Staffordshire Police, Fire and Crime Panel

14:00 Monday 15 February 2021
Meeting to be conducted using Microsoft Teams - Microsoft Teams

John Tradewell
Secretary to the Panel
Friday 5 February 2021

NB. Attendance by the public and press is via webcast only which can be viewed here - https://staffordshire.public-i.tv/core/portal/home

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A G E N D A

1. **Apologies**

2. **Declarations of interest**

3. **Questions to the PFCC from Members of the Public**

   Questions to the Commissioner are invited from members of the public who live or work in Staffordshire. Notice of questions must be received by no later than three clear working days before the Panel meeting. More information on where and how to submit a question can be found at https://bit.ly/34arVDw

4. **Proposed Fire and Rescue Budget and Precept 2021/22** (Pages 1 - 74)

   a. Budget Report 2021/22 including MTFS
   b. Treasury Management Strategy 2021/22
   c. Reserves Strategy Update
   d. Capital Strategy and Capital Programme

5. **Questions to the PFCC by Panel Members**

6. **Dates of Future Meetings and Work Programme** (Pages 75 - 78)

Membership	
Lesley Adams	Stoke-on-Trent City Council
Paul Darby	Co-Optee
Stephen Doyle	Tamworth Borough Council
Ann Edgeller	Stafford Borough Council
Brian Edwards MBE	South Staffordshire District Council
Simon Gaskin	East Staffs Borough Council
Tony Holmes	Staffs Moorlands District Council
Helena Maxfield	Newcastle-under-Lyme Borough Council
Alan Pearson	Cannock Chase DC
Stephen Sweeney (Chairman)	Staffordshire County Council
Keith Walker	Co-Optee
Ashley Yeates	Lichfield District Council

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Item No. 4a on Agenda

Report to the Police Fire and Crime Panel

15th February 2021

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 2021/22. It is the third budget report and Medium Term Financial Strategy (MTFS) for the Staffordshire Commissioner following the changed in governance on 1 August 2018. This report delivers 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 2021/22
- Proposed precept for the fire element of the council tax 2021/22
- Proposed Medium Term Financial Strategy (MTFS)
- Outline Capital Budget for 2021/22 to 2023/24

The report should be read in conjunction with the accompanying:

- Treasury Management Strategy
- Capital strategy and Capital Programme Report
- Reserves Strategy Report

Recommendations

The Police, Fire and Crime Panel is asked to:

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

- The Total 2021/22 net revenue budget requirement of £41.977m, including
- A council tax requirement for 2021/22 of £27.473m before collection fund surplus/deficits are taken into account **(see Appendix 6)**

b) Note that the funding for 2021/22 is based upon the Final Local Government Finance Settlement, and includes the business rates information received from the nine billing authorities (as per NNDR1 returns)

c) Support the Commissioner's proposal to increase the 2021/22 precept for the fire element of the council tax bill by 1.99% or £1.54 per annum which is equivalent to 3p per week, increasing the council tax to £78.78 for a Band D Property **(see Appendix 6)**

d) To note that the Council Tax base has reduced to at 348,733 properties **(see Appendix 5)** equivalent to a decrease of 1.2%. The Council Tax collection fund has also been finalised delivering a deficit of £67.1k **(see Appendix 4).** Note this includes the option to spread the £102k per annum deficit attributable to COVID-19 over 3 years

e) To note the MTFS summary financials **(Appendix 7)** and MTFS assumptions (see paragraph 39)

f) To note the budget gap of £2.9m by 2025/26. This is driven by the assumptions around reduced levels of Revenue Support Grant, in addition to cost pressures which includes ongoing pay pressure and increased Firefighters Pension costs.

g) Support the proposed three year Capital Investment Programme (**see Appendix 8**), see the 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 to ascertain the opinion of the residents of Staffordshire and Stoke on Trent with regard to the local precept. The results of the survey showed a 77% response in favour of an increase in precept of 1.99%

i) To note the proposed fees and charges for 2021/22 **(see Appendix 10)**

j) To note the Statement from the Director of Finance / S151 Officer on the robustness of the Budget and adequacy of the proposed financial reserves (see paragraph 43 and 44)

Matthew Ellis
Staffordshire Commissioner

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Executive Summary

This report advises the Panel on the proposed revenue budget for 2021/22, and the proposed level of Council tax for the Staffordshire Commissioner Fire and Rescue Authority for the year 2021/22. It also presents an updated Medium Term Financial Strategy for the following four year period to 2025/26.

This is the second year that a one year settlement has been received from Government. The Spending Review and settlement for next year have been drawn up in unique circumstances. The Government's primary aim, in this challenging period, has been to continue to support councils in dealing with the immediate impacts of the pandemic, to promote recovery and renewal at local level, and support and maintain critical mainstream services.

Following the announcement of the council tax referendum levels and Fire Settlement Funding by Government, the Commissioner has considered, current and future funding requirements, together with the factors included within his Fire and Rescue Plan, the results of the survey with local residents, as well as actual and expected cost pressures and expected efficiency savings.

The current Covid-19 pandemic, whilst rightfully seen as public health emergency, is having a significant economic impact. The financial impact of the pandemic will likely set the scene for the decade to come in relation to public spending, with an impact already being seen on the financial position of Fire and Policing within Staffordshire.

The impact of the Covid-19 pandemic is evidenced in the 2021/22 budget via a reduction in the tax base (driven by an increase in the means tested benefit Local Council Tax Support schemes) and deficits on collection funds from 2020/21 which are recognised in the following year.

The Commissioner has taken into account the adequacy and level of reserves and the impact of future financial challenges and opportunities in the MTFS. This paper is accompanied by a revised Reserves Strategy which is supported by the Commissioner.

Whilst overall funding levels as a result of the pandemic are lower for 2021/22, in order to support the Government's intention, grants will and have been provided to support the reduction in Council Tax collection levels, a reducing Council Tax base and also lower Business Rate collection rate. Support for lower funding levels attributable to the pandemic beyond next year remains uncertain which has increased the funding gap into the Medium Term for the Staffordshire Commissioner.

The Settlement Funding for 2021/22 includes an inflationary increase in Revenue Support Grant (RSG) set at 0.5%, increasing by £26,270. RSG was reduced by around £9.0m during the period 2012/13 to 2019/20 following a number of years of reduced funding and austerity across the public sector.

The Settlement Funding assumptions contained within this report are based upon the Final Local Government Finance Settlement that was received on 4 February 2021.

The Commissioner is proposing a 1.99% increase in Council Tax equivalent to an additional £1.54 per annum (3 pence per week) in line with this referendum limit and would increase Band D Council Tax for the Staffordshire Commissioner FRA to £78.78, from £77.24

The budget process for 2021/22 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.

There are significant risk and uncertainties beyond 2021/22 that are reflected and narrated within this paper which include the impact of national pay awards (pressure of above inflation awards), the implications of the Sargeant / McCloud High Court judgement, and also the risks associated with the upcoming Fair Funding Review and the ongoing impact of the COVID pandemic.

Whilst the spending review was for one year only papers released by the Office for Budgetary Responsibility (OBR) indicate that unprotected services (e.g. Local Government, Police, Fire, Prisons & Probation) are likely to see continued real terms reductions in central funding for the government to deliver on its public finance targets for net borrowing as set out in the spending review until 2025.

In summary when considering the Settlement Funding Position, additional grants offered by Government and the precept proposal from the Commissioner a balance budget position is presented for the budget year 2021/22, however the uncertainty beyond next year makes planning challenging and it is hoped that a three year settlement comes out of the CSR21.

Background

1. The budget proposals contained within this report are based upon the final 2021/22 Local Government Finance Settlement received on 4 February 2021.

2. Settlement Funding comprises of three funding streams shown below. The RSG and Business Rates top-up are shown as extracted from the final settlement issued for 2021/22, with the 1% share of local business rates being based upon the final NNDR1 submissions from the nine local billing authorities.

	2020/21 £m	**2021/22 £m**	**Movement £m**
1% share of Local Business Rates	3.808	3.735	(73)
Business Rates Top-up	6.059	6.059	
Revenue Support Grant (RSG)	4.751	4.777	26
Total Settlement Funding	**14.618**	**14.571**	**(47)**

Business Rates / Business Rates Top-up

3. The Staffordshire Commissioner Fire and Rescue Authority receives a 1% share of local business rates, in addition to a business rates top-up. The Board 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).

4. The 1% share of business rates has resulted in an estimated year on year reduction of £73k, demonstrating overall reduction in the business rates collection estimates across the County and City due to the impact of the pandemic, this is after the share of S31 Retail Relief Grants that are due to be returned to precepting authorities following the NNDR3 submissions. This will impact upon cash flow during the budget year as the S31 grants will be received later in the year.

   There is therefore significant risk beyond 2021/22 should business rates continue to fall without further Government Support.

Council Tax

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

6. 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.

7. The Band D Council Tax for the Authority was approved at £77.24 for 2020/21, this report includes the assumption that the precept will increase by 1.99% to £78.78 in 2021/22.

8. The referendum limit for 2021/22 has remained at 2%. This is despite lobbying by the National Fire Chiefs Council to Treasury requesting more precept flexibility for all Fire and Rescue Services.

9. A 1.99% increase in Council Tax is equivalent to an increase in Band D of £1.54 per annum (3 per week), and would increase Band D to £78.78.

10. The Council Tax base shown in **Appendix 5** has reduced to 348,733 from 352,801 properties in 2021/22, which is equivalent to a decrease of 1.2% resulting from the COVID-19 Pandemic. As a direct result the Council Tax collection fund is also in deficit by £67k, shown in **Appendix 4**. Both the Council Tax base and the surplus on the collection fund have been finalised and agreed.

11. In order to support Local Authorities from the impact of Council Tax losses the Government has agreed to:

    - Fund 75% of the COVID19 related Council Tax reduction in year. This has been accounted for by the Billing Authorities. Overall the shortfall in Council Tax attributable to the Authority is c£1.2m of which 25% is being spread over the next three years at £0.1m per year. A reserve of £0.2m has been earmarked to cover this shortfall in 2022/23 and 2023/24.

    - LCTS (Local Council Tax Support) Grants have been awarded to compensate for a reduction in the Council Tax Base, this grant totalled £468k and £321k has been included within income for 2021/22, and the balance of £147k added to Earmarked reserves

        - A 1% sensitivity in precept for the Staffordshire Commissioner is equivalent to £0.268m.

12. Based upon a 1.99% increase, the total budgeted precept (including collection fund deficit) has reduced by £0.380m, as follows:

Council Tax Amount 2020/21	**£27.786m**
Reduction in Council Tax Base by 1.2%	- £0.314m
Movement from fund surplus to deficit	- £0.602m
Increase in Council Tax by 1.99%	+£0.538m
Council Tax Amount 2021/22	**£27.406m**

13. The Staffordshire Commissioner issued a budget consultation document in December which concluded on 18 January 2021 which also included a survey regarding options for the local precept. The results of this consultation show that 77% of the 2258 that responded supported the proposed increase of 1.99%.

Revenue Budget 2021/22

14. The Revenue Budget sets out to support and enable the closure of the existing Corporate Safety Plan and the introduction of a new plan during the budget year 2020/21.

15. **Appendix 1** sets out the proposed revenue budget of £41.977 for 2021/22 based upon a Council Tax Increase of 1.99% and the Provisional Local Government Finance Settlement.

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

Pay costs Revenue budget

The overall pay costs budget for 2021/22 at £28.0m, is £1.0m less than last year's budget, this includes the transfer of JETS staff during the year to Staffordshire Police employment. This is offset by additional support service recharge included within the non-pay budget.

The pay budget also reflects the announcement made by the Chancellor during the Spending Review that there would be a pay pause across a majority of the public sector. Pay award are only included for lower paid staff in line with this announcement. The pay award assumption for 2022/23 has been increases to 3% for operational staff within the MTFS. A 1% pay award sensitivity is around £0.25m per annum. The Fire Brigades Union remain in discussion with fire service employers through the National Joint Council and will continue to push for higher than inflation pay awards. It should be noted that pay awards are not negotiated locally so this is outside of the control of the Commissioner.

There is therefore risks associated with the assumed level of pay award budgeted for 2021/22 and into the medium term.

The following bridge explains the net reduction in pay costs:

	£m
Pay Budget – 2020/21	**29.0**
Transport and Engineering (JETS) employment	(0.6)
New firefighter recruit courses – 1 intake	(0.2)
New temporary posts (5 FTE)	0.2
CFS Pool and Training delivery	(0.2)
End of secondments	(0.1)
Other changes	(0.1)
Pay Budget – 2021/22	**28.0**

Non-pay costs

Non-pay costs are budgeted to increase by £1.0m year on year. Some of the main movements in non-pay costs are as follows:

- Shared Service Costs increase of £0.6m following the transfer of JETS staff to Police Employment
- Communications costs have increased by £0.2m which includes the additional investment into Firewatch and Office 365
- Funded non pay costs have increased by £0.1m mitigated through additional income budgeted
- Premises costs have broadly remained the same. Following the Check Challenge and Appear process for business rates it is anticipated that overall rates will reduce as revised valuation come through from the VOA.
- Transport costs at £0.8m are in line with previous year. The budget for fuel has marginally reduced year on year due to fuel pricing and lower mileage.
- The targeted non pay efficiency saving has removed, £0.1m
- Non Pay includes a charge of £1.2m payable to West Midlands Fire Service, this represents 30% of the budgeted cost of running the Joint Fire Control.

(ii) Income

Income for 2021/22 is budgeted to increase by £0.7m to £3.3m with the increase driven by the following:

- Increase in funded non pay costs – see above £0.1m
- To compensate for the reduction in Council Tax base in year (down 1.2%) the Authority will receive a Local Council Tax Support grant of £0.468m. This was announced as part of the £670m package of support to help local government in response to the impact of the pandemic. Precepting authorities' allocations were derived from the relevant share of aggregate council tax requirement in 2020/21 of their respective billing authorities

(iii) Capital Charges

Total capital charges at £5.3m are in line with the three previous years.

- The £1.5m minimum revenue provision requirement for 2021/22 in line with the MRP Policy. MRP has been held due to the full funding of capital expenditure from savings and reserves during the year ended March 2020.
- The budget assumes that the overall level of borrowing (loans) for the Authority will remain unchanged as no loans are due for repayment in year. The budgeted level of interest on the existing long terms loans of £17.050m is 4.29% (Budget 2021/22, £0.774m)
- 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 2021/22

17. 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.

18. 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 continue to review the budget monitoring reports on a bi monthly basis.

Service 2025

19. The Service has already undertaken a number of scenario planning sessions and options have being discussed with the Staffordshire Commissioner in order to provide a pathway for delivery of the expected financial challenges for 2021 and beyond.

20. As discussed within this paper the budget gap into the medium term is estimated to be around £1.7m by March 2023 increasing over the life of the MTFS to around £2.9m by 2025 a significant increase from the £1.5m gap included within the approved MTFS.

21. As the board will be aware the 2025 project has been developed to review all areas of the Service to ensure that the most effective and efficient approach to service delivery is in place. Since the last update the key areas that have been progressed within the project are:

    Structures / Prevention and Protection – The Service have reviewed the structures within prevention and protection as well as business intelligence and have merged a number of teams to form the Strategy and Intelligence department. This department is now tasked with fully understanding all of the data sets available within the service and designing appropriate initiatives to meet the needs of the most vulnerable within the service. By having the data analysts working alongside the prevention and protection teams the service can more accurately predict demand and its impacts as well as understanding risk and allocating resources to reduce this risk in a proactive manner. The team will also be tasked with evaluating initiatives and switching them off at an appropriate time once the risk has been reduced or removed completely. We will combine the risk stratification of vulnerable people and vulnerable buildings to prioritise our risk reduction activity. The Service is increasing the scope of the Risk Based Inspection Programme to include a wider range of residential buildings. We will be investing in this area and providing training and qualifications for operational personnel and our centrally based specialist teams. This will meet the requirements coming out of the Grenfell Tower inquiry, and the National Competency Standards.

Response Options and capability reviews - The Service has demonstrated that continued development of how we provide our emergency response services and the technology we use has resulted in more efficient ways of working. This concept will continue to be developed alongside our representative bodies ensuring that we are not compromising safety or service provision but can deliver an even more efficient service at a lower cost through adept resource allocation and streamlined management. The key piece of work in this area is the development of two heavy rescue appliances which will be strategically placed within the county which will allow the Service to review its crewing arrangements at a number of locations.

Estates Strategy and Collaboration Opportunities -The Service will continue to work with all partners but with a clear focus upon the delivery of savings through a shared estate with Staffordshire Police and the continued success of shared support departments and the joint workshop/transport facility. Since the last update the shared facility at Hanley has gone live and this sees colleagues from Staffordshire Police and Staffordshire Fire working together and responding out of the same station on a daily basis.

22. In addition the project to redevelop part of the Stafford Fire Station site and to sell off a parcel of land has been progressing well. The planning proposal has been submitted which will see an existing building within the site becoming the fire station and training facility and will allow the Authority to realise a capital receipt for the land that is no longer required.

23. Procurement and Cost Efficiencies - The FRA has a strong track record of delivering cost savings which includes more efficient procurement. This is supported by the Commercial Services team at Staffordshire Police with procurement support provided through the shared service arrangements. The Service will also continue to review all costs e.g. through its internal review process

24. This programme of savings that is being developed incorporates a number of scenarios that will need to be approved by the Commissioner and will be further developed ready for implementation during 2021/22 in order to support the anticipated funding gap outlined for 2022/23 and beyond.

25. The total savings target has been set at £4m by 2025 but this will be dependent upon the level of saving required and some of the opportunities may not be fully supported by staff, the representative bodies and of course the communities that we serve. It should also be noted that the profile of savings requirements through to 2024/25 could change, with more

savings required earlier on. The planning work taking place through Service 2025 will allow for specific savings to be brought forward, if that should prove necessary.

Firefighters' Pension Schemes

26. Pensions Grant - following the results of the 2016 Valuation of the Firefighter's Pension Schemes employer contribution rates were increased by an average of 12.6%, resulting in additional costs for Staffordshire of around £1.8m per year. A Pension Grant has been received for 2019/20 and 2020/21 from the Home Office covering 90% of this increase and this grant has also been guaranteed for the budget year 2021/22. The Commissioner has been informed by the Home Office that it is looking to base line this grant into funding from 2022/23. This could result in future reductions to this grant if it is not specifically ring fenced for this purpose rather than being incorporated into the Revenue Support Grant.

    In addition to the above the 2020 valuation of the Firefighters' Pension Scheme is now near completion with the results of this further valuation awaited. This is likely to increase pressure further on the required level of employer contributions.

27. Sargeant/McCloud Case - Two claims were brought against both the judges' pension scheme (the McCloud case), and the firefighters' pension scheme (the Sargeant case) claiming that transitional arrangements into the new Pension Schemes was discriminatory on the basis of age. The claims were heard together, and in December 2018, the Court of Appeal ruled that the transitional protection arrangements offered when transitioning to the new pension schemes constituted age discrimination and was therefore unlawful. The government applied to the Supreme Court to appeal this decision in June 2019, which was denied ending the legal challenge.

    A preliminary hearing to consider the required remedy was held on 18 December 2019, and an interim Employment Tribunal Order on the required remedy has now been issued. This Order in effect provides that pending the final determination of the remedy issues, those that brought claims in England and Wales (the claimants) are entitled to be treated as if they remained in the 1992 Firefighters' Pension Scheme (1992 FPS).

    A government consultation closed last year to look at the Remedy options that will be made available to members. This included two main choices being an immediate choice or deferred choice made at the point of retirement. Whilst the government have said that this must be resolved by March 2022 a response from Government has not yet been received which makes this timeline very challenging.

    Additional costs have now been built into the MTFS in response to the Sargeant / McCloud ruling as it is remains unclear who is going to fund the costs of the remedy and also to factor in the potential adverse outcome of the 2020 valuation. See MTFS section for more details.

Reserves and Balances

28. 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 2019; and a General Reserve which is held to protect against any spate or emergency conditions that may arise, **(see Appendix 3).**

29. At 1 April 2020 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 2021/22 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.5% of the proposed revenue budget for the year.

30. At 1 April 2020 the Authority held £7.1m in 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 capital programme will be supported by this reserve during 2021/22 by £1.4m 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.

31. The forecast balance on the Earmarked Reserves is detailed within the Reserves Strategy update paper.

Medium Term Financial Strategy

32. The MTFS has been updated to reflect the budget proposals for 2021/22 and incorporates the assumptions contained with the Provisional Financial Settlement, which includes the assumed increase in Council Tax of 1.99%. A summary of the financials covering the medium term period 2021/22 to 2025/26 are included within Appendix 7.

33. Should the Staffordshire Commissioner elect not to increase Council Tax for 2021/22 and beyond in line with the assumptions incorporated within this report, saving targets and use of reserves will need to be re-visited.

34. The budget for 2021/22 shows a balanced position, however there is a significant gap of £1.7m identified for 2022/23 increasing to £2.9m by 2025/26

35. The MTFS Summary financials show an increasing budget gap by 2025/26 of £2.9m. This gap is based upon the assumption that the level of RSG will continue to be reduced beyond 2021/22 pre-empting the outcome of the next Comprehensive Spending Review (CRS20) and the impact of the results of the Fair Funding Review that is being undertaken by MHCLG and the Home Office. The Fair Funding review will be reviewing the current fire funding formula.

36. In addition to the above the MFTS now assumes that some of the additional pension costs will be passed onto the Commissioner. This is both as a result of the Sargeant/McCloud

Pension Remedy and also the anticipated impact of the 2020 Firefighters' Pension Scheme Valuation. The Board should note that the previous breach of the cost cap contained within the 2015 scheme has still not been remedied. As a result of this uncertainty a 5% Increase in Employer contributions have been included within the MTFS from 2022/23.

37. Whilst the 2020/21 revenue budget recognises the savings that have been delivered to date due to the change in governance arrangements, delivery of Shared Services and Estates Rationalisation (Tamworth and Hanley), further savings have not been included with the MFTS at this point in time. Savings delivered through Shared Service arrangements have been re-invested into three new fire safety audit roles within the Prevent Team during 2020.

38. There is therefore a significant level of financial uncertainty regarding the funding position for the Authority beyond 2021/22, this unfortunately results in a higher level of risk associated with the funding assumptions contained within the updated MTFS.

39. A summary of the main MTFS assumptions are shown below for consideration:

	2021/22 Budget	2022/23 Plan	2023/24 Plan	2024/25 Plan	2025/26 Plan
PAY COSTS					
Pay Award Operational Staff	0.0%	3.0%	2.0%	2.0%	2.0%
Pay Award Non Operational Staff	0.0%	2.0%	2.0%	2.0%	2.0%
Other Pay Costs	0.0%	1.0%	1.0%	1.0%	1.0%
Pension Costs - Fire Fighters Pension Schemes	+£1.8m	+£1.8m	+£1.8m	+£1.8m	+£1.8m
Pension Costs - Fire Fighters Pension Grant	(£1.7m)	(£1.7m)	(£1.7m)	(£1.7m)	(£1.7m)
NON PAY COSTS					
Electricity	2.0%	2.0%	2.0%	2.0%	2.0%
Gas	2.0%	2.0%	2.0%	2.0%	2.0%
Business Rates	0.0%	1.0%	1.0%	1.0%	1.0%
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	0.3%	0.8%	1.0%	1.0%	1.0%
Interest on Debt	4.3%	4.3%	4.2%	4.2%	4.2%
GENERAL FUNDING					
Council Tax Increases	1.99%	1.99%	1.99%	1.99%	1.99%
Council Tax Base Growth	-1.15%	0.50%	0.75%	0.91%	1.00%
Revenue Support Grant Reduction	0.1%	-5.0%	-5.0%	-5.0%	-5.0%
Local Business Rates % incl top-up	0.0%	2.0%	2.0%	2.0%	2.0%

Capital Programme

40. The three year Capital Programme and Capital Strategy for 2021/22 to 2023/24 is being prepared and will be discussed at the Police Fire and Crime Panel.

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

42. The detailed programme for 2021/22 is shown within **Appendix 9**.

Statement from the Director of Finance / S151 Officer on the robustness of the Budget and adequacy of the proposed financial reserves

43. The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2013, requires the Commissioner's CFO to report on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. The Commissioner is required to have regard to the report of the Chief Financial Officer and the report must be given to the Police and Crime Panel.

44. I can confirm that the budget for 2021/22 is balanced and has been produced on a robust basis. Whilst there remains some uncertainty with regard to future settlement funding, increased pay awards and the costs of Firefighter's pensions, estimates have been included within the Medium Term Financial Strategy and appropriate provision made within Earmarked Reserves.

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

Recurring Revenue Budget Proposal 2021/22
Council Tax Increase by 1.99%

	Budget 2020/21	Budget Proposal 2021/22	Year on Year Change
	£000s	**£000s**	**£000s**
Pay			
Pay Costs	26,915	25,780	(1,136)
Other Employee Costs	2,056	2,178	122
Total Pay	28,971	27,957	(1,014)
Non Pay			
Premises Costs	3,306	3,418	112
Transport Costs	827	818	(9)
Supplies & Services Costs	6,466	7,524	1,058
CFS Costs and Initiatives	426	354	(72)
Total Non Pay	11,025	12,114	1,089
Income			
Income - General	(2,585)	(3,266)	(681)
Interest Receivable	(48)	(25)	23
Total Income	(2,633)	(3,291)	(658)
Capital charges	1,495	1,497	2
Interest Payable	788	774	(14)
PFI Unitary Charge	2,977	2,993	16
Total Capital Charges	5,260	5,264	4
Total Revenue before Reserves	**42,622**	**42,044**	**(578)**
Transfer to/(from) Reserves	(118)	(67)	51
Budget Gap in Year	(101)		101
Total Revenue Budget	**42,404**	**41,977**	**(427)**

FINANCED BY:			
Settlement Funding			
Revenue Support Grant	4,751	4,777	26
Local Busines Rates (1%)	3,808	3,735	(73)
Government Top-up (business rates)	6,059	6,059	
Total Settlement Funding	14,618	14,571	(47)
Council Tax	27,786	27,406	(380)
Total Financing	**42,404**	**41,977**	**(427)**

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

Earmarked and General Reserves for 2021/22 to 2025/26

	2019/20 Approved £m	2020/21 Fcast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
General Fund	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Earmarked Reserves							
PFI Reserve (Project Reserve Deductions)	0.7	0.8	0.6	0.6	0.6	0.6	0.6
Operational Budget Holder Reserves	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Budget and MTFS Suppport Reserve	0.5	0.3	0.3	0.3	0.3	0.3	0.3
Refurbishment Reserve Abbots Bromley	0.5	0.4					
Capital Reserves	1.4	1.1	0.6				
Pension Reserve	1.8	1.8	1.8	1.8	1.1	1.1	1.1
Collaboration Rserve	0.5	0.5	0.5	0.5	0.5	0.5	0.5
LCTS Covid Grant Balance		0.2	0.2				
Future Funding Reserve	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Total Earmarked Reserve	**7.1**	**6.8**	**5.6**	**4.8**	**4.1**	**4.1**	**4.1**
Total Reserves Available	**9.0**	**8.7**	**7.5**	**6.7**	**6.0**	**6.0**	**6.0**

Risk Assessment of General Reserves for 2021/22

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 2021/22 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.5% 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.

Area of Expenditure	Level of Risk *	Explanation of risk/justification of reserves	2021/22 Provision £000
Loss of Employees / additional pay costs	High	Spate conditions caused by for example; prolonged severe weather conditions (e.g. hot weather or flooding), unexpected loss of staff through COVID-19, Avian Flu / Ebola etc.	500
Failure to achieve efficiency savings	Medium	Risk of not achieving future savings requirements	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	200
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**

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

Council Tax Report 2021/22

Council Tax Surplus / (Deficit) by Authority

	2020/21	2021/22	Variation
	£	£	£
Cannock Chase	47,240	(11,536)	(58,776)
East Staffordshire	30,310	12,454	(17,856)
Lichfield	65,290	(12,686)	(77,976)
Newcastle	(23,110)	(18,480)	4,630
South Staffordshire	81,884	(13,600)	(95,484)
Stafford	100,855	(18,160)	(119,015)
Staffordshire Moorlands	12,960	(27,024)	(39,984)
Tamworth	33,109	25,639	(7,470)
Stoke	186,642	(3,685)	(190,327)
Budget Adjustment			
Total (per budget paper)	**535,180**	**(67,078)**	**(602,258)**

Staffordshire Commissioner Fire and Rescue Authority **Appendix 5**

Council Tax Report 2021/22

Taxbase by Authority

	2020/21	2021/22	Variation	%
Cannock Chase	29,243	29,137	(106)	-0.4%
East Staffordshire	38,389	37,875	(514)	-1.4%
Lichfield	39,032	38,891	(141)	-0.4%
Newcastle	37,387	37,087	(300)	-0.8%
South Staffordshire	38,356	38,664	308	0.8%
Stafford	48,261	47,994	(267)	-0.6%
Staffordshire Moorlands	33,225	33,260	35	0.1%
Stoke	66,542	63,459	(3,083)	-4.8%
Tamworth	22,367	22,366	(1)	0.0%
Total	352,801	348,733	(4,068)	-1.17%

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

Council Tax Report 2021/22

Council Bands for Each Band and District Precepts

Based upon a Band D Increase of 1.99%

Council Tax Band Figures

	2020/21	2021/22	Increase	Per Week
Band	£	£	£	Pence
A	51.49	52.52	1.03	2.0
B	60.08	61.27	1.20	2.3
C	68.66	70.03	1.37	2.6
D	**77.24**	**78.78**	**1.54**	**3.0**
E	94.40	96.29	1.88	3.6
F	111.57	113.79	2.22	4.3
G	128.73	131.30	2.57	4.9
H	154.48	157.56	3.08	5.9

Precept Payable

	2020/21	2021/22	Variation	
	£	£	£	%
Cannock Chase	2,258,691	2,295,399	36,708	1.68%
East Staffordshire	2,965,128	2,983,793	18,665	0.66%
Lichfield	3,014,855	3,063,833	48,978	1.70%
Newcastle	2,887,772	2,921,714	33,942	1.21%
South Staffordshire	2,962,610	3,045,974	83,364	2.89%
Stafford	3,727,656	3,780,975	53,319	1.48%
Staffordshire Moorlands	2,566,299	2,620,223	53,924	2.15%
Stoke	5,139,681	4,999,276	(140,405)	-2.86%
Tamworth	1,727,627	1,761,993	34,366	2.09%
Total	**27,250,318**	**27,473,179**	**222,861**	**0.85%**

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

MTFS Summary Financials to 2025/26

	2021/22 Budget £000s	2022/23 Plan £000s	2023/24 Plan £000s	2024/25 Plan £000s	2025/26 Plan £000s
Pay					
Pay Costs	25,779	27,064	27,486	27,915	28,350
Other Employee Costs	2,178	2,184	2,191	2,198	2,205
Total Pay	27,957	29,248	29,678	30,113	30,555
Non Pay					
Premises Costs	3,418	3,468	3,518	3,570	3,622
Transport Costs	818	816	814	812	810
Supplies & Services Costs	7,524	7,516	7,641	7,899	7,898
CFS Costs and Initiatives	354	350	347	343	340
Total Non Pay	12,114	12,150	12,320	12,623	12,670
Income					
Income - General	(3,266)	(3,022)	(3,099)	(3,177)	(3,255)
Interest Receivable	(25)	(25)	(25)	(26)	(26)
Total Income	(3,291)	(3,047)	(3,124)	(3,202)	(3,281)
Capital charges	1,497	1,823	2,154	2,324	2,393
Interest Payable	774	774	774	790	805
PFI Unitary Charge	2,993	3,053	3,114	3,176	3,240
Total Capital Charges	5,264	5,650	6,042	6,289	6,438
Total Revenue	**42,044**	**44,002**	**44,915**	**45,823**	**46,382**
Budget Gap		(1,728)	(2,342)	(2,829)	(2,888)
Net use of Reserves	(67)	(102)	(102)		
Total Revenue	**41,977**	**42,172**	**42,471**	**42,994**	**43,494**
FINANCED BY:					
Settlement Funding					
Revenue Suppport Grant	4,777	4,048	3,347	2,670	2,017
Local Busines Rates (1%)	3,735	3,809	3,886	3,963	4,043
Government Top-up (business rates)	6,059	6,180	6,304	6,430	6,559
Total Settlement Funding	14,571	14,038	13,536	13,063	12,618
Council Tax	27,406	28,134	28,935	29,931	30,876
Total Financing	**41,977**	**42,172**	**42,471**	**42,994**	**43,494**

Staffordshire Commissioner Fire & Rescue Authority **Appendix 8**

Capital Programme Summary 2021/22 to 2023/24

	2020/21 Forecast	2021/22 Budget	2022/23 Plan	2023/24 Plan
	£	£	£	£
Building & Infrastructure Works				
Refurbishment Programme	1,439,000	2,104,100	465,000	600,000
Improvement Works	165,000	397,000	495,000	245,000
Total	**1,604,000**	**2,501,100**	**960,000**	**845,000**
Operational Equipment	**91,203**	**1,178,000**	**1,554,000**	**510,000**
Appliances & Vehicles				
Appliances & Specialist Vehicles	218,632	1,050,000	1,100,000	1,900,000
Vans & Cars	340,724	150,000	150,000	150,000
Total	**559,356**	**1,200,000**	**1,250,000**	**2,050,000**
Information Technology				
ICT Hardware, Software Systems & Installations	655,000	1,080,000	600,000	450,000
Total	**655,000**	**1,080,000**	**600,000**	**450,000**
Total Capital Programme	**2,909,559**	**5,959,100**	**4,364,000**	**3,855,000**

Funding				
Supported Borrowing				
Unsupported Borrowing	1,190,881	4,059,000	3,799,000	3,855,000
Capital Grant - Transformation Funding	1,389,000	1,008,100	15,000	
Use of Specific Reserves (Abbots Bromley)	50,000	367,000		
Use of Specific Reserves	279,678	525,000	550,000	
Total Funding	**2,909,559**	**5,959,100**	**4,364,000**	**3,855,000**

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

Capital Programme Detail - 2021/22

Scheme Description	Detail	Budget 2021/22 £
IADS		
Stafford Fire Station Refurbishment	Relocation to adjacent building (Partly funded by Grant)	1,509,000
Stafford FS Training Tower	Funded from Reserves	150,000
Abbots Bromley Refurbishment	Internal Refurbishment (Funded from earmarked Reserves) started 2020/21	367,000
Abbots Bromley Tower	Drill Tower Replacement	70,000
Safe and Sound	Ongoing investment from Transformational funding grant	8,100
		2,104,100
Building Works - Improvements		
Boiler Replacements	Stations and HQ	95,000
Lighting Replacement	Replacement of lighting at HQ and Stations - Ph1	80,000
HQ Old House	Fire Door Replacement	40,000
Biddulph FS	Replacement Heating	20,000
HQ Improvements	BA Room and RTC Compound Improvements	65,000
Fire behaviour Training HQ	FBT improvement Works	97,000
		397,000
Operational Equipment		
Operational Equipment	to be allocated for unplanned equipment replacement incl £10k Foam	35,000
Gas Monitors	50 x New gas monitors to replace old	40,000
Thermal Imaging Camera's	Phases 1 deferred from 2020/21	80,000
Hydraulic Cutting Equipment	to complete the roll out of battery operated hydraulic cutting equipment	292,000
Appliance Equipment - Refurbished PRLs	Kit for refurbished Scania PRLs	65,000
Animal Rescue	Replacement of 10yr old equipment, and technical refresh subject to a review	25,000
105 Ladders	6 x replacement ladders, required as 18 year shelf life is expiring	15,000
Water Rescue Equipment	Carry over from 2020/21 Programme	66,000
FF Decontamination Equipment	Carry over from 2020/21 Programme	30,000
Fireground UHF Radios	Carry over from 2020/21 Programme	80,000
PPE Replacement	PPE replacement programme over 3 Years (SMB paper for approval)	450,000
		1,178,000
Appliances & Vehicles		
Light Fleet	Mix of Cars & Vans	150,000
Rescue Tenders (x2)	Purchase 2 Replacement Rescue Tender Appliances (incl £250k carry over)	750,000
Aerial Ladder Platform	Chassis & Platform	300,000
		1,200,000
Information Technology		
ICT Rolling Programme - Desktop	Continual replacement and upgrades of ageing desktop equipment	200,000
ICT Rolling Programme - Infrastructure	Replacement and upgrades of ageing Core Server infrastructure equipment	150,000
Server Hardware Replacement	Replacement of hardware that has become end of life	200,000
Main Telephony and Replacement	Includes £50k carry over from 2020/21	300,000
ESN Enablement (2 of 2)	Funding for potential ESN enablement work	100,000
Conference Room Equipment	upgrade/refresh existing equipment (carry over 2020/21)	50,000
Alerter Tower Lichfield	To install new fixed permanent antennae mast to alleviate turnout coverage issues	50,000
Infographics Integration Project	Carry over from 2020/21	30,000
		1,080,000
Overall Total		**5,959,100**

Fees and Charges for April 2021 to March 2022

	Current (Net of VAT) £	Charges from 1st April 2021 (Net of VAT) £	VAT Status
(a) Special Service Charges			
Attendance per Appliance per hour* (Including crew)	318.40	320.30	Standard
**£320.30 for the first hour and £80.10 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*	83.70	84.20	Standard
Fire investigation Interviews *£100.10 per hour or part hour*	107.10	107.75	Standard
Fire Investigator detailed Fire report	374.90	377.15	Standard
(b) Other charges			
Extract of Fire reports	88.60	89.15	Exempt

Some information retrieval may incur an additional administration charge of £39.90 ex VAT per search.

Photographic/digital images	Price on Application	P.O.A	Standard

c) Conference Suite
Scale of Charges from 1st April 2021

	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 £5.45 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.

Police Fire and Crime Panel

15 February 2021

TREASURY MANAGEMENT STRATEGY 2021/22

Report of the Staffordshire Commissioner

1. Background

1.1 In addition to the existing role overseeing Staffordshire Police, the Staffordshire Commissioner became responsible for the governance of the Staffordshire Fire and Rescue Service from August 2018. However, both remain separate organisations, with separate budgets and governance processes.

1.2 This report will detail the treasury management strategy for the Staffordshire Commissioner Fire and Rescue Authority only; a separate report has been completed and supported by the Panel for the Staffordshire Police and Crime Commissioner. Therefore, reference is made only to **Staffordshire Commissioner Fire and Rescue Authority ('the Authority')** as part of this report.

2. Introduction

2.1 This report outlines the Authority's Treasury Management Strategy for the 2021/22 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) *Treasury Management in the Public Services Code of Practice 2017 Edition* (the CIPFA Code). 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 2021/22 meets the requirements of the statutory guidance issued by the Ministry of Housing, Communities and Local Government's (MHCLG) in its *Guidance on Local Government Investments 2018 Edition*.

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

3. Recommendations

3.1 That the Police Fire and Crime Panel note the proposed borrowing strategy for the 2021/22 financial year. The main features are:

a) a borrowing strategy to operate within the prudential limits set out in **Appendix 2**;
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 considers this appropriate in 2021/22;
c) a strategy on borrowing in advance of need that will not be used in 2021/22; and
d) a loan restructuring strategy that is potentially unlimited where this rebalances risk.

3.2 The Police Fire and Crime Panel to note in accordance with the MHCLG's Guidance on Local Authority Investments, the adoption of the Annual Investment Strategy (AIS) 2021/22 as detailed in **Section 7** of this report and summarised in **Appendix 4**. Also, to note the policies on:

- reviewing the strategy;
- use of external advisors; and
- training.

4. External Context

Economic background

4.1 The impact on the UK from coronavirus, together with the exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the County Council's treasury management strategy for 2021/22.

4.2 The Bank of England (BoE) maintained Bank Rate at 0.10% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates.

4.3 UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

4.4 GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

4.5 GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in October, the third successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0.0% and deposit facility rate of -0.5% for some time.

4.6 The US economy contracted at an annualised rate of 31.7% in Q2 2020 and then rebounded by 33.1% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0.0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

Credit outlook

4.7 After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around coronavirus related loan defaults led to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits; reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

4.8 The credit ratings for many UK institutions were downgraded on the back of downgrades to the UK sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

4.9 Looking forward, the potential for bank losses could be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

Interest rate forecast

4.10 The County Council's current Treasury Adviser, Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the County Council forecast.

4.11 Gilt yields are expected to remain very low in the medium-term while short-term yields are likely to remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year Gilts to rise to around 0.5%

and 0.75% respectively over the time horizon. The risks around the Gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

4.12 Due to the risks associated with the current financial environment and coronavirus, the treasury strategy retains the low risk approach adopted in recent years, based on prioritising security, liquidity and then yield.

5. Local Context

5.1 On 31 December 2020, the Authority held £17.050m of external borrowing and had £14.9m temporarily invested. The Authority's future requirements for borrowing and investments can be considered by reviewing its balance sheet forecasts.

Balance sheet

5.2 In terms of borrowing, the Authority discloses its Capital Financing Requirement (CFR) as part of its Statement of Accounts. This represents the underlying need to borrow for capital purposes i.e. the amounts that have been financed through external and internal borrowing rather than being permanently financed.

5.3 If the Authority increases debt to fund additional capital expenditure, this will increase its Loans CFR; conversely repaying debt through the Minimum Revenue Provision (MRP) will reduce its Loans CFR. The table below shows forecasts for the Authority's Loans CFR and how this will be financed through external and internal borrowing:

	31.03.20 Actual £m	31.03.21 Estimate £m	31.03.22 Forecast £m	31.03.23 Forecast £m	31.03.24 Forecast £m
Loans CFR	23.3	24.8	27.3	27.7	28.9
Less: External borrowing	(17.6)	(17.1)	(17.1)	(16.8)	(16.7)
Less: Capital financing from reserves	0.0	(1.7)	(1.9)	(0.6)	0.0
Internal / (over) borrowing	**5.8**	**6.0**	**8.3**	**10.3**	**12.2**

5.4 The table shows that the Authority's Loans CFR is forecast to increase steadily over the period, because of its replacement of vehicles capital programme. The Authority's internal borrowing requirements move in line with the Loans CFR projections; there is a greater increase from 2020/21 as it predicts it will no longer use reserves for capital financing in the latter period.

5.5 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total external borrowing should be lower than its highest forecast CFR over the next three years; the previous table shows the Authority will comply with this recommendation in this period.

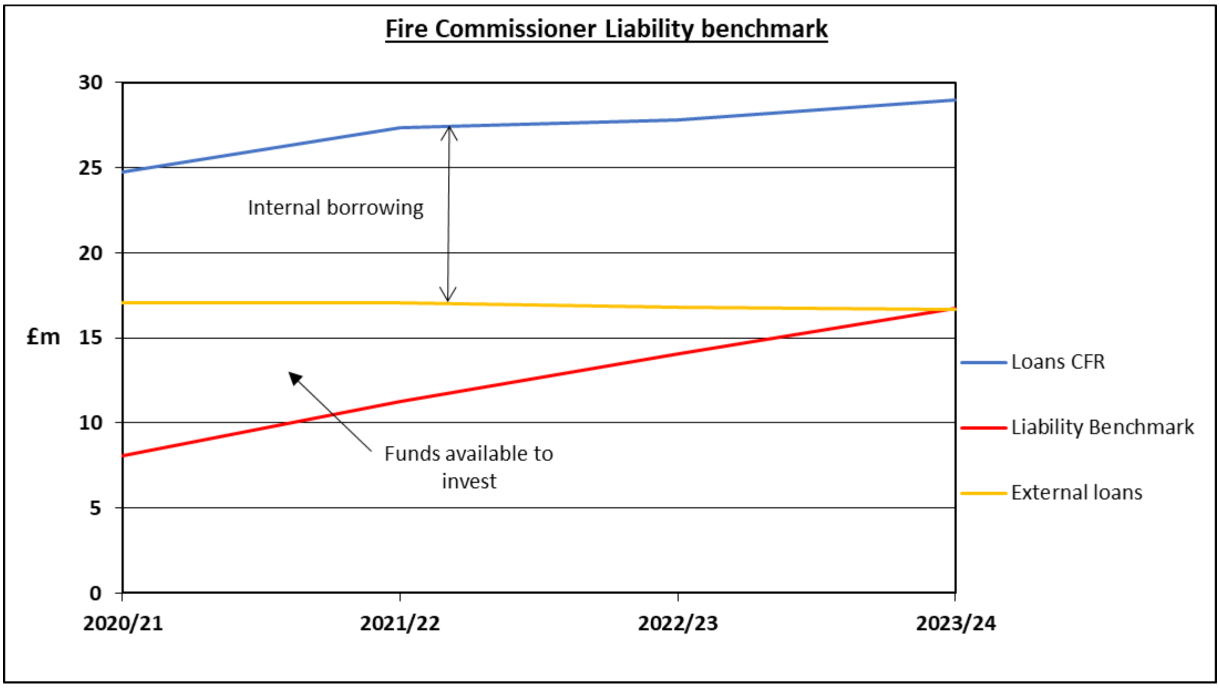
5.6 For investments, the Authority's total resources available are measured by its usable reserves and working capital less any amounts that have been internally borrowed. This is shown in the following table:

	31.03.20 Actual £m	31.03.21 Estimate £m	31.03.22 Forecast £m	31.03.23 Forecast £m	31.03.24 Forecast £m
Usable reserves	15.6	15.0	14.2	13.2	13.2
Working capital surplus	0.0	0.0	0.0	0.0	0.0
(Less Internal) / Add Over Borrowing	(5.8)	(6.0)	(8.3)	(10.3)	(12.2)
Investments/ (New borrowing)	**9.8**	**9.0**	**5.9**	**2.9**	**1.0**

5.7 The table above shows a continuation of the Authority's recent strategy in using internal borrowing to reduce the need for external borrowing and as a result, reduce temporary investment levels. Forecasts indicate that this strategy can continue as long as reserves remain at current levels as projected.

Liability benchmark

5.8 The CIPFA Prudential Code encourages local authorities to develop their own liability benchmark to manage treasury management risk. The liability benchmark represents the minimum amount of loans required to maintain cash balances at nil i.e. when all usable reserves and working capital surpluses are used to offset the amount of loans borrowed.



5.9 The chart shows that the Authority's Loans CFR (blue line) has been financed through a combination of external borrowing (yellow line) and internal borrowing (the difference between the yellow line and the blue line).

5.10 The chart indicates that Authority will have reducing funds available to invest up until 2023/24. This is because the Authority's Loans CFR, and hence its liability benchmark, has been steadily increasing whilst its level of external loans has been steadily decreasing with loans being repaid upon maturity. The chart also shows that the Authority should not need to borrow externally during the period covered by this report.

6. Borrowing Strategy 2021/22

6.1 The Authority is likely to hold £17.1m in external loans in 2021/22, as part of its strategy for funding previous years capital programmes. The Authority will need to ensure total amounts borrowed do not exceed the authorised limit of £32.4million (when excluding other liabilities such as PFI), as disclosed in **Appendix 2**.

Objectives

6.2 The primary objective for the Authority when considering borrowing money is to strike an appropriate balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. Although relatively low interest costs may be secured for the short term, it is more difficult to predict interest costs over the long term. The risks associated with the borrowing Strategy are laid out in **Appendix 3**.

Strategy

6.3 Given the significant cuts to public services and to local government funding in recent years, the Authority continues to address the key issue of affordability without compromising the long-term stability of its debt portfolio. As short-term interest rates have been lower than long term rates, it is more cost effective to use internal resources in lieu of borrowing in the short term.

6.4 The balance sheet analysis at **paragraph 5.3** and the liability benchmark analysis at **paragraph 5.8** both indicate the Authority should have sufficient internal resources for use in lieu of borrowing during the period covered by the report. Despite this fact the Authority requires a borrowing strategy to mitigate against changing circumstances or when external borrowing to replace internal debt becomes cheaper.

6.5 It is important to understand that not all of the borrowing requirement needs to be closed with loans; an important aspect of using some cash in the current financial climate is its risk reduction effects:

- Using cash reduces security risk as investment balances are lower. Regulations in the form of bail-in mean that there is some risk in holding too much money in financial institutions.
- There is less exposure 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.
- The low interest rate environment allows a portion of the capital programme to be funded at low cost through the use of cash and this opportunity should continue to be maximised.

6.6 The Authority will monitor the benefits of internal borrowing on a regular basis as this strategy must be balanced against the possibility that long-term borrowing costs may increase in future years, leading to additional costs incurred in deferring borrowing. The Authority will need to determine whether it borrows additional sums at long term fixed rates in 2021/22 with a view to keeping future interest costs low. To this end, the Authority will consult with the Treasury team at Staffordshire County Council.

6.7 The strategy proposed is one that still aims to balance the liquidity needs of day to day cash management with the low risk approach that is offered by using cash.

As cash balances may not be sufficient in the future, the Authority will need to consider what loans should be raised to provide the liquidity necessary to allow it to continue to pay its bills.

Sources of borrowing

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

- Public Works Loans Board (PWLB)
- 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

6.9 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.

6.10 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

6.11 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.

6.12 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.

6.13 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 at the Authority and reported retrospectively to the Strategic Governance Board (Fire). In addition, the outturn and half-year reports will update the position later in the year.

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

Loan restructuring

6.15 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 if reserve levels are not adequate.

6.16 Currently loan restructuring would be very expensive and unattractive for the Authority. This is because gilt yields are comparatively low. This would lead to large penalties to compensate the PWLB or its successor body if loans were repaid early.

6.17 The loans position includes a £1m LOBO (Lender Option Borrower Option) loan held with Dexia Bank where the maturity date is uncertain. The bank has an option to amend (i.e. increase) the loan interest rate on pre-determined dates in 2021/22; if this option is exercised then the Authority as a matter of policy will repay the loan.

6.18 In recent years, some banks owning LOBO loans, such as Commerzbank, have been actively removing these non-core assets from their balance sheet, and were willing to significantly reduce the repayment penalty. Dexia Bank are not currently offering such favourable repayment terms for their LOBO loans, although it is possible they may do so in future years.

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

6.20 Market conditions and regulations can change, and the outcome cannot be foreseen. It is therefore proposed to allow unlimited loan restructuring with the decision being delegated to the Director of Finance at the Authority and reported retrospectively to the Strategic Governance Board (Fire).

Policy on Borrowing in Advance of Need

6.21 As the borrowing strategy proposed for 2021/22 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.

7. Annual Investment Strategy (AIS) 2021/22

7.1 It is the Authority's borrowing strategy that determines its investment strategy. The current economic environment of relatively low interest rates also favours the use of cash instead of borrowing, hence balances available for temporary investments are likely to be less.

7.2 Nevertheless, the Authority may have significant level of funds to invest at different points of the year; this usually represents income received in advance of expenditure plus balances and reserves held. In the first 3 quarters of 2020/21, the Authority's investment balance averaged at around £16.6 million.

MiFID II

7.3 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 meet the criteria and '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.

7.4 The Authority meets the criteria set out under MiFID II and will continue to be treated as a professional client by regulated financial services firms in 2021/22.

Objectives

7.5 The CIPFA Code requires the local authorities to invest their funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.

7.6 The Authority's objective when investing its cash is to strike an appropriate balance between risk and return, thereby minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Strategy

7.7 The main characteristics which should determine an investment strategy are:
- the credit risk of the counterparties invested with;
- the length of the investment; and
- the type of financial instrument that is used.

7.8 The Authority has taken a low risk approach to investment and the AIS for 2021/22 will continue to do so. Short term unsecured bank investments have generally provided very low returns with additional risk from bail-in regulations. The Authority will continue to concentrate its short-term investments in more secure MMFs and government investments.

7.9 MHCLG Guidance on Local Government Investments specifies the types of financial instruments that local authorities can invest in and the Authority has divided its approved treasury investments into Standard Investments and Non-Standard Investments.

Standard investments

7.10 The Authority considers Standard Investments to be those made with approved counterparties that do not require further approval from the Director of Finance at the Authority. These investments tend to be for a period of less than a year and are those most frequently used by the Authority. Standard Investments can be invested with:
- UK Government – central government or local authority, parish council or community council

- short term MMFs
- bank and building society investments

i) <u>Government</u>

7.11 The Authority invests with central government by using its Debt Management Account Deposit Facility (DMADF) account. Funds held in the DMADF account are backed by the UK Government so they are very secure; however returns tend to be lower than those received elsewhere.

7.12 The Authority invests in term deposits with local authorities which can provide a higher return depending on the availability of, or the need for cash in the local authority lending market. Like central government investments, local government investments are not subject to bail in risk.

7.13 Although investments in the local authority lending market have a low risk of insolvency, they are not completely without risk. The financial risks of a few local authorities have been documented in the press; the Authority will continue to monitor such developments and seek information from the County Council's Treasury team where necessary.

ii) <u>Money Market Funds (MMFs)</u>

7.14 Money Market Funds have high credit quality and are pooled investment vehicles consisting of money market deposits and similar instruments. Short-term MMFs that offer same day liquidity can be used as an alternative to instant access bank accounts. The Authority has used same day notice MMFs for some time as they have tended to provide greater security and a higher yield than bank accounts.

7.15 EU regulation introduced in January 2019 have meant most same day notice MMFs have converted from a Constant Net Asset Value (CNAV) to a Low Volatility Net Asset Value (LVNAV) structure. The assets of LVNAV MMFs are marked to market, meaning the dealing NAV (unit price) may fluctuate in extreme circumstances. However, LVNAV MMFs are allowed to maintain a constant dealing NAV provided they meet strict criteria and minimum liquidity requirements. Public debt CNAV MMFs are still available where 99.5% of assets are invested in government debt instruments.

7.16 The Authority will continue to use same day notice MMFs that meet the criteria listed below. These are considered to have sufficient high credit quality to be included on the Authority's Approved Lending List:

- Diversified – MMFs invest across many different investments meaning they achieve more diversification than the Authority could achieve on its own account.
- Short liquidity – cash can be accessed daily.
- Ring-fenced assets – the investments are owned by 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.

7.17 Like all treasury instruments, MMFs do carry an element of risk:

- The failure of one or more of an MMF's investments could lead to a run on MMFs, especially during a financial crisis; however, the new MMF regulations do limit this risk to some extent.
- If the UK enters a recession, there is a possibility that the Bank Rate could be set at or below zero. This could mean interest earned from MMFs could become negative after the deduction of their fee. In this instance, the Authority could move funds to an alternative category of investment.

iii) Bank and building society accounts

7.18 The Authority can make investments with approved banks and building societies by using call accounts or term deposits. Investments held with banks and building societies run the risk of credit loss via a bail in, if the regulator determines that the bank is failing or likely to fail.

iv) Operational bank account

7.19 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 7.26**.

7.20 In respect of the Bank ring-fencing legislation Lloyds Bank has a relatively small investment banking operation meaning that 97% of the bank's assets remain within the 'retail bank' ring-fence. The Authority's business with Lloyds Bank will take place within the 'retail bank' ring-fence (Lloyds Bank Plc) and not form part of their investment banking operations (Lloyds Bank Corporate Markets).

7.21 Lloyds Bank Plc has seen a credit ratings upgrade since ring-fencing legislation was introduced; should the Lloyds credit rating fall, then small balances may be retained with the bank for operational efficiency. The Authority will continue to seek support from the County Council's Treasury team on bank credit risk and any changes will be determined by the Director of Finance at the Authority.

7.22 The Authority's commercial banking contract with Lloyds Bank was originally agreed alongside the County Council and expired in March 2020. The Authority intended to utilise the ESPO 'Framework Agreement for Banking Services' to procure a new banking contract. As an 'Exception to Procurement Regulations', the Authority, alongside the County Council, agreed to extend the current banking contract with Lloyds Bank for two years as the current ESPO framework had expired thus giving time for a new agreement to be negotiated. However, a new Framework Agreement has not been put into place so a full tender exercise will be carried out during 2021/22.

Standard Investment diversification

7.23 Risks to investments, such as those discussed for MMFs in **paragraph 7.17**, point towards the fundamental need for diversification across counterparties and investment categories, where possible. Diversification can help to protect the security of investments by limiting the Authority's loss in the event of a counterparty default. Diversification will not protect the Authority from a systemic failure of the banking sector even if the risk of this has diminished following the bail-in banking regulations.

7.24 Diversification can be achieved by setting a maximum amount to be invested with each counterparty, to limit risk and to ensure a spread of investments.

- No limits are proposed for government investments as these may be utilised for all the Authority's investments in certain circumstances.
- For MMF's a standard limit of £1.5m per MMF is in place to meet liquidity requirements.

7.25 To allow short-term flexibility for investments, the Director of Finance at the Authority has agreed to increase the standard limits for MMFs to temporary limits of £2.5m. The Authority will continue to use the higher temporary limits in 2021/22 until the level of cash balances fall to allow them to revert to the standard limits.

7.26 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.

7.27 Where cash balances are low then this may mean that all investments are placed with the MMFs and Lloyds Bank. However, balances will be within the limits stated above.

7.28 It is proposed that both the application and amendment of this policy are delegated to the Director of Finance at the Authority with the outcome reported in the regular treasury management reports to the Strategic Governance Board (Fire).

<u>Non-Standard Investments</u>

7.29 The Authority considers Non-Standard Investments to be all other types of approved investment counterparties that are not included as part of Standard Investments i.e. those investments that are used less frequently and may require further approval from the Director of Finance at the Authority.

7.30 Collective Investment Schemes are Non-Standard Investments that range from enhanced MMF's to property and equity funds. These all have varying risk and return profiles. The Authority 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.

7.31 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. They also have a recommended investment duration of at least 6 months, due to their longer investment horizon.

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

<u>The Credit Management Strategy for 2021/22</u>

7.33 Investments made by the Authority should be of 'high credit quality'. Although this can be difficult to define, credit ratings can be used as published by external credit rating agencies (the three main agencies are Moody's, Standard & Poors and Fitch). Credit ratings can be obtained from the County Council's Treasury team, where available.

7.34 For 2021/22, the minimum credit-rating thresholds are set at a long-term rating of 'A- 'where available. Counterparties that are rated below this level are excluded. However, credit ratings are not the only aspect of how creditworthiness is assessed.

7.35 The following elements are also factored in when evaluating creditworthiness:

- Potential government support.
- Credit Default Swap prices (CDS) (i.e. the cost of insuring against counterparty default).
- Share prices and bond yields.
- Balance sheet structure.
- Macro-economic factors.
- A subjective overlay, i.e. a judgement being made about whether the counterparty should be recommended or not.

7.36 The Authority remains responsible for all its investment decisions. The County Council's Treasury team will continue to have treasury management meetings with the Authority on a quarterly basis where a review of the Lending List will take place.

7.37 Under stressed market conditions, additional meetings with 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.

Non-treasury investments

7.38 Under the 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.

7.39 Such non-treasury investments should be assessed as part of a separate 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.

7.40 In the absence of any legal powers to do so the Commissioner does not currently hold any non-treasury investments and, therefore, no additional commercial strategy is required.

Risk

7.41 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 5** 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 to Medium
Interest rate	Low to Medium
Market	Low
Refinancing	Low to Medium
Regulatory and legal	Low

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

7.43 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.

8. Review of strategy

8.1 The Authority will prepare a revised strategy when there are significant changes to the following factors:

- the economic environment;
- the financial risk environment;
- the budgetary position; or
- the regulatory environment.

8.2 The responsibility for assessing these circumstances and proposing changes to the strategy is allocated to the Director of Finance at the Authority.

9. Policy on the use of external service providers

9.1 Currently the Authority has no contracted external treasury adviser and this is considered appropriate with the simple arrangements set out.

9.2 The treasury service for the Authority is provided by the County Council's Treasury team, 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. This contract is currently out to tender so a different provider may be in place during 2021/22 but the service levels provided would be, by necessity, very similar.

10. Investment management training

10.1 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.

10.2 The County Council's Treasury team who provide the treasury service are experienced and attend regular CIPFA and treasury consultant training seminars throughout the year as well as speaking to brokers and fund managers to further understand the market.

10.3 Training needs for Authority's staff who attend quarterly meetings with the County Council's Treasury team are assessed on an ongoing basis by local managers.

11. Service Level Agreement

11.1 Staffordshire County Council provides treasury management and banking 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. The SLA will be reviewed prior to 2021/22 to ensure that it meets the requirements of the Authority.

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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)

Financial Implications

All financial implications are covered in the body of this report.

Legal Implications

Approval of Prudential Indicators and an AIS are necessary in order to meet the requirements of the Local Government Act 2003.

Equality & Diversity Implications

There are no equality and diversity implications.

Risk Implications

Risk is inherent in treasury management operations and is dealt with throughout this report. **Appendices 3 and 5** show a risk assessment for borrowing and investment activities.

Consultation and Engagement Undertaken

Staffordshire County Council's Treasury and Pension Fund Team have provided the economic background and forecasts for this report.

Procurement and Social Value Implications

The daily treasury management function is carried out on behalf of the Authority by Staffordshire County Council, under a Service Level Agreement (SLA).

Protective Security Considerations

Data protection and protective security policies are implemented within Staffordshire County Council and all departments within the Council. Treasury management activities are undertaken in line with these policies and the agreed SLA.

Police Fire and Crime Panel
15 February 2021

Treasury Management Indicators

Indicator	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24
1. External Debt	£m	£m	£m
Authorised Limit	32.4	32.8	34.0
Authorised Limit for other liabilities	79.5	77.0	75.5
TOTAL	**111.9**	**109.8**	**109.5**
Operational Boundary	27.4	27.8	29.0
Operational Boundary for other liabilities	79.5	77.0	75.5
TOTAL	**106.9**	**104.8**	**104.5**
External Loans	**17.1**	**16.8**	**16.7**
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	£m	£m	£m
a. Upper Limit (Fixed)	27.4	27.8	29.0
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%	0.0%
12 months and with 24 months	10%	0%	1.5%
24 months and within 5 years	30%	0%	3.8%
5 years and with 10 years	50%	0%	3.8%
10 years and above	100%	25%	90.9%
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

Appendix 3

Police Fire and Crime Panel
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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 reduction 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 increase 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 4

Police Fire and Crime Panel
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Lending List – January 2021	
	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 5

Police Fire and Crime Panel
15 February 2021

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.

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Appendix 5 (continued)

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.

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.

Item No. 4c on Agenda

Report to the Police Fire and Crime Panel

15th February 2021

Reserve Strategy Update

Report of the Staffordshire Commissioner

Introduction

Statutory provision is made within the Local Government Finance Act 1992 that requires precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure. The S151 Officer and Treasurer for the Staffordshire Commissioner Fire and Rescue Authority has a duty to report on the robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its annual budget requirement.

This paper gives due consideration to the overall level of reserves held by the Authority as at 31 March 2020, and the Police Fire and Panel are asked to comment and review the overall position as scheduled within **Appendix 1** and **2** and the overall impact on Reserves as incorporated within the approved Medium Term Financial Strategy (MFTS).

The Reserves Strategy was last approved in November 2019 by the Strategic Governance Board and has now been updated to incorporate and reflect:

- The revised MFTS for 2021/22 to 2025/26
- The actual Reserves position as per the Audited Statement of Accounts for 2019/20
- The impact of approved reserve utilisation and agreed capital programme utilisation requirements

The timing of this report has also now been updated so that it is aligned with the budget setting and revision to the Medium Term Financial Strategy.

A number of different reserves are held by the Staffordshire Commissioner Fire and Rescue Authority (both useable and unusable) in line with the CIPFA guidance, however this paper focuses on the two key areas of reserves that impact on the future financial strategy:

- A **General Reserve**, to allow for unexpected / emergency events – balance as at 31 March 2020, £1.9m (see **Appendix 1**),

- A **Earmarked (Specific) Reserve** – to meet future known or predicted requirements – balance as at 31 March 2020, £7.1m (see **Appendix 2**), Forecast 31 March 2021, £6.8m

Overall the level of Earmarked Reserve has reduced by over £2m during the last four years and is forecast to reduce to around £4.1m by 2025/26 based upon the latest MTFS.

RECOMMENDATIONS

The Police, Fire and Crime Panel is asked to:

a) Note the overall reserves position for both General and Earmarked Reserves as contained within this report,

b) consider the adequacy and proposed earmarking of the Earmarked Reserve that will be incorporated into the budget setting exercise for 2021/22, and utilisation of reserves as incorporated within the approved MTFS

c) Note the updated Reserves Strategy

Matthew Ellis
Staffordshire Commissioner

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BACKGROUND AND ADDITIONAL INFORMATION

Introduction

1. This paper gives due consideration to the overall level of reserves held by the Authority as at 31 March 2020, and the Panel are asked to comment and review the overall position as scheduled within **Appendix 1** and **2**.

2. This reserves strategy must also support, as required, any future savings and contribute funding as agreed for the capital programme, which includes a 50% contribution for the three year vehicle replacement programme.

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Prudential Code and Capital Spend

3. CIPFA's (The Chartered Institute of Public Finance and Accountancy) Prudential Code requires chief finance officers in local authorities to have full regard to affordability when making recommendations about the local authority's future capital programme. Such consideration includes the level of long-term revenue commitments. Indeed, in considering the affordability of its capital plans, the Staffordshire Commissioner is required to consider all of the resources available, together with the totality of its capital plans and revenue forecasts for the forthcoming year and into the medium term.

4. The statutory reporting regime discussed within this paper and effective financial management underpin the need for clear, transparent reporting arrangements for reserves and CIPFA recommend that there should be clear protocol setting out the following:
    - the reason for / purpose of the reserve;
    - how and when the reserve can be used;
    - procedures for the reserve's management and control; and
    - a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

5. Whilst it is primarily the responsibility of the Staffordshire Commissioner and its S151 Officer and Treasurer to maintain a sound financial position, our external auditors Grant Thornton annually review for any material uncertainties and test to ensure that the Authority remains a going concern. Even where as part of their wider role Grant Thornton report on the Authority's financial position, it is not however, their responsibility to prescribe the optimum or minimum level of reserves for authorities in general.

6. There has been significant criticism of the Fire and Rescue Sector regarding the overall high level of reserves held, reported to be around £538 million as at 31 March 2019. This is equivalent to 39% of their core spending power. Staffordshire FRA were reported by the Home Office to hold total reserves of £16.1m (40% of core spending power see paragraph 9 below) but this included reserves such as PFI Reserve and CIC Reserve that could not be accessed by the Service. Excluding these other reserves the amount of £9.1m represented 23% of core spending power.

7. In Staffordshire, the level of Earmarked reserves has been stable at around £7m for the year ended 31 March 2019 and 31 March 2020. Earmarked Reserves were at their maximum level of £9.2m, as at 31 March 2017.

Types of Reserve

8. When considering the Medium Term Financial Strategy and preparing annual budgets the Staffordshire Commissioner should consider the establishment and maintenance of reserves. Reserves can be held for three main purposes:
   - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
   - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves (see **Appendix 1**);
   - a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements. This is also referred to as the Specific Reserves/Earmarked Reserves (See **Appendix 2**)

Reporting of Reserves

9. The IFRS-based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) introduced the Movement in Reserves Statement to local authority financial statements in the 2010/11 financial year. This Statement presents the movement in the year of the reserves of the Authority analysed into **usable** reserves, (e.g. General and earmarked reserves) and unusable reserves. The Movement in Useable Reserves Statement can be found on page 55 of the Statutory Accounts for 2019/20, and is shown below:

31-Mar-19 £,000		31-Mar-20 £,000
1,906	**General Fund (1)**	**1,906**
5	**Capital grants unapplied**	**1**
1,030	Earmarked reserves - grants	1,109
5,591	Earmarked reserves - PFI grant	5,616
452	CCU Reserve	528
7,146	Other Reserves (2)	7,101
14,219	**Earmarked Reserves**	**14,354**
16,130	**Total Usable Reserves**	**16,261**

10. The total Useable Reserves as per the statement of accounts is £16.3 million, however only the General Fund £1.9m and Other Reserves £7.1m are considered within this report. The other grant areas are not for general use as they have already identified for a particular use or business area. For example, the £5.6m Earmarked PFI Grant will unwind at the end of the two PFI concessionary periods.

11. Unusable reserves arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile accounting requirements (i.e. reconciliation of reporting standards to statutory requirements)

12. Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for local authorities. However, the Government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty.

Reserves Strategy and Future Outlook

13. This paper gives due consideration to the overall level of reserves held as at 31 March 2020, and the Panel are asked to comment and review the overall position as scheduled within **Appendices 1** and **2**.

- The Financial Strategy implemented during the early years of austerity (2010 to 2017) resulted in an important and deliberate increased the overall level of reserves held, but it is even more important that full scrutiny of our reserves is undertaken, particularly when considering
  - There are no future capital grants proposed by the Government, which means that all capital spend will increase debt and borrowing unless internally funded by either ongoing savings or the use of reserves
  - The future investment required to fund further changes to the Service currently being considered as part of the Project 2025.
  - The use of Reserves to support Revenue Spend into the medium term.

General Reserve

14. The General Reserve scheduled within **Appendix 1** has remained unchanged for a number of years and at £1.9m represents around 4.5% of the annual revenue budget). It is recommended by the Home Office that General Reserves held by Fire Authorities do not exceed 5% of overall funding level. The National Framework Document requests that the Reserves Strategy should clearly justify the reasons for holding a general reserve above five percent of budget.

Earmarked / Specific Reserve

15. The Balance on this reserve as at 31 March 2020 was £7.1m, is scheduled below and is based upon the categorisation approved by the Staffordshire Commissioner in November 2019:

Earmarked / Specific Reserve Categorisation	Balance 31/03/2019 £m
PFI Reserves (Project Reserve Balance and Deductions)	0.7
Budget Holder Earmarked Reserves	0.4
MTFS Reserves Utilisation 2019/20	0.5
Provision for Fire Station Refurbishment (Abbots Bromley)	0.5
Capital Reserves – Vehicle Replacement Programme to 2022 (at 50% of approved programme) includes ALP	1.4
Firefighters' Pension Schemes contingency provision (1 year full cost)	1.8
Future Integration, Collaboration and Change Programme	0.5
Future Funding Provision as per MTFS	1.3
Total Reserve Categorisation Approved	**7.1**

16. The Earmarked/Specific Reserve provision is required not only to fund future projects and investments but also to provide funding, as follows:
    - to support the recurring revenue budget upto 2023 as incorporated within the medium term financial strategy and Efficiency Plan,
    - to provide a provision for future capital investment to avoid additional long term borrowing need,
    - to provide for costs that may be required to support future change and business transformation
    - to provide for any funding uncertainty as discussed within this paper (e.g. pay awards and Pensions)
    - to provide for future contingent liabilities that have been identified within the statutory accounts

17. **Appendix 2** incorporates and update of the assumptions for each of the above reserve provisions for discussion by the Panel; including:

    a. The approved revenue budget set for 2021/22
    b. The revised use of reserves incorporated with the approved MTFS
    c. Planning for future transformation costs of the Service within the Service 2025 Project
    d. Any contingent liabilities that needs to be provided for as incorporated within the Statutory Accounts
    e. Any amounts where budget holders have been authorised to earmark a specific expenditure item
    f. Any upward pressures that are anticipated to be placed upon budgets e.g. higher than expected pay awards

18. In the instance where a particular reserve needs to be accessed that has not be previously formally approved approval from The Staffordshire Commissioner would be sought in advance to ensure that plans can be adequately challenged and full transparency exists within the Authority.

19. Whilst it remains the responsibility of the S151 Officer and Treasurer for the Staffordshire Commissioner to advise the Authority about the overall level of reserves that is held; the Service and Staffordshire Commissioner should assist by providing clear protocols for the establishment and use of reserves, as reserves should not be held without a clear purpose.

Appendix 1

General Reserves Balance for 2021/22

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 2021/22 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.5% 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.

Area of Expenditure	Level of Risk *	Explanation of risk/justification of reserves	2021/22 Provision £000
Loss of Employees / additional pay costs	High	Spate conditions caused by for example; prolonged severe weather conditions (e.g. hot weather or flooding), unexpected loss of staff through COVID-19, Avian Flu / Ebola etc.	500
Failure to achieve efficiency savings	Medium	Risk of not achieving future savings requirements	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	200
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**

Appendix 2

Total Reserves including Earmarked / Specific Reserves Balance for 2021/22

In addition to general reserve balances, useable earmarked reserves that are created for specific purposes. Useable earmarked reserves should be held to meet future liabilities and the following table incorporates a suggested categorisation of the balance held for this reserve to be considered by the Staffordshire Commissioner.

Below is a suggested categorisation only, but importantly this must remain flexible based upon future funding settlements, delivery of agreed savings and certainty around MFTS assumptions.

	2019/20 Approved £m	2020/21 Fcast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
General Fund	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Earmarked Reserves							
PFI Reserve (Project Reserve Deductions)	0.7	0.8	0.6	0.6	0.6	0.6	0.6
Operational Budget Holder Reserves	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Budget and MTFS Suppport Reserve	0.5	0.3	0.3	0.3	0.3	0.3	0.3
Refurbishment Reserve Abbots Bromley	0.5	0.4					
Capital Reserves	1.4	1.1	0.6				
Pension Reserve	1.8	1.8	1.8	1.8	1.1	1.1	1.1
Collaboration Rserve	0.5	0.5	0.5	0.5	0.5	0.5	0.5
LCTS Covid Grant Balance		0.2	0.2				
Future Funding Reserve	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Total Earmarked Reserve	**7.1**	**6.8**	**5.6**	**4.8**	**4.1**	**4.1**	**4.1**
Total Reserves Available	**9.0**	**8.7**	**7.5**	**6.7**	**6.0**	**6.0**	**6.0**

Item No. 4d on Agenda

Report to the Police Fire and Crime Panel

15th February 2021

Fire Capital Strategy and Capital Programme 2021/22 to 2023/24
(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 2021/22 to 2023/24, 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 for the next three years.

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 current 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 is also to be considered by the Authority's Ethics, Transparency and Audit Panel on 10th February 2021.

RECOMMENDATIONS

That the Police Fire and Crime Panel note:

a) the three year Capital Programme for 2021/22 to 2023/24 as set out in Appendix 1,

b) the detailed capital programme for 2021/22 as set out within Appendix 2

c) the Capital Strategy for 2021/22

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 2021/22 to 2023/24 is in line with the updated 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
- 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 process 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 stakeholders 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 through the governance arrangements 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:

- Prevention and early intervention
- Protecting Staffordshire and its people
- Public confidence
- Service Reform

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 programme. 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, in addition to specific capital project funding.

- **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 funding the capital programme during this time and consequentially reducing the Capital Financing Requirement by £7.6m during the period 2013/14 to 2019/20. The capital programme was fully funded in 2019/20 without the need for any additional borrowing.

- **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.

  Through the use of internal cash and direct revenue financing no new loans have been taken since 2010/11, and following the repayment of £0.5m of loans during 2020/21 the overall loans position reduced to £17.1m by 31 March 2021. This prudent approach to borrowing is inline with the Treasury Management Strategy and 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 outcome 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 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.

6.4 There are many categories of risk to be mindful of; these are detailed in **Appendix 4:**

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Exchange Rate Risk
- Inflation Risk
- Legal and Regulatory Risk
- Fraud, Error and Corruption

7. Capital Programme 2021/22 to 2023/24

7.1 The proposed Capital Programme for 2021/22 to 2023/24 is contained within **Appendix 1** of this report. The total Capital Programme for 2021/22 has been estimated at £6.0m, for 2022/23 £4.4m and for 2023/24 £3.9m.

7.2 The detailed scheme analysis supporting the programme 2021/22 is shown within **Appendix 2**.

7.3 The Staffordshire Commissioner Fire and Rescue Authority is required to set estimates, impose limits and to report and publish actuals in line with The Prudential Code. The indicators for adoption by the Authority for 2021/22, 2022/23 and 2023/24 are set out in **Appendix 3**.

7.4 The Panel should note that due to the CIVID19 pandemic a number of capital projects could not be completed during 2020/21, this has resulted in considerable slippage of spend into 2021/22.

7.5 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 2021/22 includes a total capital requirement of £2.5m, which consists of the following main building and infrastructure projects plus some minor works:

  - Stafford Fire Station, £1.5m. This project was originally included with the 2020/21 Capital Programme and should move to construction during the summer of 2021. This project is a key element of the Service 2025 work and will see the redevelopment of part of the Stafford Fire Station site which will allow the disposal of a parcel of land and has been progressing well. The planning proposal has been submitted which will see an existing building within the site becoming the fire station and training facility and will allow the Authority to realise a capital receipt for the land that is no longer required. This project will be partially funded from the remaining Transformation Funding Grant.

  - Stafford Fire Station Drill tower - £0.15m - A new drill tower is also budgeted separately for this site which will be funded from the Authority's reserves. This will enable working at height training on this site.

  - The refurbishment of Abbots Bromley fire station, £0.4m. 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. This project is scheduled to commence during 2020/21 with a majority of the capital spend being incurred during 2021/22, and will be within budget.

  - Minor works, £0.4m. This includes replacement of boilers, lighting, fire doors and work on Fire Behavior Training site at HQ.

- **Operational Equipment**

  Total investment of £1.2m has been identified and included within the programme for 2021/22:

  - The capital requirement for 21/22 has increased with a number of detailed projects being deferred from the 20/21 programme mainly as a consequence of the pandemic.

  - A full list of the detailed projects is included within Appendix 2

  - The Service is now considering options that are available for the replacement of operational PPE and a detailed paper and business case will be presented to the Service Management Board during 2021. The costs is estimated at £1.3m over a three year rollout period.

- **Appliances and Vehicles**

  A vehicle replacement programme of £1.2m has been included within the proposed budget for 2021/22:

  In summary the vehicle replacement programme includes the following:

  - Purchase of 2 Rescue Tender Pumping Appliances. This forms part of the Service 2025 project work.

  - Aerial Ladder Replacement (ALP), £0.3m. This investment was is for the purchase of the Chassis and Platform. The total cost is estimated at £850k spread over 2 years.

  - Light Vehicles, £0.15m, the programme includes the replacement of light vehicles as part of the rolling vehicle replacement programme

- **Information Technology**

  The ICT programme for 2021/22 of £1.1m includes the following:

  - Ongoing ICT rolling replacement programme for desktop and infrastructure, £0.35m

  - Telephony replacement, £0.3m. This work is for professional services and hardware (Routers) costs associated with replacing the existing telephony which will be end of contract

  - Server Hardware Replacement, £0.2m. This work will:
    - replace the existing physical VMWare Server hosts at both HQ and DR (Trentham Lakes) this will include the upgrade of the hardware/software and professional services.
    - replace the existing physical Citrix Netscaler Appliances at both HQ and Disaster Recovery site (Trentham Lakes), this will include the upgrade of the hardware/software and professional services.
    - maintain the compliance of the environment, a robust environment and maintain access to systems for the future.

  - PSN core network development, ESN Enablement, £0.1m
  - Other (including conference equipment, Lichfield allerter tower), £0.2m

8. Funding the Programme

8.1 **Appendix 1** also details the proposed funding strategy for the 2021/22 programme together with indications for the funding of the next two years. For 2021/22, 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.

8.2 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

9.1 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).

9.2 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.

9.3 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.

9.4 The total level of debt for this Authority as at 31 March 2021 is forecast to be around £24.8m, and is forecast to increase to £29.0m by March 2024 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 2021/22 to 2023/24

	2020/21 Forecast	2021/22 Budget	2022/23 Plan	2023/24 Plan
	£	**£**	**£**	**£**
Building & Infrastructure Works				
Refurbishment Programme	1,439,000	2,104,100	465,000	600,000
Improvement Works	165,000	397,000	495,000	245,000
Total	**1,604,000**	**2,501,100**	**960,000**	**845,000**
Operational Equipment	**91,203**	**1,178,000**	**1,554,000**	**510,000**
Appliances & Vehicles				
Appliances & Specialist Vehicles	218,632	1,050,000	1,100,000	1,900,000
Vans & Cars	340,724	150,000	150,000	150,000
Total	**559,356**	**1,200,000**	**1,250,000**	**2,050,000**
Information Technology				
ICT Hardware, Software Systems & Installations	655,000	1,080,000	600,000	450,000
Total	**655,000**	**1,080,000**	**600,000**	**450,000**
Total Capital Programme	**2,909,559**	**5,959,100**	**4,364,000**	**3,855,000**
Funding				
Supported Borrowing				
Unsupported Borrowing	1,190,881	4,059,000	3,799,000	3,855,000
Capital Grant - Transformation Funding	1,389,000	1,008,100	15,000	
Use of Specific Reserves (Abbots Bromley)	50,000	367,000		
Use of Specific Reserves	279,678	525,000	550,000	
Total Funding	**2,909,559**	**5,959,100**	**4,364,000**	**3,855,000**

Appendix 2

Staffordshire Commissioner Fire and Rescue Authority

Detailed Capital Programme 2021/22

Scheme Description	Detail	Budget 2021/22 £
IADS		
Stafford Fire Station Refurbishment	Relocation to adjacent building (Partly funded by Grant)	1,509,000
Stafford FS Training Tower	Funded from Reserves	150,000
Abbots Bromley Refurbishment	Internal Refurbishment (Funded from earmarked Reserves) started 2020/21	367,000
Abbots Bromley Tower	Drill Tower Replacement	70,000
Safe and Sound	Ongoing investment from Transformational funding grant	8,100
		2,104,100
Building Works - Improvements		
Boiler Replacements	Stations and HQ	95,000
Lighting Replacement	Replacement of lighting at HQ and Stations - Ph1	80,000
HQ Old House	Fire Door Replacement	40,000
Biddulph FS	Replacement Heating	20,000
HQ Improvements	BA Room and RTC Compound Improvements	65,000
Fire behaviour Training HQ	FBT improvement Works	97,000
		397,000
Operational Equipment		
Operational Equipment	to be allocated for unplanned equipment replacement incl £10k Foam	35,000
Gas Monitors	50 x New gas monitors to replace old	40,000
Thermal Imaging Camera's	Phases 1 deferred from 2020/21	80,000
Hydraulic Cutting Equipment	to complete the roll out of battery operated hydraulic cutting equipment	292,000
Appliance Equipment - Refurbished PRLs	Kit for refurbished Scania PRLs	65,000
Animal Rescue	Replacement of 10yr old equipment, and technical refresh subject to a review	25,000
105 Ladders	6 x replacement ladders, required as 18 year shelf life is expiring	15,000
Water Rescue Equipment	Carry over from 2020/21 Programme	66,000
FF Decontamination Equipment	Carry over from 2020/21 Programme	30,000
Fireground UHF Radios	Carry over from 2020/21 Programme	80,000
PPE Replacement	PPE replacement programme over 3 Years (SMB paper for approval)	450,000
		1,178,000
Appliances & Vehicles		
Light Fleet	Mix of Cars & Vans	150,000
Rescue Tenders (x2)	Purchase 2 Replacement Rescue Tender Appliances (incl £250k carry over)	750,000
Aerial Ladder Platform	Chassis & Platform	300,000
		1,200,000
Information Technology		
ICT Rolling Programme - Desktop	Continual replacement and upgrades of ageing desktop equipment	200,000
ICT Rolling Programme - Infrastructure	Replacement and upgrades of ageing Core Server infrastructure equipment	150,000
Server Hardware Replacement	Replacement of hardware that has become end of life	200,000
Main Telephony and Replacement	Includes £50k carry over from 2020/21	300,000
ESN Enablement (2 of 2)	Funding for potential ESN enablement work	100,000
Conference Room Equipment	upgrade/refresh existing equipment (carry over 2020/21)	50,000
Alerter Tower Lichfield	To install new fixed permanent antennae mast to alleviate turnout coverage issues	50,000
Infographics Integration Project	Carry over from 2020/21	30,000
		1,080,000
Overall Total		**5,959,100**

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 2021/22 %	Estimate 2022/23 %	Estimate 2023/24 %
5.4	5.4	6.1

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 2021/22 £m	Estimate 2022/23 £m	Estimate 2023/24 £m
6.0	4.4	3.9

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 2021/22 £m	Estimate 2022/23 £m	Estimate 2023/24 £m
27.3	27.7	28.9

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. External Debt

	Estimate 2021/22 £m	Estimate 2022/23 £m	Estimate 2023/24 £m
Authorised Limit	32.4	32.8	34.0
Operational Boundary	27.3	27.7	28.9

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.*

The above excludes the PFI Balance Sheet debt position.

Glossary of Risk Management Categories

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. 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.

STAFFORDSHIRE POLICE, FIRE AND CRIME PANEL

15 February 2021

WORK PROGRAMME PLANNING 2020-21

Report of the Secretary

Recommendation

That the Panel note the dates of future meetings and considers the contents of its future Work Programme.

Background

By Regulation this Panel is required to meet on a *minimum* of 4 occasions each year with the facility to convene additional meetings as and when required.

There are a number of reports/matters which the Panel is required to consider:

Police and Crime Matters: the proposed Policing and Crime Precept each year, the Police and Crime Plan, The Commissioners Annual Report on the delivery of the Plan, Confirmation Hearings for a number of key posts and Reports on the Handling of Complaints.

Fire and Rescue Service Matters: The proposed Fire and Rescue Service Precept each year, the draft Fire and Rescue Plan/Corporate Safety Plan (incorporating the Integrated Risk Management Plan), the Annual Statement of Assurance and Confirmation Hearings for key posts in the Service.

As members will be aware due to the COVID 19 Pandemic the May 2020 elections for Police, Fire and Crime Commissioners were cancelled and the Commissioners Term of Office was extended until 6 May 2021. Consequently his Strategic Plan- Safer, Fairer, United Communities for Staffordshire was extended to cover the additional year. In addition The Commissioner submitted a COVID Response 2020/21report to the last Panel meeting setting out the effects of COVID on the delivery of his Strategic Plan and service delivery by the Fire and Rescue and Police Services.

The following dates mirror the quarterly meeting pattern adopted by the Panel but with adjustments to accommodate the May 2021 Commissioner elections.

	Agenda Items
Monday 3 February 2020 – Informal Workshop	• Policing Numbers
Monday 10 February 2020 (2pm)	• PFCC's proposed **Policing and Crime** Budget and Precept 2020/21 • PFCC's **Fire and Rescue Service** Budget and Precept 2020/21

	• PFCC's DRAFT Annual Report 2019/20 • Fire and Rescue Service Statement of Assurance 2018/19 • HMICFRS Review of the Staffordshire Fire and Rescue Service 2018/19
Monday 27 April 2020 (pm) CANCELLED	
Monday 13 July 2020 (pm)	• Extension of Co-optees term of office • Changes to Procedural Rules due to COVID 19 • Home Office Grant - 2019/20 expenditure and 20/21 Allocation • Annual Report on the Handling of Complaints • Commissioner's proposals for extended period of office • COVID 19 Effect on Policing and Fire and Rescue resources • HMICFRS PEEL report 2018/19 • SFRS Corporate Safety Plan 2017 – 2020 Update on Delivery • SFRS Corporate Safety Plan 2020/23 – Update on consultation/preparation
Monday 26 October 2020 (pm)	• MTFS/Budget Update – Policing Service • MTFS/Budget Update - Fire and Rescue Service • SFU Communities for Staffordshire – Update • COVID Response 2020/21 – SFRS Corporate Safety Plan 2020/23 – Update on consultation/preparation • Reform of Police Complaints Handling – Progress Report on Implementation
Monday 1 February 2021 (pm)	• Consideration of the PFCC's proposed **Police** Budget and Precept 2021/22 • National Conference for Police Fire and Crime Panels – Feedback report
Monday 15 February 2021 (pm)	• Consideration of the PFCCs proposed **Fire and Rescue** Budget and Precept 2021/22

Monday 22 February 2021 (pm) **(RESERVED)**	• **If required** – further consideration of Police and/or Fire and Rescue Service proposed Precept 2021/22
Wednesday 10 March 2021(pm) (Spring 2021 meeting date brought forward to take account of Purdah for 6 May 2021 Police, Fire and Crime Commissioner Elections	• TBA
Monday 21 June 2021(pm) (Summer 2021 meeting date brought forward to meet the newly elected Commissioner)	• Appointment of Chairman • Appointment of Vice-Chairman • Meet the new Commissioner • Appointment of Independent Co-Opted Member
Monday 25 October 2021(pm)	• TBA
Monday 31 January 2022(pm)	• PFCC's proposed **Police** Budget and Precept 2022/23 • Consideration of the PFCCs proposed **Fire and Rescue** Budget and Precept 2022/23
Monday 14 February 2022 (pm) ***(Reserved date)***	• If required, Further consideration of proposed Police Budget 2022/23 and/or Fire and Rescue Budget and Precept 2022/23
Monday 25 April 2022 (pm)	• TBA
Items to be scheduled when appropriate	
Proposed Firing Range	Raised at 1 February meeting

J Tradewell (Secretary to the Panel)
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