works Loan Board (PWLB) loans during 2018/19. This has reduced in interest payments for 2019/20 by £0.1m
- The unitary charge will increase marginally due to the Retail Price Index (RPI) increase applied to the variable elements of both PFI contracts.

Budget Monitoring 2019/20

A budget monitoring report will be considered by the Fire Strategic Governance Board on a quarterly basis. A monthly Resource Control Report will be issued to members of the Service Delivery Board (SDB) and also published on the Intranet available for all staff.

A monthly Finance News Publication is also issued alongside the detailed Resource Control Report.

In addition, the Finance Panel, which is a sub-group of the Ethics, Transparency and Audit Panel (ETAP) will review the budget monitoring reports on a bi monthly basis. This is a new arrangement that has been in place since 1 August 2018, following the change in governance.

Efficiency Plan Update

As part of the Local Government Finance Settlement for 2016/17 single purpose fire and rescue authorities were all offered firm four-year funding allocations in return for robust and transparent efficiency plans that were published in order to enable local residents to scrutinise these plans. In October 2016 the Authority submitted the document to the Home Office to secure this funding offer.

The published Efficiency Plan includes detailed assumptions around the strategy that the Authority would adopt regarding future Council Tax increases, expected business rates increases and population growth during this time. In total the four year settlement included a reduction in Revenue Support Grant of £4.8m.

The published Efficiency Plan included a requirement to save £4m by 2020 (Gap) and the MTFS assumed that the delivery of this saving would result in a balanced budget position by 2020 and importantly it gave the Authority certainty around the funding position and allowed sufficient time to consider a number of options for review and approval by the Fire and Rescue Authority.

Savings of ££2.2m were approved and fully implemented within the Service by March 2018. The savings included a reduction in wholetime crews of 40 Posts phased into the establishment from 1 January 2017 (28 posts) and 1 January 2018 (12 posts) which included the removal of two Targeted Response Vehicles (TRV's), in addition a new retained payment system was implemented from 1 January 2017 that also reduced the establishment by 43 posts. The executive team was also restructured during 2016/17 removing one post from the structure.

The balance of savings of £1.8m was reduced to £1.3m as part of the budget setting exercise for 2018/19 supported by an increase in Band D Council Tax of 2.75% which was 1% above the assumption contained within the Efficiency Plan submission. This increase in Council Tax was possible following a change in the referendum limit which allowed Fire and Rescue Authorities to increase Council tax by 3% (previously set at 2%). (An additional 1% Council Tax raises a further £0.25m, £0.5m based upon a 2.75% increase for both 2018/19 and 2019/20)

The following areas are currently being reviewed in order to deliver the remaining saving of £1.3m:

- A review of Prevention and Protection within the Service has now been complete, anticipated savings, c.£0.2m per annum
- Management Reduction. This involves a review that has been undertaken with the option to reduce the number of operational management posts, saving up to £0.3m
- A reduction in funding costs both in terms of MRP and interest payments is forecast to save, £0.3m

- A review of community safety budgets is being undertaken currently. A more effective and targeted approach should lead to savings of £0.2m per annum.
- Dragons' Den. The Service undertakes a Dragons' Den budget process where all budget holders are challenged to deliver savings in the current year that will be incorporated into the updated forecast position and also to offer permanent recurring budget efficiency savings for 2019/20, £0.2m per annum
- Procurement Savings, savings are currently being captured and will be incorporated into the budget setting process, £0.1m

Based upon the draft budget for 2019/20 it is assumed that £0.8m of the above savings have been fully delivered by March 2019, with £0.5m incorporated into 2019/20. The Management Reduction savings have yet to be implemented.

The Service has already undertaken a number of scenario planning sessions and options are being discussed as a priority based upon the potential budget gap beyond 2020 included within the updated MTFS (see Appendix 7). A budget gap for 2020/21 is identified within the MTFS of £1.6m increasing to £2.2m for 2021/22. This is driven by the assumptions around additional pension contributions, reduced Revenue Support Grant, in addition to cost pressures particularly around pay.

Reserves and Balances

21. The Authority holds two reserves, a Specific/Earmarked Reserve which is build up through any surplus within the Income and Expenditure account. The utilisation of this fund has been established with the approved Reserves Strategy that was last updated in November 2018; and a General Reserve which is held to protect against any spate or emergency conditions that may arise, **(see Appendix 3).**

22. At 1 April 2018 the Authority held £1.9m in General Reserves and a risk assessment for this reserves was undertaken as part of the budget setting process for 2018/19 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.6% of the proposed revenue budget for the year. The General Reserve Balance has not been reduced following on from the spate conditions experienced during the summer of 2018, this position will be reviewed as part of the year end process.

23. At 1 April 2018 the Authority held £8.3m in Specific/Earmarked Reserves. **Appendix 2** demonstrates the impact on Specific Reserves for the Council Tax proposal included within this paper. The schedule also assumes utilisation of capital spend as incorporated within the Reserves Strategy and assumes that 50% of the vehicle replacement programme will be supported by this reserve in addition to the reserve utilisation required to support the Revenue Budget. It does not assume use of reserves for other contingency areas that are incorporated within the Reserves Strategy (e.g. for future integration funding).

24. The forecast balance on the Specific/Earmarked Reserves as at March 2023 is £3.0m and represents the amounts of unallocated spend as included within the approved Reserves

Strategy. This balance includes £1.0m for Future Integration, Collaboration and Change Programme, £1.0m for PFI Reserves and budget holder earmarked provisions, and a contingency balance of £1.0m.

Medium Term Financial Strategy

25. The MTFS has been updated to reflect the budget proposals for 2019/20 and incorporates the assumptions contained with the Provisional Financial Settlement for 2019/20, which includes the assumed increase in Council Tax of 2.99%. A summary of the financials covering the medium term period 2019/20 to 2023/24 are included with Appendix 7.

26. A summary of the main MTFS assumptions are shown below for review by the Board:

	2019/20 Plan	2020/21 Plan	2021/22 Plan	2022/23 Plan	2023/24 Plan
PAY COSTS					
Pay Award Operational Staff	3.0%	2.0%	2.0%	2.0%	2.0%
Pay Award Non Operational Staff	2.0%	2.0%	2.0%	2.0%	2.0%
Other Pay Costs	1.0%	1.0%	1.0%	1.0%	1.0%
Pension Costs - Fire Fighters Pension Schemes	+£0.15m	+£1.1m	+£1.1m	+£1.1m	+£1.1m
Pension Costs - LGPS Impact Triennial valuation					
NON PAY COSTS					
Electricity	5.0%	5.0%	2.0%	2.0%	2.0%
Gas	5.0%	5.0%	2.0%	2.0%	2.0%
Business Rates	2.0%	2.0%	0.0%	0.0%	0.0%
Water and Sewerage	2.0%	2.0%	2.0%	2.0%	2.0%
General Supplies and Services	2.0%	2.0%	2.0%	2.0%	2.0%
INTEREST RATES					
Interest on Investments	0.6%	0.8%	1.0%	1.0%	1.0%
Interest on Debt	4.2%	4.2%	4.2%	4.2%	4.2%
GENERAL FUNDING					
Council Tax Increases	2.99%	1.99%	1.99%	1.99%	1.99%
Council Tax Base Growth	1.30%	1.30%	1.30%	1.30%	1.30%
Revenue Support Grant Reduction	-11.1%	-7.0%	-7.0%	-7.0%	-7.0%
Local Business Rates % incl top-up	2.0%	2.0%	2.0%	2.0%	2.0%

27. Should the Staffordshire Commissioner FRA choose not to increase Council Tax for 2019/20 and beyond in line with the assumptions incorporated within this report, saving targets and use of reserves will need to be re-visited.

28. The MTFS incorporates savings of £0.5m required during 2019/20, which will deliver the saving proposals incorporated within the published Efficiency Plan.

29. The MTFS Summary financials shown an increasing budget gap from 2020/21 of £1.5m increasing to £3m by 2022/23. For 2020/21 the budget gap is driven by the inclusion of the additional Firefighters' Pension Scheme additional employer contribution liability of c.£1.1m per annum in addition to the forecast ongoing reduction in Revenue Support Grant. RSG is forecast to reduce from £4.7m in 2019/20 to £0.9m by 2023/24, a reduction of 80%.

30. Whilst the 2019/20 revenue budget recognises the savings that have been delivered to date due to the change in governance arrangements, any further financial benefits arising to the Staffordshire Commissioner from the ongoing collaboration work with Staffordshire Police in terms of both Enabling Services and Estates Rationalisation has not been included with the MFTS at this point in time.

31. The MTFS does not make any assumption regarding the current review of Fire Funding Formula which is included within the Fair Funding Review currently being undertaken by the Home Office and MCLG. A consultation document reviewing the results of this funding review is expected as part of the CSR19.

32. There is therefore a significant level of financial uncertainty regarding the funding position for the Authority beyond 2020, this unfortunately results in a higher level of risk associated with the funding assumptions contained within the updated MTFS.

Capital Programme

33. The three year Capital Programme and Capital Strategy for 2019/20 to 2021/22 is discussed within a separate agenda item

34. The summary capital programme is shown within **Appendix 8**.

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Staffordshire Commissioner Fire & Rescue Authority **Appendix 1**

Recurring Revenue Budget Proposal 2019/20

Council Tax Increase by 2.99%

	Budget 2018/19	Budget Proposal 2019/20	Year on Year Change
	£000s	**£000s**	**£000s**
Pay			
Pay Costs	27,277	27,710	433
Other Employee Costs	2,158	2,099	(59)
Pay Efficiency Plan Saving	(500)	(300)	200
Total Pay	28,935	29,509	574
Non Pay			
Premises Costs	3,139	3,221	82
Transport Costs	791	797	6
Supplies & Services Costs	5,074	5,129	55
CFS Costs and Initiatives	474	387	(87)
Non Pay Efficiency Plan Saving	(300)	(200)	100
Total Non Pay	9,178	9,334	156
Income			
Income - General	(2,256)	(2,588)	(332)
Interest Receivable	(34)	(41)	(7)
Total Income	(2,290)	(2,629)	(339)
Capital charges	1,500	1,493	(7)
Interest Payable	873	804	(69)
PFI Unitary Charge	2,905	2,958	53
Total Capital Charges	5,278	5,255	(23)
Total Revenue before Reserves	**41,101**	**41,468**	**367**
Transfer to/(from) Reserves	(885)	(532)	353
Total Revenue Budget	**40,216**	**40,936**	**720**

FINANCED BY:			
Settlement Funding			
Revenue Suppport Grant	5,255	4,675	(580)
Local Busines Rates (1%)	3,691	3,668	(23)
Government Top-up (business rates)	5,846	5,962	116
Total Settlement Funding	14,792	14,304	(488)
Council Tax	25,424	26,632	1,208
Total Financing	**40,216**	**40,936**	**720**

Staffordshire Commissioner Fire & Rescue Authority **Appendix 2**

Revenue Budget 2019/20

Specific / (Earmarked) Reserves for 2018/19 to 2022/23

EARMARKED RESERVE BALANCE £000s	
	2.99% CT Increase
Forecast 31 March 2018 (£000s)	**8,328**
Reserves Utilisation - Budget requirement	(885)
Reserves Utilisation - Capital Investment	(1,115)
Forecast 31 March 2019 (£000s)	**6,328**
Reserves Utilisation - Budget requirement	(532)
Reserves Utilisation - Capital Investment	(1,032)
Forecast 31 March 2020 (£000s)	**4,764**
Reserves Utilisation - Budget requirement	(700)
Reserves Utilisation - Capital Investment	(200)
Forecast 31 March 2021 (£000s)	**3,864**
Reserves Utilisation - Budget requirement	(583)
Reserves Utilisation - Capital Investment	(170)
Forecast 31 March 2022 (£000s)	**3,111**
Reserves Utilisation - Budget requirement	
Reserves Utilisation - Capital Investment	
Forecast 31 March 2023 (£000s)	**3,111**

Revenue Budget 2019/20
Risk Assessment of General Reserves for 2019/20

CIPFA guidance indicates that a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves and that chief financial officers should take account of the strategic, operational and financial risks facing the authority.

A risk assessment for general reserves was undertaken as part of the budget setting process for 2019/20 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.7% of the revenue budget set for the year.

Whilst not a complete list of all the financial risks, the assessment focused on those most likely (High and Medium risks) to have a significant impact on the budget year. This is in line with the update reserves strategy approved by the Authority in September 2017.

Area of Expenditure	Level of Risk *	Explanation of risk/justification of reserves	2019/20 Provision £000
Loss of Employees	High	Spate conditions caused by for example; prolonged severe weather conditions, unexpected loss of staff through influenza virus	400
Failure to achieve efficiency savings	Medium	Risk of efficiency plan target savings not being delivered beyond 2020	500
Insurance loss / impact of data breach	Medium	Risk of incurring uninsured losses Risk of breach due to inappropriate information sharing / failure to implement EU GDPR in May 2018	300
Ill health retirement costs	Medium	Risk of the number of ill health retirements being greater than anticipated due to ageing workforce	300
Other unforeseen costs	Medium	Risk of unforeseen event: emergency incident, waste fires / tipping	300
Other costs	Medium	Risk of failure of strategic partnership / collaboration initiatives	100
TOTAL			**1,900**

Level of Balances – Summary

Level of Risk	**£'000**
High and Medium	1,900

Staffordshire Commissioner Fire & Rescue Authority **Appendix 4**

Council Tax Report 2019/20

Council Tax Surplus / Deficit by Authority

SURPLUS/(DEFICIT)

	2018/19	**2019/20**	**Variation**
	£	**£**	**£**
Cannock Chase	30,580	20,082	(10,498)
East Staffordshire	75,147	33,741	(41,406)
Lichfield	14,520	10,000	(4,520)
Newcastle	1,779	88,209	86,430
South Staffordshire		41,206	41,206
Stafford	23,855		(23,855)
Staffordshire Moorlands	11,460	27,170	15,710
Tamworth	34,360	26,765	(7,595)
Stoke	122,123	138,000	15,877
Total	**313,825**	**385,173**	**71,348**

Council Tax Report 2019/20

Council Taxbase by Authority

	2018/19	2019/20	Variation	%
Cannock Chase	**28,397**	**28,875**	478	1.7%
East Staffordshire	**36,736**	**37,278**	542	1.5%
Lichfield	**37,360**	**38,011**	651	1.7%
Newcastle	**36,812**	**37,117**	305	0.8%
South Staffordshire	**37,785**	**38,090**	305	0.8%
Stafford	**46,593**	**47,492**	898	1.9%
Staffordshire Moorlands	**32,887**	**33,089**	202	0.6%
Stoke	**63,477**	**64,868**	1,391	2.2%
Tamworth	**21,438**	**21,761**	323	1.5%
Total	**341,485**	**346,580**	**5,095**	**1.49%**

Staffordshire Commissioner Fire & Rescue Authority **Appendix 6**

Council Tax Report 2019/20

Council Bands for Each Band and District Precepts

Based upon a Band D Increase of 2.99%

	2018/19	2019/20	Increase	Per Week
Band	£	£	£	Pence
A	49.02	50.49	1.47	2.8
B	57.19	58.90	1.71	3.3
C	65.36	67.32	1.96	3.8
D	73.53	**75.73**	2.20	**4.2**
E	89.87	92.56	2.69	5.2
F	106.21	109.39	3.18	6.1
G	122.55	126.22	3.67	7.1
H	147.06	151.46	4.40	8.5

PRECEPT PAYABLE

	2018/19	2019/20	Variation	
	£	£	£	%
Cannock Chase	2,088,014	2,186,666	98,652	4.7%
East Staffordshire	2,701,227	2,823,078	121,851	4.5%
Lichfield	2,747,044	2,878,558	131,514	4.8%
Newcastle	2,706,786	2,810,870	104,084	3.8%
South Staffordshire	2,778,339	2,884,563	106,224	3.8%
Stafford	3,426,006	3,596,531	170,525	5.0%
Staffordshire Moorlands	2,418,181	2,505,830	87,649	3.6%
Stoke	4,667,493	4,912,461	244,968	5.2%
Tamworth	1,576,336	1,647,961	71,624	4.5%
Total	**25,109,427**	**26,246,519**	**1,137,092**	4.5%

Staffordshire Commissioner Fire & Rescue Authority **Appendix 7**

MTFS Summary Financials to 2023/24

	2019/20 Budget £000s	2020/21 Plan £000s	2021/22 Plan £000s	2022/23 Plan £000s	2023/24 Plan £000s
Pay					
Pay Costs	27,710	29,026	29,461	29,903	30,351
Other Employee Costs	2,099	2,105	2,111	2,117	2,124
Pay Efficiency Plan Saving	(300)	(300)	(300)	(300)	(300)
Total Pay	29,509	30,831	31,272	31,720	32,175
Non Pay					
Premises Costs	3,221	3,295	3,312	3,330	3,347
Transport Costs	796	794	793	791	789
Supplies & Services Costs	5,128	5,175	5,206	5,288	5,371
CFS Costs and Initiatives	387	379	372	368	364
Non Pay Efficiency Plan Saving	(200)	(200)	(200)	(200)	(200)
Total Non Pay	9,333	9,444	9,482	9,576	9,672
Income					
Income - General	(2,588)	(2,611)	(2,635)	(2,658)	(2,682)
Interest Receivable	(41)	(39)	(31)	(25)	(20)
Total Income	(2,629)	(2,650)	(2,666)	(2,683)	(2,702)
Capital charges	1,493	1,690	1,815	1,851	1,888
Interest Payable	804	812	820	836	853
PFI Unitary Charge	2,958	3,018	3,078	3,140	3,202
Total Capital Charges	5,255	5,520	5,713	5,827	5,944
Total Revenue	**41,468**	**43,145**	**43,802**	**44,441**	**45,089**
Budget Gap		(1,458)	(2,059)	(3,023)	(3,284)
Use of Reserves (Per Strategy)	(532)	(700)	(583)		
Total Revenue	**40,936**	**40,987**	**41,160**	**41,417**	**41,806**
FINANCED BY:					
Settlement Funding					
Revenue Suppport Grant	4,675	3,673	2,723	1,821	962
Local Busines Rates (1%)	3,668	3,741	3,816	3,893	3,970
Government Top-up (business rates)	5,962	6,155	6,352	6,556	6,765
Total Settlement Funding	14,305	13,569	12,892	12,269	11,697
Council Tax	26,632	27,418	28,268	29,148	30,108
Total Financing	**40,936**	**40,987**	**41,160**	**41,417**	**41,806**
Reserves Balance					
General Reserve	1,906	1,906	1,906	1,906	1,906
Specific and Earmarked Reserve	4,764	3,864	3,111	3,111	3,111
Total Reserves	**6,670**	**5,770**	**5,017**	**5,017**	**5,017**

Staffordshire Commissioner Fire & Rescue Authority — Appendix 8

Capital Programme Summary 2019/20 to 2021/22

	2019/20 Budget	2020/21 Estimate	2021/22 Estimate
	£	£	£
Building & Infrastructure Works			
Refurbishment Programme	2,018,695	518,000	
Improvement Works	415,000	214,228	150,000
Total	**2,433,695**	**732,228**	**150,000**
Operational Equipment	**407,750**	**287,000**	**125,000**
Appliances & Vehicles			
Appliances & Specialist Vehicles	1,064,384	250,000	1,000,000
Vans & Cars	165,000	150,000	150,000
Total	**1,229,384**	**400,000**	**1,150,000**
Information Technology			
ICT Hardware, Software Systems & Installations	650,000	300,000	550,000
Total	**650,000**	**300,000**	**550,000**
Other Capital Spend			
Total Capital Programme	**4,720,829**	**1,719,228**	**1,975,000**
Funding			
Supported Borrowing			
Unsupported Borrowing	2,157,442	1,519,228	1,804,658
Capital Grant	1,531,695		
Use of Specific Reserves (Abbots Bromley)	417,000		
Use of Specific Reserves	614,692	200,000	170,343
Total Funding	**4,720,829**	**1,719,228**	**1,975,000**

Staffordshire Commissioner Fire & Rescue Authority **Appendix 9**

Fees and Charges 2019/20

	Current (Net of VAT) £	Charges from 1st April 2019 (Net of VAT) £	VAT Status
(a) Special Service Charges			
Attendance per Appliance per hour* (Including crew)	305.60	312.64	Standard
**£312.65 for the first hour and £78.16 per ¼ hour thereafter. E.g. between 1-6 mins round down, or 7-15 mins round up to the nearest ¼ hour interval.*			
Professional services per hour *Eg Officer interviews, provision of advice*	80.36	82.20	Standard
Fire investigation Interviews *£100.10 per hour or part hour*	102.80	105.16	Standard
Fire Investigator detailed Fire report	359.81	368.10	Standard
(b) Other charges			
Extract of Fire reports	85.03	87.00	Exempt
Some information retrieval may incur an additional administration charge of £38.90 per search.			
Photographic/digital images	Price on Application	P.O.A	Standard
Private Hydrants			
Inspection (& certificate)	66.86	68.40	Standard
Repair category 1 (cover & frame)	158.11	161.75	Standard
Repair category 2 (rebuild chamber)	367.83	376.30	Standard
Marker plate	75.18	76.90	Standard
Marker post (Painted)	18.43	18.85	Standard
Identification Marker	11.52	11.78	Standard
Thermoplastic “H”	13.89	14.20	Standard
False spindle	20.36	20.82	Standard
Replace plastic outlet with metal	197.23	201.76	Standard

c) Conference Suite
Scale of Charges from 1st April 2019

	Room Hire Only Monday – Friday Whole-day £
Conference Suite	
Room 1	291.67
Room 2	199.24
Room 3 - break out area	152.00
Room 4 (VDR)	199.24
Rooms 1 and 2	410.80
Rooms 1, 2 and 3	513.50

Catering Charges

Catering provide a range of buffets starting from £5.40 per person, including beverages. Prices will be quoted to clients on request taking into account their requirements, location and current food costs.

Charges quoted are subject to VAT at prevailing rates

A 50% charge of the total cost of the Room Hire Booking will be made if a cancellation is not received within 10 working days of the date of the hire.

Half day rates will be charged on a 25% reduction on a whole day rate.

The full charge for catering will be made if a cancellation is not received within 48 hours of the date of the hire. A charge of 25% of the total food cost will be made if the cancellation falls in the period of 5 working days to 48 hours prior to the booking.

The full cost of any damage or breakages inclusive of any consequential financial losses which such damage may incur whilst repairs or replacement of equipment is arranged, will be charged to the hirer.

(d) Driver Training Fees

Fees on application.

Report to the Police Fire and Crime Panel

15th February 2019

Capital Strategy and Capital Programme 2019/20 to 2021/22
(Incl. Minimum Revenue Provision Policy)

Report of the Staffordshire Commissioner

INTRODUCTION

As part of the overall financial strategy for the Staffordshire Commissioner Fire and Rescue Authority a three year Capital Programme has been prepared. This report schedules the proposed investment programme for 2019/20 to 2021/22, and presents the indicators required within the updated Prudential Code. This all forms part of the Capital Strategy for the Staffordshire Commissioner Fire and Rescue Authority.

The Prudential Code requires local authorities to determine that capital expenditure and investment decisions are affordable, prudent and sustainable, and to set limits on the amount they can afford to borrow in the context of wider capital planning. The Capital Strategy is part of the Authority's sound medium term financial planning process, ensuring there is a clear strategy supporting the next three years of capital investment.

The Capital Strategy sets-out how the long-term context in which capital investment and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes in line with the Corporate Safety Plan. It also demonstrates that the Authority takes capital and investment decisions in line with Service objectives and properly takes account of stewardship, value for money, prudence, sustainability and importantly affordability.

This report also reviews the approach that the Authority has taken during the last few years, successfully managing the capital programme, reducing future capital financing requirements, and through the repayment of long term loans reducing interest payments.

This report should also be considered alongside the Treasury Management Strategy, with both reports covering the reporting requirements of CIFPA's Prudential Code and Treasury Management in the Public Sector.

This report has been considered by the Authority's Strategic Governance Board on 1 February 2019 and also the Ethics, Transparency and Audit Panel on 7 February 2019.

RECOMMENDATIONS

That the Police Fire and Crime Panel note:

a) the three year Capital Programme for 2019/20 to 2021/22 as set out in Appendix 1,
b) the detailed capital programme for 2019/20 as set out within Appendix 2
c) the Capital Strategy for 2019/20
d) the Prudential Indicators that are set out within Appendix 3 including the Capital Financing Requirement for the three year period
e) that the funding of capital expenditure from Reserves for the period 2019/20 to 2021/22 is in line with the approved Reserves Strategy
f) note the Minimum Revenue Provision (MRP) policy statement incorporated within this report

Matthew Ellis

Staffordshire Commissioner

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1. Background

1.1 The Capital Strategy forms a key part of the Staffordshire Commissioner Fire and Rescue Authority's overall Corporate Planning Framework. It provides a mechanism by which the Commissioner's capital investment and financing decisions can be aligned over the medium term planning horizon.

1.2 The Strategy sets the framework for all aspects of the Commissioner's Fire and Rescue capital and investment expenditure; including planning, outcomes, prioritisation, management, funding and repayment.

1.3 There are four main areas of spend which feature within the Capital Programme; Estates and Facilities, Operational Equipment, Transport and Information Systems and Technology.

2. Objectives

2.1 The key aims of the Capital Strategy are to:

- provide a clear set of objectives and a framework within statutory legislation that proposes new capital expenditure to be evaluated to ensure that all new capital investment is targeted at meeting the vision, aims and priorities of the Authority;
- set out how the Authority identifies, programmes and prioritises capital requirements and proposals;
- consider options available for funding capital expenditure and how resources may be maximised to generate investment in the area and to determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment;
- identify the resources available for capital investment over the MTFS planning period;
- ensure the strategy has an overall balance of risk on a range of investments over timespan, type of investment and rate of return;
- establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, value for money and security of investment;
- deliver projects that focus on delivering the long term benefits to the Authority and the communities served within Staffordshire and Stoke on Trent.

3. Governance of the Capital Programme

3.1 A governance processes is clearly established within the Service and Authority and will continue to be adhered to, will follow standing orders and financial regulations to ensure that available resources are allocated optimally and deliver value for money, and that capital programme planning is determined in parallel with the Service and revenue budget planning process within the framework of the MTFS. These include:

- The Strategic Governance Board (SGB) which is ultimately responsible for approving the Capital Strategy for investment and the Capital Programme for approving changes to the programme within financial regulations and for the approval of business case submissions.

- The Ethics, Transparency and Audit Panel (ETAP) which is responsible for scrutiny of the MTFS documents and the Capital budget monitoring reports and can make recommendations to the Strategic Governance Board (SGB).

- The Capital Review Group has been established for a number of years and provides detailed scrutiny for all capital spend proposals and monitors delivery of the current year's programme and develops a rolling three year programme. The group consists of key stake holders from within the Service and holds responsibility for the delivery of the Service's capital programme and has clear Terms of Reference in place. Minutes from this group are reviewed by the Service Delivery Board.

3.2 For new major projects and programmes an outline business case will be submitted that needs to include the capital investment requirements, repayment mechanisms, revenue impacts of capital spend and also lifetime costing if applicable.

3.3 For smaller areas of capital spend (based upon a rolling programme of requirements) the proposals may be submitted though the Capital Review Group and approved by the Staffordshire Commissioner Fire and Rescue Authority though the Strategic Governance Board. This is recognising that the programme consists of smaller spend areas that do not require the production of a full outline business case.

3.4 The monthly Resource Control Report is produced and available to all staff within the Authority, in addition quarterly financial progress and monitoring reports are submitted to the Strategic Governance Board with bi-months reports reviewed by the Finance Panel which is a sub group of the Ethics, Transparency and Audit Panel (ETAP).

4. Capital Priorities

4.1 The capital strategy must recognise that the financial resources available to meet the requirements of the Corporate Safety Plan and the three key priority areas:

- Education and Engagement
- Community Safety and Wellbeing
- Planning, Resilience and Response

4.2 The bringing together of blue light services under a single governance route to the Staffordshire Commissioner provides opportunities to co-locate and share assets to the good of the community, delivering efficiencies and savings.

4.3 The Staffordshire Commissioner Fire and Rescue Authority will seek to prioritise investment in order to deliver economy and efficiency within the Service. This prioritisation will be achieved though the robust governance arrangements discussed above.

5. Funding Approach

5.1 The Staffordshire Commissioner Fire and Rescue Authority's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under the Code local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes.

5.2 The main sources of capital funding are summarised below:

- **Central Government Funding Grants**

  Capital Grant funding is no longer available from Central Government and ceased in 2012. Prior to this date the Authority received a capital grant in excess of £1 million per annum. Funding from the Home Office has been made available since 2012 but only on a bid for basis e.g. transformational funding.

- **The use of internal cash balances**

  Interest rates on cash balances, over recent years, have remained low which has resulted in this being a more efficient use of cash to invest in the capital programme rather that taking additional external debt. The use of internal cash is an approach that has been undertaken successfully by the Authority for a number of years.

- **The use of Earmarked Reserves**

  The Authority has a Reserves Strategy which includes the Earmarking of Reserves to support the capital progamme. Funding into the medium term has been identified though this approach and remains a key funding strategy. To date only the vehicle replacement programme has been supported though the use of earmarked reserves.

- **The use of Capital Receipts**

  Disposing of surplus assets is a good way to reinvest in the capital programme. Receipts will be targeted at the shortest life assets and then their use considered widely within any flexibility allowed by the appropriate government authority. In accordance with statutory instruments capital receipts may also be used for the repayment of debt.

- **Direct revenue funding**

  Capital expenditure may be funded directly from revenue (CERA – capital expenditure charged to revenue account). In addition to specific revenue funds previously set aside, such as repairs and renewal funds, capital expenditure may be funded by specific revenue budget provision.

This approach has been adopted successfully for the last five years by the authority fully funding the capital programme during this time and consequentially reducing the Capital Financing Requirement by £6.5m. Due to funding pressures and a significant reduction in Revenue Support Grant funding this opportunity for direct revenue financing will be significantly restricted into the medium term.

- **Borrowing and Leasing**

Under the Prudential Code the Authority has discretion to undertake borrowing to fund capital projects with the full cost of that borrowing being funded from the project returns or upon agreement to include in the MTFS estimates.

This discretion is subject to complying with The Code's regulatory framework which essentially requires any such borrowing to be prudent, affordable and sustainable (Local Government Act 2003). Prudential borrowing does provide an option for funding additional capital development but one which has to be funded each year from within the revenue budget or from generating additional ongoing longer term income streams.

The Authority will test the prudence of the borrowing predictions against the prudential indicators set under The Code every year as part of the MTFS process and report on progress against those indicators half yearly (see Appendix 2).

Through the use of internal cash and direct revenue financing no new loans have been taken since 2010/11, and following the repayment of £1.5m of loans during 2018/19 the overall loans position will reduced to £18m by 31 March 2019. This prudent approach to borrowing will continue into the medium term. However, should borrowing be required the Authority will continue to consider on a cautious and prudent basis as informed by a specialist team contracted from Staffordshire County Council in relation to Treasury Management who work closely with the finance team.

The Authority will utilise operational leases where possible for the purchase of minor equipment, IT and vehicles as supported by an appropriate business case.

6. Risk Management

6.1 Risk is the threat that an event or action will adversely affect the ability to achieve a desired outcomes or execute strategies successfully.

6.2 To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.

6.3 The Director of Finance, Assets and Resources will report on the deliverability, affordability and risk associated with this Capital Strategy and the associated capital programme. Where appropriate they will have access to specialised advice to enable them to reach their conclusions.

- **Credit Risk** is the risk that the organisation with which we have invested capital monies becomes insolvent and cannot complete the agreed contract. Accordingly we will ensure that robust due diligence procedures covers all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

- **Liquidity Risk** is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. This is also the risk that the cash inflows will be less than expected, for example due to the effects of inflation, interest rates or exchange rates. The exposure to this risk will be monitored via the revenue and capital budget monitoring processes. Where possible appropriate interventions will occur as early as possible.

- **Interest Rate Risk** is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Interest rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

- **Exchange Rate Risk** is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Where relevant, exchange rates will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

- **Inflation Risk** is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible any exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

- **Legal and Regulatory Risk** is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, we will understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations will be kept under review and factored into any capital bidding and programme monitoring processes.

- **Fraud, Error and Corruption** is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the agreed Code of Corporate Governance. This is supported by the national Code of Ethics and detailed policies such as Counter-Fraud and Corruption and Declaration of Interests.

- Capital Schemes must comply with legislation, such as the Disability Discrimination Act, the General Data Protection Regulations (GDPR), building regulations etc.

7. Capital Programme 2019/20 to 2021/22

7.1 The proposed Capital Programme for 2019/20 to 2021/22 is contained within **Appendix 1** of this report. The total Capital Programme for 2019/20 has been estimated at £4.720m, for 2020/21 £1.719m and for 2021/22 £1.975m.

7.2 The detailed scheme analysis supporting the programme 2019/20 is shown within Appendix 2.

7.3 The Staffordshire Commissioner Fire and Rescue Authority is required to set estimates and impose limits and to report and publish actuals in line with The Prudential Code. The indicators for adoption by the Authority for 2019/20, 2020/21 and 2021/22 are set out in Appendix 3.

7.4 There are four main areas of spend which feature within the capital programme; Estates and Facilities which includes building and infrastructure work, Operational Equipment, Transport Appliances and Vehicles and finally Information Systems and Technology. The four areas are discussed in more detail below.

Building and Infrastructure Work

The budget proposal for 2019/20 includes a total capital requirement of £2.4m, which consists of the following main building and infrastructure projects plus some minor works:

- Stafford Fire Station, £1.5m. This is the balance held for the Transformation Funding Grant. As part of the Estates Strategy work will be ongoing into 2019/20 with a number of potential options being considered for this investment by the Staffordshire Commissioner. This will require a full business case being developed for approval by the Authority (through the Strategic Governance Board) and Home Office

- The refurbishment of Abbots Bromley fire station, £0.5m. This project being partially funded by the earmarked reserve created utilising the refinancing cash benefit from the PFI1 project (reinvestment back into the estate). This project was originally budgeted for 2018/19 but the scope of the project so far has exceeded the financial envelope. The budget includes additional work for the replacement of the drill tower

- Learning and Development – replacement of drill yard at HQ, £0.3m

- Minor works including HQ site, £0.1m

Operational Equipment

Total investment of £0.4m has been identified and included within the programme for 2019/20:

- Appliance – hydraulic cutting equipment (battery powered), £0.1m
- Thermal imaging camera replacement, £0.1m
- Hand held radio replacement, £0.1m
- Other areas, £0.1m

Appliances and Vehicles

A vehicle replacement programme of £1.2m, has been included within the proposed budget for 2019/20.

In summary the vehicle replacement programme includes the following:

- Fire appliances (x2), £0.4m. This represents the final payment following the receipt of the final two appliances following the procurement of eleven new appliances spanning a two-year period
- Aerial Ladder Replacement (ALP), £0.7m. This investment was originally included with 2018/19 and approved as part of last year’s capital programme
- Light Vehicles, the programme includes the replacement of 15 light vehicles as part of the rolling vehicle replacement programme

Information Technology

The ICT programme for 2019/20 of £0.65m includes the following:

- Ongoing ICT rolling replacement programme, £0.1m,
- Replacement of telephony system (phase 2 of 2), £0.1m
- Network Hardware Replacement (EOL Switches), £0.2m
- PSN core network development, ESN Enablement, £0.15m
- Other (including mobile phone replacement), £0.1m

8. Funding the Programme

Appendix 1 also details the proposed funding strategy for the 2019/20 programme together with indications for the funding of the next two years. For 2019/20, the programme will be funded by a combination of Government Grant, Earmarked Reserves and the use of Internal Cash. This is also reviewed within the Treasury Management Strategy Report.

The Authority will also seek to fund as much of the programme as possible through direct revenue contribution should additional savings be available in year.

9. Minimum Revenue Provision (MRP) Policy Statement

The Staffordshire Commissioner Fire and Rescue Authority is required each year to set aside some of its revenues as provision for debt repayment. This MRP provision essentially allows the Authority to "pay off" an element of the Capital Financing Requirement annually through a revenue charge known as the Minimum Revenue Provision (MRP).

The MRP was previously defined by statute with regulations providing for MRP as a 4% charge in respect of the amount of the Capital Financing Requirement (CFR). Under current regulations, the rules have been replaced with a general duty for a local authority to make an MRP charge to revenue which it considers prudent. The new regulation does not itself define "prudent provision". However, guidance has been issued specifying methods for MRP calculation, which the Secretary of State considers prudent thereby effectively determining prudent provision.

Regulations require the Authority to approve an MRP Statement in advance of each year. It is recommended that the Authority continue to apply a MRP to capital expenditure funded by borrowing under the 'Asset Life Method': which calculates the MRP charge based on the estimated life of the asset for which the borrowing is undertaken.

The total level of debt for this Authority as at 31 March 2019 is forecast to be around £25.9m, and is forecast to increase to £26.4m by March 2022 based upon the capital investment requirements outlined within this paper.

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Appendix 1

Staffordshire Commissioner Fire and Rescue Authority

Summary Proposed Capital Programme 2019/20 to 2021/22

	2019/20 Budget	2020/21 Estimate	2021/22 Estimate
	£	£	£
Building & Infrastructure Works			
Refurbishment Programme	2,018,695	518,000	
Improvement Works	415,000	214,228	150,000
Total	**2,433,695**	**732,228**	**150,000**
Operational Equipment	**407,750**	**287,000**	**125,000**
Appliances & Vehicles			
Appliances & Specialist Vehicles	1,064,384	250,000	1,000,000
Vans & Cars	165,000	150,000	150,000
Total	**1,229,384**	**400,000**	**1,150,000**
Information Technology			
ICT Hardware, Software Systems & Installations	650,000	300,000	550,000
Total	**650,000**	**300,000**	**550,000**
Other Capital Spend			
Total Capital Programme	**4,720,829**	**1,719,228**	**1,975,000**
<u>Funding</u>			
Supported Borrowing			
Unsupported Borrowing	2,157,442	1,519,228	1,804,658
Capital Grant	1,531,695		
Use of Specific Reserves (Abbots Bromley)	417,000		
Use of Specific Reserves	614,692	200,000	170,343
Total Funding	**4,720,829**	**1,719,228**	**1,975,000**

Appendix 2

Staffordshire Commissioner Fire and Rescue Authority

Detailed Capital Programme 2019/20

Scheme Description	Detail	Bring / Carry Forward	Approved 2019/20 Programme (FRA Approved) £	Additions / Amendments to 2019/20 Programme	REVISED 2019/20 Submission £
IADS					
Stafford Refurbishment		C/Fwd from 18/19		1,531,695	**1,531,695**
Abbots Bromley Refurbishment		C/Fwd from 18/19		417,000	**417,000**
Abbots Bromley Drill Tower Replacement		C/Fwd from 18/19		70,000	**70,000**
			-	**2,018,695**	**2,018,695**
Building Works - Improvements					
HQ - L&D - Drill Yard	Resurfacing and drainage works	C/Fwd from 18/19		300,000	**300,000**
CCTV Installs	Incl. £15k for Workshops (B/Fwd from 20/21)			25,000	**25,000**
Longnor - Replace Heating System	Replacement of Heating System			50,000	**50,000**
HQ - Old House - Steel Staircase		C/Fwd from 18/19		40,000	**40,000**
			211,000	**204,000**	**415,000**
Operational Equipment					
Appliance Equipment - Hydraulic Cutting Equipment	Battery powered cutting equipment - 6 sets @ £17,000		68,000	34,000	**102,000**
Thermal Image Cameras	Replacement due to warranty expiry (Phase 1 of 2) - 20 units @ £4,000		80,000		**80,000**
Toms Toms	SatNavs for Officer cars			13,750	**13,750**
FF Decontamination Equipment	to replace exisiitng off IRU (2 units @ £15,000)			30,000	**30,000**
Wild-Fire specialist Equipment	Following hot Weather debrief 2018 (2 x Dams/ 3 x large LPPS)			17,000	**17,000**
IS Hand Held Radios	Fire Ground Radios (TBC) - Awaiting NFCC recommendation	C/Fwd from 18/19		80,000	**80,000**
New Foam Equipment	for exisiting WRCs	C/Fwd from 18/19		10,000	**10,000**
New Hose Reel Branches	For exisitng Scania Appliances (flow test at 100L/M)			25,000	**25,000**
PPE Under Garments	Following hot Weather debrief 2018 (£100/person)			50,000	**50,000**
			271,200	**136,550**	**407,750**
Appliances & Vehicles					
2 PRL	2 x PRL Pumping Appliances (£247,458 per vehicle) As per payment profile schedule		494,916	(130,532)	**364,384**
1 ALP	Payment profiling - Build and delivery	C/Fwd from 18/19	1,000,000	(300,000)	**700,000**
15 Light Vehicles	Mix of Cars & Vans		165,000		**165,000**
			1,659,916	**(430,532)**	**1,229,384**
Information Technology					
ICT Rolling Programme			150,000	(50,000)	**100,000**
Telephony Replacement	Phone System Replacement June 2019 (Phase 2 of 2)		100,000		**100,000**
Network Hardware Replacement	EOL Switches		100,000	130,000	**230,000**
PSN Core Network	Additional requirement (Incl. £50k carry forward from 2018/19)			100,000	**100,000**
ESN Enablement (1 of 2)				50,000	**50,000**
Conference Room Equipment		C/Fwd from 18/19		30,000	**30,000**
Mobile Phone Contract Renewal		C/Fwd from 18/19		40,000	**40,000**
			350,000	**300,000**	**650,000**
Overall Total			**2,492,116**	**2,228,713**	**4,720,829**

Appendix 3

Staffordshire Commissioner Fire and Rescue Authority
Prudential Indicators

A. Indicators for Affordability, Prudence and Capital Expenditure

1. Ratio of Financing Costs to Net Revenue Stream

Estimate 2019/20 %	Estimate 2020/21 %	Estimate 2021/22 %
11.5	4.2	4.8

This shows the capital financing costs (interest charges/receipts and repayment of loans) as a proportion of government grant (revenue) and Council Tax. This allows the Authority to track how much of its annual income is needed to pay for its capital investment plans proportionate to its day to day running costs.

2. Estimates of Capital Expenditure

Estimate 2019/20 £m	Estimate 2020/21 £m	Estimate 2021/22 £m
4.720	1.719	1.975

Expressed in absolute terms rather than as a ratio, this shows the overall level of capital investment irrespective of how it is being funded.

3. Capital Financing Requirement / Gross Debt

Estimate 2019/20 £m	Estimate 2020/22 £m	Estimate 2021/22 £m
26.6	26.4	26.4

This indicator effectively shows the level of the Authority's underlying need to borrow for capital purposes.

Net borrowing is not expected to exceed the total of the capital financing requirement (except in the short term)

It is a key indicator of prudence that, over the medium term, net borrowing is only for capital purposes.

B. Indicators for Treasury Management

1. Treasury Management Code of Practice

The Authority has adopted the CIPFA Code of Practice on Treasury Management

2. <u>External Debt</u>

	2019/20 £m	2020/21 £m	2021/22 £m
a. Authorised Limit	34.1	31.6	31.6
b. Operational Boundary	30.0	29.6	29.4

This indicator identifies two limits in relation to external debt, and excludes PFI.

The *Authorised Limit is the maximum level of external borrowing which should not be exceeded. The limit is linked to the estimated level of borrowing assumed in the Capital Programme.*

In addition *an Operational Boundary is required which represents the Treasurer's estimate of the day to day limit for the Treasury Management activity based on the most likely i.e. prudent but not worst case scenario.*

Report to the Police Fire and Crime Panel

15th February 2019

Fire Treasury Management Strategy Report 2019/20

1. Introduction

1.1 The Staffordshire Commissioner became responsible for the governance of Staffordshire Fire and Rescue Service from 1 August 2018, in addition to his existing role overseeing Staffordshire Police. However, both remain separate legal entities, with separate budgets, staff and governance processes.

1.2 This report will detail the treasury management strategy for the **Staffordshire Fire and Rescue Service** only; with a separate report produced for Staffordshire Police. Therefore, reference is made only to Staffordshire Commissioner Fire and Rescue Authority ('the Authority') as part of this report.

2. Summary

2.1 To outline the Treasury Management Strategy for the 2019/20 financial year.

2.2 Treasury management comprises the management of the Authority's cash flows, borrowings and investments, and their associated risks. The Authority is exposed to financial risks, including the effects on revenue from changing interest rates on borrowings and investments, and the risks of a potential loss of invested funds. Therefore it is essential that the Authority successfully identifies, monitors and controls financial risk as part of prudent financial management.

2.3 The Authority conducts its treasury risk management within the framework of the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised *Treasury Management in the Public Services Code of Practice* (the CIPFA Code), published in December 2017. The CIPFA Code requires that the Authority approves a treasury management strategy before the start of each financial year. In addition, this report fulfils the legal obligation to have regard to the CIPFA Code under the Local Government Act 2003.

2.4 The Annual Investment Strategy (AIS) for 2019/20 meets the requirements of the statutory guidance issued by the Ministry of Housing, Communities and Local Government's (MHCLG) in its revised *Guidance on Local Government Investments* published in February 2018.

2.5 CIPFA's revised Prudential Code for Capital Finance in Local Authorities introduced the requirement for a new capital strategy report; this is a separate report and will give a high level overview of how capital expenditure, capital financing and treasury management contribute to the provision of services, with an overview of how risk is managed and implications for future financial sustainability.

2.6 This strategy has been prepared in conjunction with the Treasury team at Staffordshire County Council (SCC), and after consultation with the Director of Finance, Assets and Resources at the Authority.

3. Recommendations

3.1 That the Panel note the proposed borrowing strategy for the 2019/20 financial year comprising:

a) a borrowing strategy to operate within the prudential limits set out in **Appendix 1**;
b) a borrowing strategy, to use cash as far as is practical with the option to borrow up to £3m long-term where the Director of Finance, Assets and Resources (the Director) considers this appropriate in 2019/20;
c) a forward borrowing strategy that will not be used in 2019/20; and
d) a loan restructuring strategy that is potentially unlimited where this rebalances risk.

3.2 That, in accordance with the MHCLG's Guidance on Local Authority Investments, the Panel note the adoption of the Annual Investment Strategy (AIS) 2019/20 as set out in **paragraph 8.0** to **8.50** of this report and **Appendix 3.** Also that the following policies are noted:

a) reviewing the strategy (page 14);
b) the use of external advisors (page 14); and
c) training (see page 15).

Matthew Ellis
Staffordshire Commissioner

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4. Economic Background

4.1 The UK's progress in negotiating an exit from the European Union (EU), together with any future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20. The Office for Budget Responsibility (OBR), the government's independent official forecaster, warned of the risks of the UK economy going into recession if a Brexit deal is not negotiated with the EU.

4.2 However, the OBR's UK growth forecasts are based on achieving an orderly withdrawal process; in October 2018, it predicted that the UK economy will grow by 1.6% in 2019, an improvement on the 1.3% it had projected in March 2019. The improved forecasts coincided with October's autumn budget statement that saw Chancellor Philip Hammond announce a fiscal giveaway of close to £15 billion for 2019.

4.3 In August 2018, expectations for inflation caused the Bank of England's Monetary Policy Committee (MPC) to vote unanimously for a rate rise of 0.25%, taking Bank Rate to 0.75%. UK Consumer Price Inflation did fall back to 2.4% in September 2018 from 2.7% in August, although higher import and energy prices continued to hold inflation above the BoE target of 2%. The November Inflation Report showed that further interest rate increases may be required to bring inflation down to the 2% target over the forecast horizon.

4.4 The US economy has continued to perform well, and the Federal Reserve has maintained its monetary tightening stance and pushed up its target range for the Fed Funds Rate in December 2018 by 0.25% to 2.25% - 2.5%. It is expected that there will be a further two rises in 2019. However, there is a risk that the US-China trade war, combined with a continued tightening of monetary policy, may contribute to a slowdown in global economic activity in 2019.

4.5 Although Europe experienced slower growth in 2018, the European Central Bank (ECB) has started conditioning markets for the end of quantitative easing as well as the timing of the first interest rate hike. This is currently expected in 2019, with the timing and magnitude of further rate increases thereafter.

4.6 Due to the risks of financial market volatility, the treasury strategy retains the low risk approach adopted in recent years, based on prioritising security, liquidity and then yield.

5. Interest Rates

5.1 In terms of treasury management, the Bank Rate is fundamental to the income received and it may also affect expenditure on loan interest where new loans are taken out or variable rate loans are held.

5.2 The Authority has been informed that Staffordshire County Council has forecast two more Bank Rate hikes of 0.25% during 2019, to take official UK interest rates to 1.25%. The Bank of England's MPC continues to have a bias towards tighter monetary policy although it is has maintained further rate rises would be gradual and to a limited extent. Some commentators believe that MPC members consider cutting Bank Rate from a higher level would be a more effective policy if some of the Brexit risks transpire.

5.3 The UK economic environment remains uncertain, primarily because the economy faces a challenging outlook as it exits the EU. At the time of writing, Prime Minister May had reached an agreement with the EU on transition and on future relations, that had been backed by her Cabinet. However, the deal still required approval by UK Parliament with the possibility of a "no deal" Brexit still hanging over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

5.4 Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on the interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.5% and 2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

5.5 Interest rates in the medium term are still not expected to reach pre-crisis levels and this is important for the strategies that follow. This is because variable rate investment income will not cancel out fixed loan interest expenditure (known as the cost of carrying loans).

6. Credit outlook

6.1 The Bank Recovery and Resolution Directive (BRRD) from 2015 introduced a significant risk for local authorities. Under these rules, a failing bank will need to be 'bailed-in' by current investors instead of a 'bail out' by government. The risk of loss for local authorities in a bail-in situation is much greater, as any unsecured fixed-term deposits would be ranked near the bottom of the capital structure and would be one of the first to suffer losses.

6.2 Ring-fencing legislation adopted by UK financial regulators required the larger UK banks to separate their core retail banking activity from the rest of their business i.e. investment banking. The aim is to protect retail banking activity from unrelated risks elsewhere in the banking group, as occurred during the global financial crisis. The big four UK banking groups - Barclays, HSBC, Lloyds and NatWest/Royal Bank of Scotland - have now divided their retail and investment banking divisions into separate legal entities. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

6.3 In November 2018, the Bank of England released the results of its latest stress tests on seven of the UK's largest banks and building societies. The Bank believe that the tests showed that the UK banking system is resilient to deep recessions that are more severe than the global financial crisis. The Bank did not require any bank to raise additional capital.

6.4 European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading there. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be high if ever needed. The uncertainty caused by the protracted negotiations between the UK and EU is weighing on the creditworthiness for UK and European banks with substantial operations in both jurisdictions.

6.5 The Authority will work with the Treasury and Pensions team at Staffordshire County Council to monitor developments on bank credit risk.

6.6 The Authority's full creditworthiness approach is detailed in the Annual Investment Strategy (AIS) outlined in **Section 8**. This also sets out where cash will be invested.

7. Borrowing Strategy

7.1 At 31 March 2019, it is anticipated that the Authority's long-term loan debt will be around 70% funded, i.e. covered by fixed interest rate long-term loans of £18.1m. The gap of around £7.8m which is forecast to be needed to complete the borrowing reflects the Authority's strategy of using cash in lieu of borrowing over recent years.

7.2 The Authority has three main options in its borrowing strategy:

- to use cash (i.e. do not borrow);
- to bring borrowing up to the amount needed to fully fund the capital programme at any point in time; or
- to forward borrow up to two years in advance.

7.3 The following table shows an estimate for the levels of debt and loans at 31 March 2019 and a forecast for the next three years if the first option, i.e. using cash in lieu of borrowing, was continued.

	Estimated 2018/19 £m	**Forecast 2019/20 £m**	**Forecast 2020/21 £m**	**Forecast 2021/22 £m**
Forecast Gross Debt	25.9	26.6	26.4	26.4
Forecast Loans Position	18.1	17.6	17.1	16.6
Gap Funded from Cash	**7.8**	**9.0**	**9.3**	**9.8**

7.4 The increase in the use of cash in 2019/20 can be attributed to a combination of new borrowing and loans maturing over this period. As some of the new borrowing is due to be financed from reserves, it is possible that the levels of cash reserves in future years may not be sufficient to cover the gap funded from cash. In this scenario, the Authority would need to consider external borrowing.

7.5 The loans position includes a £1m LOBO (Lender Option Borrower Option) loan held with Dexia Bank where the maturity date is not certain. The bank has an option to amend (i.e. increase) the loan interest rate on pre-determined dates in 2019/20; if this option is exercised then the Authority as a matter of policy will repay the loan.

7.6 In recent years, some banks owning LOBO loans, such as Commerzbank, have been removing these non-core assets from their balance sheet, ahead of changes to accounting standards and capital adequacy regulations, that may prove costly to them. Consequently they have contacted relevant local authorities and have given them the option to repay their LOBO loans with a reduced premium. Although Dexia Bank are not currently offering such favourable repayment terms for their LOBO loans, it is conceivable to think they may do so in the future.

7.7 Aside from a potential restructure, it is judged unlikely in the current interest rate environment that LOBO loans options will be exercised. However a repayment of the LOBO loan would further increase the “gap” funded from cash; alternatively the Authority could take up a shorter-term and cheaper loan, say with the Public Works Loan Board (PWLB), or its successor body. A decision would be taken at the time.

7.8 Despite the availability of external loans, the economic environment continues to favour using cash:

- There is a normal yield curve so it is cheaper to use cash than to borrow.
- Due to bail-in legislation it is important to minimise investment risk as using cash reduces investment balances.
- Using cash within practical cash management limits would meet key parts of the regulatory framework provided by the government.
- Investments are still yielding a low return.
- The interest rate forecast at **paragraph 5.2** shows the Bank rate is at a very low level and it is expected to remain well below the average debt rate for the next year and beyond. Continuing to use cash would meet the objective of bringing down the average rate of interest for borrowing and provide an opportunity to fund the capital programme at low cost.

7.9 An important aspect of using cash is its risk reduction effects:

- Using cash reduces security risk as investment balances are lower; the Government emphasises the importance of minimising this risk above all others in regulations discussed later in this report.
- The Authority will be less exposed to variable interest rate changes; this exposure arises when a fixed term loan is taken out with corresponding variable rate investments. This is avoided when cash is used.

7.10 Looking at risk in a wider sense, the CIPFA Code of Practice on Treasury Management sets out a number of risks to be considered. This assessment is shown at **Appendix 2** for the six main risks considered relevant and summarised below.

Risk	**Assessment**
Security	Low
Liquidity	Low
Interest rate	Low to Medium
Market	Medium
Refinancing	Medium
Regulatory and legal	Medium

7.11 Overall the use of cash in lieu of borrowing is considered a relatively low risk strategy although it is impossible to eliminate all treasury risk. The consequences of using cash are the possibility of extra costs in the future if interest rates rise; although this must be balanced with the extra cost now if loans were taken (the cost of carry).

External borrowing requirement

7.12 Although the current economic environment favours the use of cash, this strategy is only possible where cash is available to fund borrowing. As referred to in **paragraph 7.4**, it is conceivable that forecasted levels of reserves may not be sufficient to cover the gap funded from cash. In this instance it may be necessary to raise external loans.

7.13 The Authority also needs to recognise the possibility of further unexpected reductions in cash balances from those forecast. This could be due to:

- increases in the capital programme;
- budget pressures;
- changes in the Authority's cash funding as a result of structural changes; or
- LOBO loan call options being called.

7.14 Where additional liquidity is needed, the Authority can call upon short-term temporary loans raised from the money markets, including from other local authorities with surplus cash to invest. The Authority can also obtain long term loans of over one year, for example through the PWLB.

7.15 It is important to understand that when raising loans, all of the funding gap need not be closed with the new loans. A gap should be retained that continues to use available cash for the reasons outlined at **paragraph 7.8**. The proposed strategy aims to strike a balance between the liquidity needs of day to day cash management with the low risk approach that is maintained by using cash.

Sources of borrowing

7.16 The approved sources of long-term and short-term borrowing are:

- Public Works Loans Board (PWLB) and any successor body
- UK Municipal Bonds Agency Plc and any other special purpose companies created to enable local authority bond issues
- Other UK public sector bodies
- UK public pension funds
- Approved banks or building societies authorised to operate in the UK
- Any institutions approved for investments.

Short-term loans

7.17 Short-term loans raised from money markets are typically under 6 months duration. These are low cost and the Authority can respond flexibly to liquidity pressures by raising these when needed. The disadvantage of short-term loans is one of availability and it can be difficult to raise quickly from banks and building societies.

7.18 The local authority lending market has progressed considerably in recent years and funds are generally available in the short to medium term. However future availability cannot be predicted as loans raised depend upon other local authorities still having cash balances and being prepared to lend it to the Authority.

Long-term loans

7.19 Long-term loans are those for a duration of more than 12 months. The Authority has previously raised the majority of its long term borrowing from the PWLB, a statutory body that issues loans to local authorities. Government consent is not required hence the PWLB continues to be seen as the 'lender of first resort' because of the flexibility and ease of access. However local authorities are required by law to have regard to the Prudential Code and only borrow within relevant legislation and its borrowing powers.

7.20 The traditional source of long term loans has been the PWLB, effectively the UK Government. These loans are relatively more expensive now than in the past as the Government increased the margin over Gilts several years ago (this is now 0.80% under the "certainty rate" regime). However, loans can be raised and cash received within 3 working days so the PWLB provides a strong contingency against liquidity shortfalls.

7.21 In November 2016 the Government announced plans to transfer the powers of the PWLB to the Treasury. It is important to note that the reforms have had no real effect on the Authority's existing PWLB loans or on local authority lending policy from Central Government.

7.22 The exact type of loan to be raised by the Authority and its duration would have to be considered at the time; but with current interest rates and the maturity profile of the existing loan portfolio, loans towards the shorter end of the yield curve offer better value for money.

7.23 The optimum timing for borrowing cannot be foreseen and decisions often need to be taken at short notice. Because of this, it is proposed to delegate the decision to borrow long-term loans to the Director of Finance, Assets and Resources at the Authority, and reported retrospectively to the Strategic Governance Board. The maximum amount has been set at £3m; this is deemed sufficient to meet the forecasted borrowing needs. There is no limit where short term loans are taken.

7.24 The Board will be kept informed of any loans raised via the outturn and half-year reports.

Loan restructuring

7.25 Movements in interest rates over time may provide opportunities to restructure the loan portfolio in one of two ways:

- Replace existing loans with new loans at a lower rate (known as loan rescheduling).
- Repay loans early without replacing the loans. However this would increase the use of cash which may not be possible under current forecasts for reserves.

7.26 Currently loan restructuring would be very expensive and unattractive for the Authority. This is because:

- Gilt yields are still historically low. This would lead to large penalties to compensate the PWLB or its successor body if loans were repaid early; and
- new loans are much more expensive than in the past even though gilt yields are so low. Since 2010 the Government has increased the margin on top of gilts at which it onward lends to local government via the PWLB (originally 1.00%, subsequently dropped to 0.80%).

7.27 Market conditions and regulations do change so the outcome cannot be foreseen. It is therefore proposed to allow unlimited loan restructuring with the decision being delegated to the Director of Finance, Assets and Resources and reported retrospectively to the Strategic Governance Board.

Policy on Borrowing in Advance of Need

7.28 As the borrowing strategy proposed for 2019/20 involves maximising the use of cash until borrowing is required, the policy is not to borrow in advance this year. This will be revisited annually as part of the overall borrowing strategy.

8. Annual Investment Strategy (AIS) 2019/20

8.1 Following the introduction of the second Markets in Financial Instruments Directive (MiFID II) regulations from January 2018, local authorities will automatically be treated as retail clients by financial services firms, unless they ‘opt up’ to be professional clients. As a retail client, the Authority would receive enhanced protections but this would also mean it may face increased costs and restricted access to certain products including money market funds, pooled funds, treasury bills and treasury advice.

8.2 The Authority, however, continues to meet the criteria set out under MiFID II and will carry-on being treated as a professional client by regulated financial services firms in 2019/20.

Investment options

8.3 The Authority manages a portfolio of cash that can reach over £23m at certain times in the year; the average balance to date has been £17m in 2018/19. Since the financial crisis the Authority has taken a low risk approach to investment and the AIS continues in this vein.

8.4 The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

8.5 If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

8.6 The main investment options to consider are related to:

- the credit risk of counterparties that are used for investment
- the length of the investment; and
- the type of financial instrument that are used.

8.7 The type of financial instruments that can be used can be divided into ‘specified’ investments and ‘non-specified’ investments.

Specified Investments

8.8 Specified Investments are investments made in sterling for a period of less than a year that are not counted as capital expenditure and are invested with:

- the UK Government;
- a UK local authority, parish council or community council; or
- a body or investment instrument, that has ‘high credit quality’.

8.9 The first two named investments are not subject to ‘bail-in’ risk as mentioned in **paragraph 6.1** in this report. The assessment of the third aspect of high credit quality is dealt with in the paragraphs that follow.

The Credit Management Strategy for 2019/20

8.10 Government guidance requires an explanation of how credit quality is monitored, what happens when it changes and what additional sources of information are used to assess credit quality.

8.11 In the past a broad list of banks and building societies were utilised; however, over time the number of approved banks and building societies has fallen away because of poor returns relative to the risk of investing. The anticipated position for 2019/20 is that only one bank will be used, Lloyds Bank Plc, and this will be in the context of their banking relationship with the Authority.

8.12 As with any bank, the credit environment will be monitored to make a subjective judgement on the creditworthiness of Lloyds, this includes:

- credit ratings from the three main credit rating agencies;
- Credit Default Swaps (CDS) (i.e. the cost of insuring against counterparty default);
- share price and bond yields;
- balance sheet structure;
- macro-economic factors; and
- potential government support.

8.13 The Authority remains responsible for all its investment decisions. Meetings with colleagues from the Treasury team at Staffordshire County Council take place on a quarterly basis where a review of the Lending List will take place.

8.14 Under stressed market conditions, additional meetings with Staffordshire County Council’s Treasury team may take place at very short notice. A decision may be made to adjust the Authority’s investment risk profile; the end result may involve moving investments to lower risk counterparties or instruments.

Money Market Funds

8.15 Money Market Funds (MMF’s) are pooled investment vehicles consisting of money market deposits and similar instruments. MMF’s are used by the Authority currently and more widely by other public and private sector bodies.

8.16 Existing MMFs are expected to be compliant to new EU regulations by January 2019. As part of the reforms, most short term MMF’s will convert from a Constant Net Asset Value (CNAV) to a Low Volatility Net Asset Value (LVNAV) structure.

8.17 The assets of LVNAV MMFs are marked to market, meaning the dealing NAV (unit price) may fluctuate. However MMFs will be allowed to maintain a constant dealing

NAV provided they meet strict new criteria and minimum liquidity requirements. Public debt CNAV MMFs will still be available where 99.5% of assets are invested in government debt instruments.

8.18 MMF's proposed for use by the Authority would be 'AAA' rated, the highest possible credit rating and they would have the following attributes:

- Diversified – MMF's are diversified across many different investments, far more than the Authority could achieve on its own account.
- Same day liquidity – funds can be accessed on a daily basis.
- Ring-fenced assets – the investments are owned by the investors and not the fund management company.
- Custodian – the investments are managed by an independent bank known as a custodian, who operates at arms-length from the fund management company.

8.19 All treasury activity carries an element of risk and MMF's are no different. In the event of a further financial crisis, the failure of one or more of an MMF's investments could lead to a run on the MMF as investors rush to redeem their investment. This could then spread to other MMF's as investors take flight from this asset class. The new MMF regulations look to limit some of these risks.

8.20 The very low interest rate environment also threatens the ongoing continuity of MMF's. Each MMF charges a fee and this could mean that interest earned becomes negative after its deduction. If this problem arose then it would be a matter of moving funds to an alternative class of investment. However this threat has receded with the recent rise in Bank Rate.

8.21 All of these issues point towards the fundamental need for diversification across investment categories. This issue is dealt with later in this report (see from **paragraph 8.27**).

Banking

8.22 The Authority’s banking provider is Lloyds Bank. Cash is retained with Lloyds Bank each night earning interest at a market rate; the amount retained will be set in line with the diversification policy set out at **paragraph 8.29**.

8.23 In respect of the Bank ring-fencing legislation referred to in **paragraph 6.2**, Lloyds Bank has a relatively small investment banking operation meaning that 97% of the bank’s assets remained within the ‘retail’ ring-fence. The Authority’s business with Lloyds Bank will take place within the ‘retail’ ring-fence (Lloyds Bank Plc) and not form part of their investment banking operations (Lloyds Bank Corporate Markets).

8.24 Long term credit rating issued by the three major agencies indicate there have been upgrades for some ringfenced ‘retail’ banks and downgrades for some non-ringfenced ‘investment’ banks. Lloyds Bank Plc has seen a credit ratings upgrade; should the Lloyds credit rating fall, then small balances may be retained with the bank for operational efficiency. The Authority will continue to seek information on any developments from the Treasury team at Staffordshire County Council, with a course of action to be determined by the Director of Finance, Assets and Resources.

Investment duration

8.25 The specified investments set out in this report are of short duration; funds invested with banks (either through a MMF) or the Authority’s banker are liquid and available at same day notice. Other regulation investments may be invested for up to 12 months.

8.26 The Authority’s lending list is shown at **Appendix 3**. The maximum recommended investment duration for 2019/20 is to not invest for more than a year.

Investment diversification

8.27 Having determined the list of highly rated counterparties and the duration of investments, the last piece of the process is to overlay the methodology for ensuring diversification. Ensuring diversification is important as it protects the security of the investments by limiting loss in the event of a counterparty default. However, diversification does not provide protection from a systemic failure of the banking sector, although the risk of this has diminished as a result of bail-in banking regulations.

8.28 Diversification is achieved by setting a maximum amount to be invested with each counterparty; this helps to limit risk and ensure a spread of investments. For regulation investments (the least risk of all) there is no limit so all investments could be placed here.

8.29 For Lloyds Bank a limit is set of the lower of 10% of total balances or £1.0m (subject to a minimum upper level of £500k); this amount will minimise processing costs and provide additional liquidity for the Authority. The Treasury team at Staffordshire County Council will review and reset this limit once a month with reference to forecast future balances.

MMF Limits

8.30 Cash balances at the Authority can be relatively high, especially from the point the pensions top up grant is received in July. Once MMF limits are reached, it can be difficult to invest the higher cash balances when there is insufficient demand for local authority borrowing and with returns from DMADF deposits being relatively low.

8.31 Current forecasts indicate cash balances may be higher for a while longer so it is proposed that the Authority continues with a hard MMF limit of £2.5m with a soft limit of £1.5m. This will allow the Authority to have the flexibility to exceed the soft limit when investment diversification is restricted due to limitations in the market. The Authority would continue to maintain assurance on the security of investments as MMFs have a 'AAA' credit rating.

8.32 When cash balances do fall low this may mean that all investments are placed with the MMF's and Lloyds bank. However, balances will be within the limits stated above.

8.33 Both the application and amendment of this policy is delegated to the Director of Finance, Assets and Resources with the outcome reported in the regular treasury management reports.

Non-Specified Investments

8.34 Non-Specified investments are defined as all other types of investment that do not meet the definition of specified investments. Non-Specified investments are typically used less frequently and may require further approval from the Director of Finance, Assets and Resources.

8.35 Collective Investment Schemes are Non-Specified investments that range from enhanced MMF's to property and equity funds. These all have varying risk and return profiles. The Strategy and Resources Committee approved a decision to use this category of investment in 2016/17 by committing to the Royal London Fund, a AAA rated enhanced Cash Plus MMF with a 3 day liquidity notice period.

8.36 The Royal London Cash Plus Fund allows the Authority to earn an increased yield in a low interest rate environment, and where the Authority has high cash balances. Security is maintained as it invests in highly sought after covered (secured) bonds, which are exempt from bail-in. These enhanced duration MMF's have the same characteristics as same day liquidity MMF's, but typically have a 3-5 day notice period and a recommended investment duration of at least 6 months, due to their longer investment horizon.

8.37 The financial limit for the Royal London Cash Plus MMF has been set at £1.5m.

Non-treasury investments

8.38 Under the revised CIPFA Codes and MHCLG Guidance, local authorities may invest in other financial assets and property for financial return, and also make loans and investments for service purposes.

8.39 The revised CIPFA Code and MHCLG Guidance require such non-treasury investments to be assessed as part of the new capital strategy and investment strategy. They should set out the specific policies and arrangements for non-treasury investments and ensure the same robust procedures for the consideration of risk and return are applied to these, as for treasury investments.

8.40 Under the new CIPFA Codes, the Authority should also maintain a schedule setting out a summary of its non-treasury investments. The Authority does not currently hold any non-treasury investments.

Risk

8.41 Although guidance sets out security and liquidity as being the main treasury risks, they are not the only investment risks faced by the Authority. **Appendix 4** sets out a high-level risk assessment for six of the key risks which are summarised in the following table:

Risk	**Assessment**
Security	Low
Liquidity	Low
Interest rate	Low to Medium
Market	Low
Refinancing	Low to Medium
Regulatory and legal	Low

8.42 Within the Authority's AIS there is a balance to be struck between the security of investments and liquidity; the safest investments are not the most liquid and so a pragmatic approach must be taken.

8.43 The proposed AIS has been evaluated against these risks and the judgement is that the most significant risks have been reduced as far as possible. This is not to say that all risk has been eliminated which is not possible in treasury terms.

Review of strategy

8.44 Regulations require that the circumstances under which a revised strategy would be prepared should be stated. These circumstances would be a change in:
- the economic environment;
- the financial risk environment;
- the budgetary position; or
- the regulatory environment.

8.45 The responsibility for assessing these circumstances and proposing changes to the strategy is allocated to the Director of Finance, Assets and Resources.

Policy on the use of external service providers

8.46 Regulations require that the policy on the use of external providers is disclosed. Currently the Authority has no contracted external treasury adviser and this is considered appropriate with the simple arrangements set out.

8.47 The treasury service to the Authority is provided by the Treasury team at Staffordshire County Council, who use Arlingclose as their external treasury management adviser. The County Council's contract with Arlingclose was renewed in 2017 following a tender process. The Authority could use Arlingclose to provide consultancy advice on an ad-hoc basis should this be considered necessary.

Investment management training

8.48 Regulations require disclosure of the processes for ensuring officers are well trained in investment management. Treasury management is a specialised area requiring high quality and well trained staff with an up to date knowledge of current issues, legislation and treasury risk management techniques.

8.49 Officers at Staffordshire County Council who provide the treasury service are experienced and attend regular CIPFA and treasury consultant training seminars throughout the year.

8.50 Training needs for officers at the Authority who attend quarterly meetings with County Council treasury officers are assessed on an ongoing basis by local managers.

Service Level Agreement

8.51 Staffordshire County Council provides treasury management, banking and VAT services as part of a Service Level Agreement (SLA) with the Authority. The SLA does not constitute a contract but is a document of good practice; it outlines the range of services offered by the Council and the degree of co-operation required from the Authority in order for the Council to fulfil its role.

8.52 The current SLA was updated by the Treasury team at the County Council in 2018/19 and approved by the Director of Finance, Assets & Resources.

David Greensmith
Director of Finance, Assets and Resources

Contact at Staffordshire Council

Johirul Alam
Investment Accountant

Background Documents:

1. Treasury Management in the Public Services: Code of Practice (CIPFA) (2017)
2. The Prudential Code for Capital Finance in Local Authorities (CIPFA) (2017)
3. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
4. Statutory Guidance on Local Government Investments – Issued under Section 15(1) (a) of the Local Government Act 2003 (2018)
5. Statutory Guidance on Minimum Revenue Provision – Issued under section 21 (1A) of the Local Government Act 2003 (2018)

Staffordshire Commissioner Fire and Rescue Authority

1 February 2019

Treasury Management Indicators

Indicator	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
1. External Debt	£m	£m	£m
Authorised Limit	34.1	31.6	31.6
Authorised Limit for other liabilities	84.5	82.0	79.5
TOTAL	**118.6**	**113.6**	**111.1**
Operational Boundary	30.0	29.6	29.4
Operational Boundary for other liabilities	84.5	82.0	79.5
TOTAL	**114.5**	**111.6**	**108.9**
External Loans	**17.6**	**17.1**	**16.6**
The Authorised Limit is the maximum level of external borrowing which should not be exceeded. It is linked to the estimated level of borrowing assumed in the Capital Programme. *The Operational Boundary represents the Director's estimate of the day to day limit for Treasury Management activity based on the most likely i.e. prudent but not worst case scenario* *Other liabilities relate to PFI schemes on the balance sheet.*			
2. Interest Rate Exposures			
a. Upper Limit (Fixed)	26.6	26.4	26.4
b. Upper Limit (Variable)	(25)	(25)	(25)
Upper limits of fixed and variable borrowing and investments are required to be set. This limits the Authority's exposure to both fixed and variable interest rate movements as part of the overall risk management strategy for treasury management activities. Negative figures are shown in brackets; these relate to investments at a variable rate which are not offset by variable borrowings.			
3. Maturity Structure of Borrowing	Upper Limit	Lower Limit	
Under 12 months	10%	0%	2.8%
12 months and with 24 months	10%	0%	2.8%
24 months and within 5 years	30%	0%	1.9%
5 years and with 10 years	50%	0%	6.6%
10 years and above	100%	25%	85.9%
This indicator identifies the amount of loans maturing in specified periods. The overarching principle is that steps should be taken from a risk management point of view to limit exposure to significant refinancing risk in any short period of time. *The Authority currently applies the prudent practice of ensuring that no more than 10% of its total gross fixed rate loans mature in any one financial year.*			
4. Total principal sums invested for periods longer than a year	£	£	£
Any investments made for longer than a year will be in accordance with the limits on non-specified investments.	nil	nil	nil

Staffordshire Commissioner Fire and Rescue Authority
1 February 2019

Risk assessment – Borrowing strategy

Risk heading	Risk description	Relevance to borrowing	Key control	Assessment	Borrowing strategy
Security	A third party fails to meet its contractual obligations (i.e. counterparty risk).	Unlikely that there is a failure between the agreement to borrow and sums being received a few days later. However, if we borrow in advance we must invest until this is needed and this increases exposure to investment risk.	Usually borrow from the Government (PWLB or its successor body) with funds received within 3 working days from the date of agreement to borrow.	**LOW**	Use of cash to fund borrowing reduces this risk further i.e. less money is held with banks and third parties as a result.
Liquidity	Cash is not readily available when it is needed.	Only borrow for capital – usually borrow from Government (PWLB or its successor body) with a maximum limit of £3m for long-term borrowing set in 2019/18.	Prudential rules on borrowing and consideration of whether Government is secure.	**LOW**	Use of cash to fund borrowing increases this risk as liquidity is reduced when borrowing is avoided. However, the Authority is able to borrow money temporarily using the money markets should it need to, so the overall risk remains low.
Interest rate	Unexpected <u>reduction</u> in short term Interest rates.	Depends on the mix between fixed rate borrowing and variable rate borrowing. Higher exposure to variable rate borrowing helps the budget.	The control is set out below.	**LOW to MEDIUM**	Pursuing a strategy of using cash reduces the overall net exposure to sudden interest rate falls.
Interest rate	Unexpected <u>increase</u> in short term interest rates.	Mix of variable and fixed rates – Lower exposure to variable rate borrowing helps the budget.	Limit variable rate borrowing to a relatively small proportion (e.g. 20%).	**LOW to MEDIUM**	20% limit provides a suitable risk control.

Risk heading	Risk description	Relevance to borrowing	Key control	Assessment	Borrowing strategy
Market	The market value of loans changes substantially (i.e. how much is the borrowing strategy exposed to long term interest rate change).	How much risk is built into the maturity profile of the loans structure. LOBO's (5% of all loans) are the only 'market' instrument in borrowing terms currently used.	This is inversely linked to refinancing risk below.	**MEDIUM**	Use of cash will shorten the duration of the loan portfolio and reduces this risk. Without the use of cash this risk assessment would probably be high.
Refinancing risk	Maturing transactions cannot be renewed on similar terms.	Need to avoid a high level of borrowing over a short period where you are exposed to high interest rates.	The Authority has a policy of limiting maturing loans to 10% of the loans portfolio.	**MEDIUM**	Using cash to fund borrowing potentially increases the refinancing risk. Without the use of cash this risk assessment would probably be low.
Regulatory and legal risk	Rules governing local government borrowing are changed or amended without notice, which has happened in the recent past.	Local government is heavily reliant upon PWLB (or its successor body); cost and ability to reschedule / manage loans are determined by the Government The Government could close the PWLB (or its successor body) and force local authorities to use market loans for all new borrowing.	Market loans will be evaluated and taken if these are good overall value and dilute reliance on the PWLB (or its successor body). The newly set up UK Municipal Bonds Agency may provide an alternative in the future.	**MEDIUM**	One LOBO loan is held. Use of cash means that PWLB (or its successor body) loans are not being taken. If the PWLB (or its successor body) was closed to new business then market loans would be the only option.

Appendix 3

Staffordshire Commissioner Fire & Rescue Authority

1 February 2019

Lending List – January 2019	
	Time Limit
Regulation Investments	
UK Government DMADF account	6 months
UK Local Authority	12 months
Banks	
Lloyds Group (£1.0m max)	call only
MMF	
Federated (£2.5m max)	call only
Morgan Stanley (£2.5m max)	call only
Aberdeen Standard (£2.5m max)	call only
Enhanced MMF	
Royal London Cash Plus (£1.5m max)	3 day notice

Appendix 4

Staffordshire Commissioner Fire and Rescue Authority
1 February 2019

Risk assessment - Investments

Risk heading	Risk description	Relevance to investment	Key control	Assessment	Approved Investment Strategy (AIS)
Security	A third party fails to meet its contractual obligations (i.e. counterparty risk).	Crucial that money invested is returned (principal and interest).	Relies on credit management policy including; credit risk, diversification, duration and amount of investment, and an ongoing review of the credit environment. Prudential limit on investment over 1 year.	**LOW**	Use of the counterparties identified within the AIS reduces this risk to a low level. The borrowing strategy identified will reduce cash balances and the resulting security risk. With the exception of regulation investments, counterparties have a financial limit to ensure funds are spread amongst them. Overall this remains a low risk strategy.
Liquidity	Cash is not readily available when it is needed.	Need to plan investment to match cash requirements.	Managed through detailed cash flow forecast and investment in highly liquid funds – can also borrow temporarily (Local Authorities are a good credit risk if lent money).	**LOW**	Same day access accounts are currently held with: • Federated MMF • Morgan Stanley MMF • Aberdeen Standard MMF • Lloyds Banking Group (as banker) Cash flow plans are completed annually and regularly updated. Overall the risk is low.

Risk heading	Risk description	Relevance to investment	Key control	Assessment	Approved Investment Strategy (AIS)
Interest rate	Unexpected reduction in Interest rate.	Reduces the return on investment and reduces the level of reserves.	Can reduce risk by; A) netting off investment against borrowing to reduce net exposure B) investing for longer periods.	**LOW**	Investments will be short term, this does not protect against an interest rate reduction. The current interest rate environment has interest rates at historically low levels.
Interest rate	Unexpected increase in interest rates.	In order to take advantage of the unexpected return, would need to keep investment short term and increase the amount of cash invested (e.g. by not using cash in lieu of borrowing).	Controlled through the overall strategy.	**MEDIUM**	Current policy allows upturns to be taken advantage of as investments are not fixed for long periods. Using cash to fund borrowing (the proposed borrowing strategy) reduces this risk as the overall exposure to short term interest rates is less.
Market	Unexpected need to liquidate market instrument quickly and accept ‘price on the day’.	Only relevant if invest in market instruments (e.g. CD’s, Gilts).	Limit investment in market instruments or alternatively have capacity to borrow to avoid need to liquidate. Controlled by limits on Non-Specified Investments.	**LOW**	Market instruments are not in use by the Authority.
Refinancing risk	Maturing transactions cannot be renewed on similar terms.	Reflected in the term (duration) of investments. If everything invested shorter term there is a higher refinancing risk.	Proportion of investments maturing in the short term.	**LOW/ MEDIUM**	The current policy is to invest in the relatively short term. There is an increased risk with this strategy due to frequent ‘refinancing’ but this is expected to be advantageous in a rising interest rate environment. Using cash to fund borrowing (the proposed borrowing strategy) reduces this risk as the overall exposure to short term interest rates is less.

Appendix 4 (continued)

Risk heading	Risk description	Relevance to investment	Key control	Assessment	Approved Investment Strategy (AIS)
Regulatory and legal risk	Rules governing local government investment powers are changed or amended without notice.	Investment powers are granted through statute and guidance.	None.	**LOW**	The current policy of using cash in lieu of borrowing reduces the Authority's dependency on interest receipts. The AIS is low risk and uses liquid and conservative investment instruments.

Report to the Police Fire and Crime Panel

15th February 2019

Statement of Assurance

Report of the Staffordshire Commissioner

INTRODUCTION

This Statement of Assurance sets out the financial, governance and response arrangements that Stoke-on-Trent and Staffordshire Fire and Rescue Authority had in place for the period 1 April 2017 to 31 March 2018 and relates to a period prior to the change in governance for the Authority.

As detailed within the National Framework for England "Fire and rescue authorities must provide assurance on financial, governance and operational matters and show how they have had due regard to the expectations set out in their integrated risk management plan and the requirements included in this Framework. To provide assurance, fire and rescue authorities must publish an annual statement of assurance."

This report was presented to the Staffordshire Commissioner Fire and Rescue Authority's Strategic Governance Board on 1 February 2019 and the Board accepted the content and context of the document and the Service Communications and Marketing Team are now developing the final design of the document ready for publication.

RECCOMENDATIONS

a) That the Panel note the content of this Statement of Assurance for 2017/18
b) That the Panel note that this Statement of Assurance covers the 2017/18 period prior to the change in governance relating to the Staffordshire Commissioner Fire and Rescue Authority. Work is now underway to develop the SOA for 2018/19 encompassing the transition to the new governance arrangements

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Matthew Ellis

Staffordshire Commissioner

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Foreword

Welcome to our annual Statement of Assurance for 2017/2018. The aim of producing this statement is to provide our communities with clear information regarding the performance of Staffordshire Fire and Rescue Service (the Service). The document has been written in accordance with the guidance published by the Department for Communities and Local Government on statements of assurance for Fire and Rescue Authorities in England.

This Statement of Assurance sets out the financial, governance and response arrangements that Stoke-on-Trent and Staffordshire Fire and Rescue Authority (FRA) had in place for the period 1 April 2017 to 31 March 2018 prior to the change in governance to the Police, Fire and Crime Commissioner for Staffordshire (Fire and Rescue Authority) that took take place on 1 August 2018. Going forward the 2018/2019 (and subsequent) Statements of Assurance will set out performance of these new governance arrangements.

The Service continues to be committed to prioritising risk reduction and improving community safety through prevention, and innovative protection, which are both underpinned with a highly effective and efficient emergency response capability.

Working collaboratively with all of our partners continues to be a priority for the Service to improve the health, safety and wellbeing of our communities. The Policing and Crime Act 2017 placed a legal duty to collaborate on Emergency Services in respect of improvements to efficiency, effectiveness and public safety which will further develop the already established collaborations within Stoke-on-Trent and Staffordshire.

The Service is continually transforming the way in which it delivers services in order to meet new and emerging challenges. These challenges are becoming more difficult as the impact of continued budget reductions is felt. The Statement of Assurance also provides a progress update against the required £4m savings target incorporated into the published Efficiency Plan covering the four-year period from 2016/17 to 2019/20.

Financial Overview & Governance Statement

The Service's annual Statement of Accounts has been published, providing comprehensive details on the FRA's financial performance for the year ending 31 March 2018, explaining how funding was spent in order to deliver the three priority areas, as set out within the FRA's Integrated Risk Management Plan (Corporate Safety Plan) 2017-2020.

The Statement of Accounts sets out the financial activities of the FRA for the year ended 31 March 2018 and includes comparative figures for the previous year. The Statement of Accounts have been prepared in accordance with the accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and International Financial Reporting Standards (IFRS). The Code of Practice and relevant guidance notes specifies the principles and practices of accounting required to give a "true and fair" view of the financial position and transactions of the FRA.

Governance Arrangements

The Policing and Crime Act 2017 which came into effect on 3rd April 2017 gave the opportunity for Police and Crime Commissioners (PCCs) to make a local case to take on the responsibility for the governance of the Fire and Rescue Service. A business case commissioned by the Police and Crime Commissioner for Staffordshire was submitted to the Home Office for approval in October 2017 and following a Home Office commissioned independent review of the business case undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA), approval by the Home Secretary was granted on 26 March 2018. The Statutory Instrument that enabled the legislative change is cited as the Police, Fire and Crime Commissioner for Staffordshire (Fire and Rescue Authority) Order 2018. This came into force on 1st August 2018.

Background

The FRA have been responsible for the finances of the Service with a net revenue budget of £39.9 million. The FRA has been responsible for providing its Fire and Rescue Services to just over 1.1 million people in Stoke-on-Trent and the County of Staffordshire, attending over 8000 emergency incidents per year and carrying out daily interventions through engagement, prevention and protection activities to around 25,500 households including supporting businesses across the County to help maintain a vibrant economy and communities.

Affairs have been managed and scrutinised by the FRA in order to ensure that proper arrangements are in place for delivering value for money through securing financial resilience and challenging how it secures economy, efficiency, and effectiveness.

Accounting Statements

The Statement of Accounts is published to present the financial position and transactions of the FRA in a fair and transparent manner. Its format is prescribed by CIPFA.

The main statements consist of:

- **Statement of Responsibilities for the Statement of Accounts** which sets out the responsibilities of the FRA and the Treasurer for the accounts;
- **Annual Governance Statement** which assesses the adequacy of the FRA's governance arrangements and identifies where improvements can be made;
- **Statement of Accounting Policies** which sets out the basis for recognising, measuring and disclosing transactions in the accounts;
- **Comprehensive Income and Expenditure Statement** which summarises income and expenditure on the FRA's services during 2017/18; and presents all the recognised gains and losses of the FRA during 2017/18;
- **Movement in Reserves Statement** which reconciles the Income and Expenditure Account with General Fund Balances taking into account contributions to reserves committed for future expenditure;
- **Balance Sheet** which sets out the FRA's financial position as at 31 March 2018;
- **Cash Flow Statement** which summarises the inflows and outflows of cash in the year.

The Statement of Accounts 2017/18 is available on our website at the Insert Link. Printed copies can be obtained by contacting the Service's Finance Department on 0300 330 1000.

Our FRA Governance Framework

Our Governance Framework has enabled the FRA to monitor the achievement of our strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Annual Governance Statement (AGS) within the Statement of Accounts publicly explains how the organisation manages its governance and internal control measures. It is an open and honest account of how we ensure financial management systems are adequate and effective and demonstrate a sound system of internal control, assuring utmost integrity in all dealings.

Scope of Responsibility

The FRA has maintained responsibility for ensuring that:

- Business is conducted in accordance with the law and proper standards;
- Public money is safeguarded and properly accounted for, being used economically, efficiently, and effectively

The FRA also fully satisfied its duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, the FRA maintained its responsibility for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The FRA's Governance Framework has been made up of many systems, policies, procedures, and operations with the elements identified in the following sections.

Scrutiny and Performance Management

A performance management system has been in place throughout the FRA with regular performance monitoring and scrutiny being carried out by the Service's executive leadership team. As part of its corporate planning, the FRA set out the key performance indicators, both quantitative and qualitative, that measure the delivery of its strategic objectives.

The Service Delivery Board, the Service Management Board, the FRA and its Committees have maintained their governance by setting the budget for 2017/18 and approving the Medium Term Financial Strategy up to and including 2019/20. During the financial year they have received, reviewed and scrutinised reports. Performance outcomes and budget management have been kept under regular review and where appropriate remedial action and resource reallocation has been instigated.

The FRA held a number of Member Development Workshops throughout the year to ensure that all Members were kept fully up to date with current issues affecting the Service, therefore maximising the effectiveness of Members and importantly their contribution to development and improvement of the Service. Agendas, minutes, and reports, along with performance and incident data, are published on the Service website.

Internal Audit

Throughout the year a programme of Internal Audits have taken place including a continual review of internal systems, structures and controls across the Service complementing our ongoing business transformation process. During the 2017/18 period 9 audit reviews were undertaken on areas such as Pensions, Payroll, Cyber Crime and Fleet Management. In addition, two major audits were undertaken to provide the necessary assurance following the introduction of a new Payroll and Finance system.

The outcome of these audits are contained in our Statement of Accounts and resulted in a 'Substantial' assurance opinion being given on the overall adequacy and effectiveness of the FRA's governance, risk, and control framework for the 2017/18 financial year.

External Audit

Grant Thornton was appointed as the FRA's external auditor following a national procurement exercise undertaken by Public Sector Audit Appointments Limited (PSAA). Its annual work programme is set in accordance the Code of Audit Practice and includes nationally prescribed and locally determined work. The Statement of Accounts for 2017/18 was approved by the FRA on 27 July 2018 which was in line with the revised timetable for public bodies (previously 30 September). The FRA had also achieved this deadline in the two previous financial years ahead of the change and detailed within the annual report issued by PSAA as only a small number of Authorities had achieving this target.

Conclusion

The conclusion by Grant Thornton, based upon the work undertaken, was that the FRA had in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources for the year ended 31 March 2018.

Efficiency Plan

As part of the Local Government Finance Settlement for 2016/17 single purpose Fire and Rescue Authorities were all offered firm four-year funding allocations for the period from 2016/17 to 2019/20 in return for robust and transparent efficiency plans that would be published in order to enable local residents to scrutinise these plans. In October 2016 the FRA published its Efficiency Plan and submitted the document to the Home Office to secure this funding offer.

The published Efficiency Plan includes detailed assumptions around the strategy that the FRA will adapt regarding future Council Tax increases and also the expected increases in business rates and population growth within the county during this time. In total the four year settlement includes a reduction in Revenue Support Grant of £4.8m. The Efficiency Plan included a requirement for the FRA to make savings of £4 million by 2020.

To date £2.2m of savings have been approved and fully implemented within the Service. The savings included a reduction in wholetime crews of 40 posts phased into the establishment from 1 January 2017 (28 posts) and 1 January 2018 (12 posts) which included the removal of two Targeted Response Vehicles (TRV's), in addition a new retained payment system was implemented from 1 January 2017 that also reduced the establishment by 43 posts. The executive team was also restructured during 2016 removing one post from the structure.

The balance of savings of £1.8m was reduced to £1.3m as part of the budget setting exercise for 2018/19 supported by an increase in Band D Council Tax of 2.75% which was 1% above the assumption contained within the Efficiency Plan submission. This increase in Council Tax was possible following a change in the referendum limit which allowed Fire and Rescue Authorities to increase Council tax by 3% (previously set at 2%).

The following areas are currently being reviewed in order to deliver the remaining saving of £1.3m during 2018/19 and 2019/20:

- A review of Prevention and Protection delivery within the Service
- Management reduction. This involves a review that has been undertaken with the option to reduce the number of operational management posts
- A reduction in funding costs following capital savings delivered and lower borrowing costs
- A review of community safety budgets with a more effective and targeted approach
- Recurring budget efficiency savings and procurement savings

The FRA recognises that the longer term financial stability of the Service, and the protection and safety of firefighters and the communities served by this FRA, relies upon the delivery of significant future savings and continued strong financial performance. Intelligent use of resources and reserves will ensure that the FRA is well equipped to make the important decisions that will be essential in order to ensure that the saving required within the Efficiency Plan are delivered in a timely way by 2020.

Planning

The National Framework for England provides an overall strategic direction to Fire and Rescue Authorities across England but does not, however, prescribe how communities should be served, stating that Services are free to operate in a way that enables the most efficient delivery of services at a local level, working in partnership with communities, businesses, local partnerships, voluntary organisations and others.

The Service engages with the Government and partners on national resilience issues which mean that vehicles, staff and resources are often shared across the UK in response to emergency incidents. The Service hosts and manages a number of operational vehicles, equipment and capabilities which are held on a national register and deployed in accordance with national arrangements. Whilst such assets remain available to support resilience across the UK, they are also utilised at local level to enhance the response capability of our Service. Fire and Rescue Authorities function within a clearly defined statutory and policy framework. The key documents defining these responsibilities are:

- The Fire and Rescue Services Act 2004
- The Civil Contingencies Act 2004
- The Regulatory Reform (Fire Safety) Order 2005
- The Fire and Rescue Services (Emergencies) (England) Order 2007
- The Localism Act 2011
- The Fire and Rescue National Framework for England
- The Policing and Crime Act 2017

The purpose of this section is to provide assurance that our services are delivered in line with our statutory responsibilities and in consideration of our Integrated Risk Management Plans and local strategies including cross-border, multi-authority and national arrangements.

Integrated Risk Management Plan (IRMP)

The Fire and Rescue National Framework sets out the requirement that each Fire and Rescue Authority must produce an Integrated Risk Management Plan (IRMP) which must demonstrate how prevention, protection, and response activities will best be used to mitigate the impact of risk on communities, through authorities working either individually or collectively, in a cost effective way. The FRA carries out this task by producing the Corporate Safety Plan (CSP) which sets out its strategic priorities and which shapes and drives the Service's vision of 'making Staffordshire the safest place to be'.

The FRA has also set its management strategy and risk based programme for enforcing provisions of the Regulatory Reform (Fire Safety) Order 2005 in accordance with the principles of better regulation set out in the Statutory Code of Compliance for Regulators, and the Enforcement Concordat.

Consultation – Your Contribution

The current 2017- 2020 CSP was developed by speaking with, and listening to, our communities. This enabled us to develop an understanding of the expectations and services that are required from their point of view. Consultation was used to help identify and shape our priorities as we looked to tackle the challenges of the future, agreed by FRA members and shared throughout the development with a wide variety of stakeholders both internally and externally.

The CSP continues to be developed in an innovative way through a broad range of engagement throughout the process, helping to build a plan which reflects what is important to our staff, our communities and our partners. Furthermore, consulting to develop the Service's priorities maximised the input of the public and stakeholders in developing a robust plan, conforming also to UK Government Consultation Principles in adopting a proportionate and targeted approach whilst promoting public ownership of the CSP. The CSP can be found on the Service website.

We are constantly striving to provide the best service we can for our communities, as such continued feedback is an integral part in our development. The Service, therefore, welcomes your ideas and queries in order to provide the best for you. If you are interested in providing your Service with feedback, thoughts, or suggestions please email:

Corporatesafetyplan.engagement@staffordshirefire.gov.uk.

Our Priorities

The CSP has 3 priorities from which the Service continues to drive innovation and improved service delivery to ensure our communities are aware of and safe in terms of fire and other emergencies and that they received the best response when they need it.

- Education & engagement
- Community safety and Wellbeing
- Planning, resilience and response

Priority 1 - Education and Engagement

Marketing and Campaigns

The Service delivers a number of preventative campaigns based upon road safety, reducing small fires (Flames aren't games), supporting businesses and reducing fire death and injury in accidental dwelling fires by highlighting risks associated with smoking, alcohol, age and mobility - (SAME) factors. The service also collaborates with health partners through their social media channels to promote health and wellbeing. In addition, a partnership approach to raising awareness of 'staying well during winter' and dementia has taken place through the use of fire appliances displaying safety messages and NHS livery.

Safe and Sound

The Service delivers thousands of positive interventions with school children and other groups in regard to fire safety, road safety, water safety, social isolation, mental health issues, cybercrime, drugs and alcohol and first aid through a multi-agency schools education programme called Safe and Sound. The aim is to reduce pressures and demand on all public services over the long term through engagement and education by promoting safe behaviour, social inclusion and employability with both a universal and targeted offer. Local evaluation is evidencing that attendee's safety knowledge and awareness is increased as a result of the programme.

The project has accessed national transformation funding under 'Blue Light Collaboration' to provide innovative and co-produced packages for delivery and new technology to be as effective as possible in educating people through exciting interactions. The process has been underpinned by a needs based assessment of local communities completed in partnership with public health teams, Staffordshire Police, the Office of the Staffordshire Commissioner and voluntary organisations. Its focus has been predominately in delivery to Schools although several events have been introduced to over 65 groups.

Princes Trust and Cadets

The Service delivers a range of programmes in partnership with Safer Communities CIC and the Princes Trust. Over 178 young adults, many whom who have problems associated with a lack of confidence, stress, social isolation, mental ill health and alcohol/substance consumption are engaged in programmes on an annual basis. Current evidence shows that 93% go on to positive outcomes afterwards – either in full time education, employment, training or volunteering.

The Service continues to deliver its Cadets+ scheme. The focus is on delivering recognised training and skills to young people to improve their access to life opportunities. Measures are in place to monitor and inform future development of the course and its effectiveness with over 90% achieving a Duke of Edinburgh Silver award whilst gaining valuable other skills associated with teamwork and first aid.

Use of Community Fire Stations and facilities

The Service hosts a number of NHS teams and services operating from their Community Fire Stations, delivering a range of, support services, voluntary group activities and exercise classes. Community groups and partner agencies using the facilities include Staffordshire Police, the DVSA and the British Red Cross. From April 2017 until the end of March 2018 the facilities were used 12,431 times providing 39,370.05 hours of free to use facilities for the communities and partners of Staffordshire.

Protect, Technical Fire safety and Business Support

Our Protect and Technical Fire Safety arrangements continue to be developed and are based upon data and intelligence to ensure that enforcement and business support reduces the risk of fire to residents, businesses and emergency responders. A risk-based inspection programme is used which is continually reviewed to ensure that premises which may pose the greatest risk of fire are targeted for supportive action and for firefighters to gather information to plan for any emergency. This takes into account national developments such as the outcomes from Grenfell Tower fire inquiry.

Enforcement action is taken against those who fail to comply with fire safety regulations by utilising the national enforcement management model. There is however, a deliberate effort to support businesses to address shortfalls in fire safety. The Service works with various stakeholders and regulators such as building control officers, trading standards on firework safety and licensing, and the Environment Agency. The Service works in partnership with businesses providing support from fire safety officers at a local level to reduce the burden of unwanted fire signals with our Fire Control staff actively challenging calls to reduce the demand on operational crews from automatic fire alarms.

The Service engages in the Primary Authority Scheme for businesses having formal arrangements with BUPA Services, Busy Bees Nursery and Bromford Housing Group to provide assured fire safety advice on a national level. This scheme provides assured advice to businesses on a national scale and is a further way in which the Service supports improvements in business safety.

Community Sprinkler Project

The Community Sprinkler Project has focused on the risks associated with high rise building fires and specifically the levels of safety for occupants and firefighters for buildings involved in fire. We have focused our funding in this area over the medium to longer term with, match funding with appropriate partners as an option. This has created a local legacy and supports the broader Fire Sector's ambition with the national sprinkler agenda. With Phase 1 of the Community Sprinkler Project completed at David Garrick Gardens in Lichfield, Phase 2 continues with work continuing in other high buildings most notably in partnership with Stoke-on-Trent City Council and Tamworth Borough Council.

All these buildings will have sprinklers fitted over the next 3 to 5 years and will run concurrently, with the Service's Fire Engineers providing technical support for each. We have continued to work with businesses, architects, planners and partners to promote the benefits of fitting new build suppression systems along with lobbying for legislation change for sprinkler installation nationally.

Business Support Team

The Service's specialist Business Support Team continues to respond specifically to the needs of the business community of Stoke-on-Trent and Staffordshire. Support is provided through fire safety advice and support tailored to the needs of the business. A number of courses involving fire safety and health and safety are delivered in order to achieve this.

We recognise the importance of supporting business enterprises to assist in making the County a more prosperous place to live and work.

The team is part of the Staffordshire Chamber of Commerce, allowing us to influence businesses at both a local and national level; as was recently shown by the Team visiting the House of Commons, influencing business support at a national political level.

Alongside the proactive education programmes offered by this team, when a business is involved in fire, support is provided both during and after the incident in order to give the best chance of a full and effective recovery. We recognise the importance of supporting business enterprises to assist in making the County a more prosperous place to live and work and this prompt intervention mitigates the impact on employees and the local economy.

<u>Priority 2 - Community Safety and Wellbeing</u>

Reducing the risk of fire, reducing the pressure in the health and social care systems and making people safer

Evidence from fire investigations and fatal fire reviews have identified that the cohort of people which drives the interventions from SFRS are of a very similar profile to those who affect health and social care services. It has been established that individual risk factors are holistic. They can include risk of falling, hypothermia, malnutrition, excess winter death, carbon monoxide poisoning, alcohol abuse, smoking related illness, diet and poor activity related illness, those inclined to become repeat hospital admissions or destined for long term residential care, those in isolation and suffering loneliness, mental ill health and many more. Smoking, alcohol, mobility and elderly (SAME) are the most prominent factors (often combined) in accidental dwelling fire deaths. (Stats below are taken from Staffordshire FRS Business Intelligence Team).

Safe and Well visits

FRS's have long understood the importance of prevention work and the need to keep people safe within their own homes and this has been reflected by carrying out circa 25-30,000 home visits a year across Staffordshire and Stoke-on-Trent. These home visits have been developed into Safe and Well visits with an expanded scope which focuses on health as well as fire, presenting a real opportunity to make positive changes to people's health, wellbeing and safety from fire by reducing risk and making interventions during the initial visit or pulling in support from other agencies as necessary. A person-centred, integrated approach to providing services is fundamental to delivering high-quality care to people who may be vulnerable to the risks from fire. The most common risks associated with fire death and injury are smoking, alcohol, being older, having mobility issues, being socially isolated or at the risk of a fall.

The Service has developed a process through the Community Advice Team (contact centre) to measure the outcomes from these referrals which informs the evaluation of the activity and captures the difference made to people's lives, feeding back to staff to highlight the difference made through their interventions.

Where Safe and Well visits take place is determined by the analysis of our data, referrals from partners and direct requests from and contact with our communities. Visits are carried out by operational crews, Technicians and Community Safety Officers with approximately 25 to 30,000 home visits resulting in approximately 300,000 smoke detectors being fitted over the last 10 years.

The direct intervention within people's home setting enables an assessment to be completed with the occupier to develop a greater understanding of their vulnerabilities and therefore potential support pathways, referrals and actions to be undertaken. Some individuals and families with numerous vulnerabilities and needs often require an extended Safe and Well visit and support from partner agencies. Evidence of success from this collaborative approach continues to demonstrate a return on investment and reduced demand on services of £2.52 for every £1 spent.

Data and Intelligence

As part of an effective approach to risk management, the Service uses data to identify the people, areas, and groups that are more likely to be at risk from fire and other emergencies. This allows the Service to use its resources as efficiently as possible to reduce risk in the community. In particular, data relating to deprivation, age, and lifestyles are used through Mosaic Software. This helps the Service to deliver intervention, provide help and the support where it is needed the most.

The Service has continued to take great strides in sharing data and intelligence with partners including the NHS to deliver prevention in a more targeted and cost effective manner to where it will have the greatest impact in improving the quality of people's lives, particularly those who are at the greatest risk from fire. The sharing of GP data has allowed FRS's to locally stratify (prioritise) the risk and target their engagement with people who are over 65, with a number of physical vulnerabilities and who are much more likely to sustain an injury or worse as a result of fire. The local stratification of risk continues to develop through the integrated data and research project with the National Fire Chief's Council.

Referral pathways

Domiciliary care, health and social care practitioners are trained to identify the signs and symptoms of an increased fire risk and refer into the service via a contact centre – this can be for people smoking in bed at home, where there is evidence of scorch marks on clothing or carpets either from smoking or open fires, where there is unsafe cooking practices or as a result of medication and a person's overall health condition.

Safer Communities CIC

Safer Communities Community Interest Company (CIC) is an independent, not for profit partnership between the Service and the private/voluntary sector with the purpose of providing opportunities to improve the health, safety, social and economic wellbeing of our communities.

The CIC delivers projects and generates income to reinvest in prevention, protection and road safety activities within the local community. This approach has allowed the CIC to transform the lives of hundreds of young people through several Princes' Trust Programmes, deliver hours of respite to young carers and fund many community projects.

Priority 3 Planning Resilience and Response

The Service develops its CSP using a variety of data sources and tools to identify foreseeable risks within the county and determine how it will allocate resources to deal with these risks. This ensures plans are robust and based on sound data with resources targeted effectively and efficiently across prevention, protection, and response activities.

The Service maintains a system for gathering, validating and updating local risk information, (Provision of Risk Information System - PORIS) together with a method of providing this information to all personnel at the scene of an incident. All high and very high risks identified within 7.5km of the County boundary are shared with the appropriate neighbouring Fire and Rescue Service. This provides timely and accurate information to secure the health and safety of our staff when dealing with operational incidents.

The Service has 33 Community Fire Stations across the County, their locations being based on risk evidence and intelligence, to ensure that our stations are effectively located and crewed. We have 23 retained stations, 2 day duty stations and 8 twenty-four hour shift stations. This combination provides 39 frontline appliances and a variety of special appliances which support both local response and national resilience.

National Resilience

The Service can call upon and has been involved in a number of external audits which identify a satisfactory level of capability to ensure that we are delivering against National Resilience requirements to respond to any areas of the country that are experiencing wide scale effects which are beyond the capacity of the local FRS. These arrangements have been successfully delivered on a number of occasions. All of these mobilisations have been co-ordinated by the National Resilience Fire Control in Merseyside via our own shared fire control.

Interoperability and Shared Learning

The Joint Emergency Services Interoperability Principles (JESIP) are fully embedded and continue to drive our internal and multi-agency response to emergency incidents and we utilise a range of de-briefing approaches to capture learning and best practice. In support of multi-agency debriefs, the Civil Contingencies Unit (CCU) has conducted independent debriefs that provided a number of lessons learnt that are shared on the Joint Organisational Learning (JOL) website to allow shared learning by other Fire and Rescue Services and partners.

A significant piece of learning for the emergency services was the publication on 27th March of Lord Kerslakes' investigation report following the Manchester Arena bombing. The Service has reviewed the issues raised within the report and an action plan has been produced and shared with partner organisations. The outcomes from this action plan seek to provide assurance that the lessons learned in Manchester have led to appropriate, embedded procedural and capability change in Staffordshire.

We satisfy the requirements of the Civil Contingencies Act 2004 working alongside neighbouring authorities and nationally to achieve effective interoperability. We participate in joint exercises to ensure that we are well prepared to deal with larger scale emergencies through the provision of trained staff and fire appliances.

Through our commitment to learning and operational assurance, we will continue to work with and learn from our colleagues in other Fire and Rescue Services to improve our operational response to incidents. Through the National Operational Learning (NOL) website we share, receive and act upon lessons identified, notable practice and action notes linked to the National Operational Guidance (NOG) programme and through innovation and greater collaboration, we continue to invest in people, training, fire appliances and equipment to ensure the provision of the most efficient response options to our communities.

Fires involving waste

The Service continues to play a lead role locally and nationally in addressing the issue faced by a significant increase in waste fires in terms of emergency response and impact on local communities. Following a number of significant waste fire incidents within the County the Service has set up a multi-agency Risk and Response Group within the Local Resilience Forum. This group has evolved over time, meeting bi-monthly to discuss the issues of a large number of waste sites across the county, bringing together key partners including the Environment Agency, County and District Councils, the Water Authorities, the Police, and the CCU.

The purpose of the group is to identify, classify and then plan both the emergency response, as well as the exploring legislative powers of each organisation to coordinate enforcement activities, and explore options for the removal of waste at certain sites.

The advantages of such a group is that it gives a single point of contact into each organisation, who then coordinates activities within their given remit, and also allows for the simplified planning of multi-agency enforcement, and emergency planning visits.

The work of the group has been instrumental in the removal of waste at 8 illicit waste sites across the county, as well as preventing a significant fire at another site where the waste had been separated prior to a fire, leading to a more manageable incident that was resolved in days rather than weeks.

Fire Investigation

Working in partnership with West Midlands Fire Service, we have access to a dedicated team of Fire Investigators who are on call 24/7; this includes the use of fire dogs. This partnership allows the service to call upon specialist officers when we experience a fire related injury or death, or a fire resulting in significant community or business loss. Joint training supports continual professional development, which allows all of our investigators to become expert witnesses.

Call Management and Incident Support

Staffordshire and West Midlands operate a shared Fire Control, providing a joint command and control function based at West Midlands Fire Service Headquarters.

Systems within Fire Control provide dynamic incident information to the Mobile Data Terminals (MDT) on each fire appliance such as mobilising information and site specific risk data directly from a system called Vision. The automatic vehicle location system (fire appliances and officers) provides accurate predicted attendance-time information to control staff in order that varying risk-based response options can be considered or quickest-response resources mobilised.

Communications - Emergency Services Interoperability Programme (ESMCP)

The Service is actively engaged with ESMCP, dedicating resources to the national project to ensure we are able to maintain effective communications at operational incidents once our current equipment and technology becomes obsolete. The purpose of ESMCP is to provide the next generation communication system for the three emergency services and other users such as Transport for London and the Coast Guard. ESMCP will be delivered via The Emergency Services Network (ESN) which is a mobile communications network with extensive coverage, high resilience, appropriate security and public safety functionality allowing organisations to communicate even under the most challenging circumstances.

Business Continuity

Our Business Continuity Management System aligns with the Civil Contingencies Act and the international standard ISO 22301:2012. This provides a best-practice framework for implementing an optimised BCMS (business continuity management system), enabling us to minimise business disruption and continue operating in the event of an incident. These initiatives have been developed with our partners along with other business-related activities to increase and improve business opportunities and make a significant contribution to the economic development within our County.

Protective Security

The Service is registered as a Data Controller, meaning that under the Data Protection Act 2018 we have a legal obligation to ensure appropriate and proportionate security of the personal data held. Through our Information Security Policy, the Service applies appropriate technical and organisational measures against the unauthorised or unlawful processing of personal data, and against accidental loss or destruction of, or damage to, personal data.

The Protective Security Steering Group (PSSG) has been initiated by the Service in order to facilitate and ensure consistent security measures are taken in Service undertakings, supporting business objectives. The PSSG will continue to provide support and direction to the implementation of protective security controls, approaching security and risk holistically, whilst co-ordinating policy and procedure to support the implementation of the Service's Internal Security Management System. Further to this, staff training and assessments have been provided to fully embed protective security within the Service.

Our preparations for the EU General Data Protection Regulation and new Data Protection Act 2018 were audited and resulted in substantial assurance with no recommendations.

Shared Services – Collaboration and Integration

The Service continues to drive a number of areas of shared and joint working, maintaining a high level of service, coupled with achieving economies of scale. This collaborative approach will continue going forwards to support improved ways of working whilst deliver efficiencies for our communities.

Joint services being provided during 2017/18 period include:

- Shared Occupational Health Service with Staffordshire Police
- Joint Supplies and Logistics Department with Staffordshire Police
- Joint Transport Centre of Excellence with Staffordshire Police
- Integrated Postal Service with Staffordshire Police
- Driver Development and Education Teams with Staffordshire Police and other agencies.
- The Service hosts JESIP training on a regional basis

- The Civil Contingencies Unit (CCU), providing local level, multi-agency incident co-ordination
- Community Fire Stations offering shared facilities and response hubs for Fire, Police, Ambulance, Health, Local Authorities, and the Voluntary Sector
- LGV Testing Centre – Stone Community Fire Station
- DVSA training area – Stafford Community Fire Station

Peak District National Park Fire Operations Group (FOG)

The Service continues to play an integral role in the Peak District Fire Operations Group (FOG). The main aims of the Group are to contribute to the sustainable management of the Peak District National Park by protecting its economy, ecology, environment, heritage and rural communities from potentially devastating impacts of wildland fires and to reduce the scale and impact of wildfires when they do occur. This work forms part of our wider planning, research and development in terms of the broader impacts of a changing climate to ensure we are able to adapt to emerging threats.

Resilience

The Fire and Rescue Services Act 2004 allow mutual assistance arrangements to be agreed with neighbouring Authorities to improve resilience and capacity in bordering areas. The Authority has arrangements in place with the following Services for response to incidents:

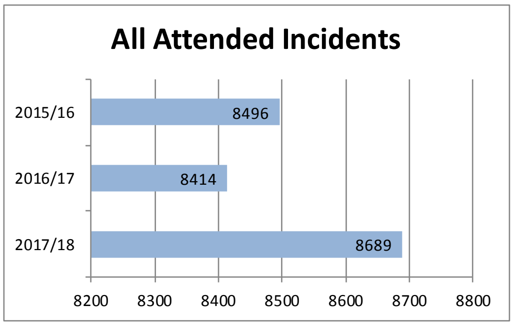
- Cheshire
- Derbyshire
- Shropshire
- Warwickshire
- West Midlands

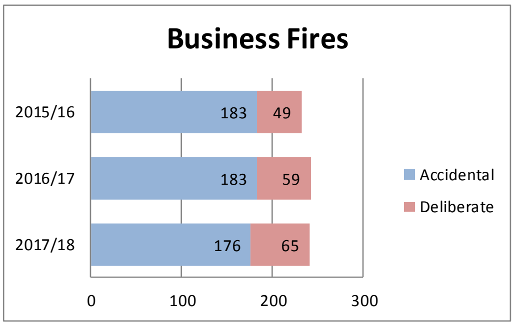
Assurance

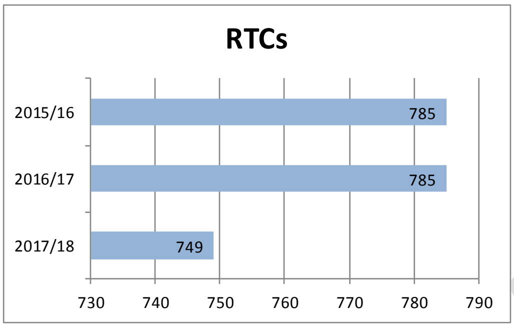
Concluding in April 2018 the Service supported Her Majesty's Inspectorate for Constabulary and Fire and Rescues Services (HMICFRS) as one of 3 Fire & Rescue Services selected to test the draft inspection framework prior its approval by the Home Secretary. The framework is based around three core areas of efficiency, effectiveness and people to establish how well a Service is performing. The new Inspection process is being rolled out across all 45 Fire & Recue Services in England between 2018 and 2019. Findings from the pilot inspection were relayed to the Executive Team for future consideration in readiness for the full inspection in mid 2019. These findings were captured within an action plan which will be owned and monitored by the Service Delivery Board (SDB) with the Service now continuing to ensure that it is inspection ready and compliant with each stage of the Inspection framework and that improvement can be evidenced against this plan.

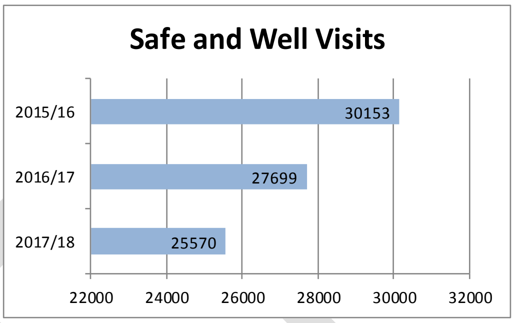
Performance Summary

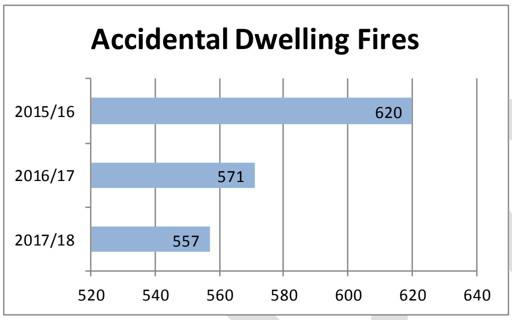
Leaders in the Service recognise that there is a need for a performance management culture and system in the organisation. This is reflected within all strategies and delivery plans and evidenced through our determination to continually learn and improve. As detailed within our CSP we monitor performance against a suite of strategic indicators which are monitored and scrutinised to help shape our services.

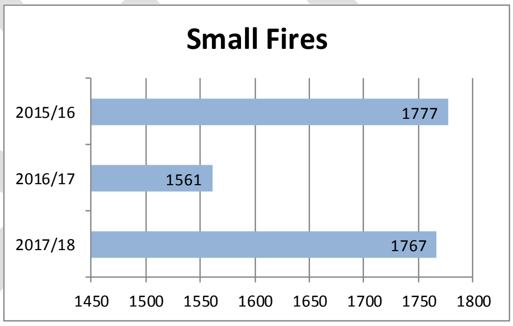

All Attended Incidents
2015/16
8496
2016/17
8414
2017/18
8689
8200
8300
8400
8500
8600
8700
8800

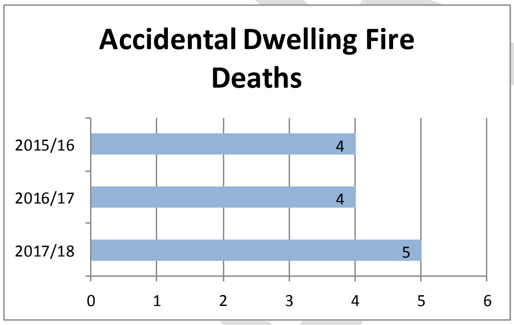

Business Fires
2015/16
183
49
2016/17
183
59
2017/18
176
65
0
100
200
300
Accidental
Deliberate

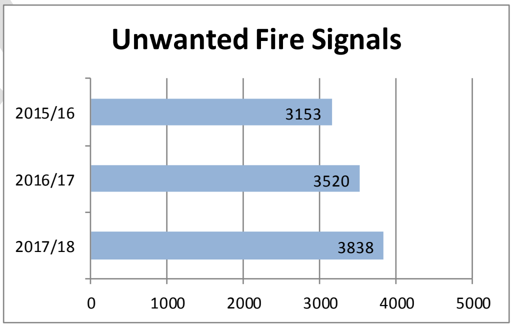

RTCs
2015/16
785
2016/17
785
2017/18
749
730
740
750
760
770
780
790

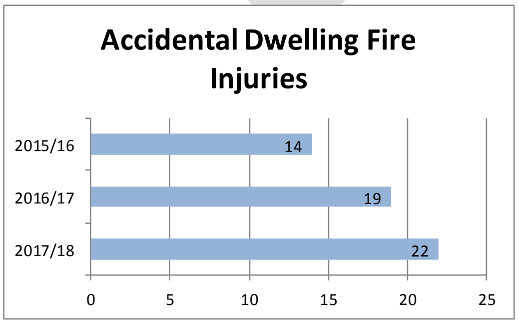

Safe and Well Visits
2015/16
30153
2016/17
27699
2017/18
25570
22000
24000
26000
28000
30000
32000

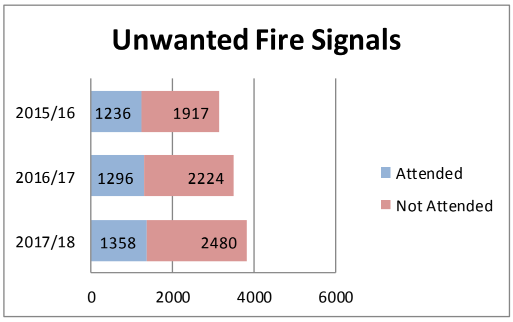

Accidental Dwelling Fires
2015/16
620
2016/17
571
2017/18
557
520
540
560
580
600
620
640


Small Fires
2015/16
1777
2016/17
1561
2017/18
1767
1450
1500
1550
1600
1650
1700
1750
1800


Accidental Dwelling Fire Deaths
2015/16
4
2016/17
4
2017/18
5
0
1
2
3
4
5
6


Unwanted Fire Signals
2015/16
3153
2016/17
3520
2017/18
3838
0
1000
2000
3000
4000
5000


Accidental Dwelling Fire Injuries
2015/16
14
2016/17
19
2017/18
22
0
5
10
15
20
25


Unwanted Fire Signals
2015/16
1236
1917
2016/17
1296
2224
2017/18
1358
2480
0
2000
4000
6000
Attended
Not Attended