



WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Monday, 15 February 2021 at 11:00

To be held digitally via Microsoft Teams

Distribution of Councillors	
<u>Birmingham</u>	D Barrie Z Iqbal K Jenkins S Spence
<u>Coventry</u>	C Miks S Walsh
<u>Dudley</u>	N Barlow P Miller
<u>Sandwell</u>	J Edwards M Singh Gill
<u>Solihull</u>	P Hogarth MBE
<u>Walsall</u>	S J Cooper A Young
<u>Wolverhampton</u>	G Brackenridge J Dehar
<u>Police & Crime Commissioner Representative</u>	Gurinder Singh Josan CBE
<u>Co-opted Members</u>	Professor S Brake S Middleton
<u>Independent Member</u>	Mr M Ager
<u>Observers</u>	Maurice Carter, UNISON
	Richard Merker, Fire Officer's Association
	Steve Price-Hunt, Fire Brigades Union

Please note: Meetings of the political groups will be held at 10.00 am.

Fire Authority

You are summoned to attend the meeting of Fire Authority to be held on
Monday, 15 February 2021 at 11:00

at Digital meeting,

for the purpose of transacting the following business:

Agenda – Public Session

- 1 To receive apologies for absence (if any)
- 2 Declarations of interests
- 3 Chair's announcements
- 4 Chief Fire Officer's Announcements
- 5 Minutes of the Fire and Rescue Authority 14 December 2020 5 - 12
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- 9 Minutes of the Audit and Risk Committee held on 07 December 2020 115 -
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Agenda prepared by Stephen Timmington

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This agenda and supporting documents are also available electronically on the West Midlands Fire Service website at: www.wmfs.net

This meeting of the West Midlands Fire and Rescue Authority will be held digitally via Microsoft Teams. To access the meeting, please contact a member of the Strategic Hub, West Midlands Fire Service, who will be able to provide login details (please note that Microsoft Teams is not required to join a meeting).

Clerk Name: Karen Gowreesunker

Clerk Telephone: 0121 380 6678

Clerk Email: Karen.Gowreesunker@wmfs.net

West Midlands Fire and Rescue Authority

14 December 2020 at 1100 hours

held digitally via Microsoft Teams

Present: Councillor Brackenridge (Chair)

Councillor Iqbal (Vice Chair)

Councillors Barrie, Barlow, Dehar, Edwards, Gill, Hogarth, Miller, Miks, Spence, Young and Walsh

Mr G Singh Josan (Representative of the Police and Crime Commissioner)

Professor S Brake, co-opted member – health

Maurice Carter (Unison), Steve Price Hunt (Fire Brigade's Union), and Richard Merker (Fire Officers' Association).

46/20 Apologies for Absence

Apologies were received from Councillors Cooper and Jenkins, Mr M Ager, Independent Member and S Middleton, co-opted member – business.

47/20 Declarations of Interest

The Chair and Councillor Edwards declared a personal non-pecuniary interest in Item 7 Monitoring of Finances, due to being members of the Firefighters Pension Scheme(s).

48/20 **Chairs Announcements**

The Chair welcomed all attendees to the meeting of the full Fire Authority.

The Chair noted that discussions were ongoing regarding the implementation of lateral flow testing.

It was noted that a regional meeting was due to be held later this week to discuss the council tax precept. The Chair noted that he would be asking for flexibility regarding support for the fire sector.

The Authority had received a letter from the Fire Minister with regard to funding going forward. The Chair advised that the Authority had replied to the letter setting out the position of the Authority including the fact that the Authority (as per other Fire and Rescue Authorities) no longer received any capital funding.

It was noted that the Authority welcomed and congratulated Solihull Metropolitan Borough Council in their decision to install sprinkler systems in high-rise buildings.

49/20 **Chief Fire Officer's Announcements**

The Chief Fire Officer welcomed all attendees to the meeting.

The Annual Brigade Christmas Carol Service had been held on the 13 December and had been broadcast via YouTube. The Chief Fire Officer thanked Alison Newis and the team in corporate communications for making this possible.

It was noted that the number of Covid 19 cases recorded within the Service had stabilised with only a small number of cases of individuals self-isolating.

It was noted that the Service welcomed the decision by Solihull Metropolitan Borough Council to install sprinkler systems in high-rise buildings.

In answer to a Members' question the Chief Fire Officer advised in light of the loosening of restrictions over the festive period, the Service continued to maintain high levels of infection prevention

control. However, it was acknowledged that the Service was limited in what it could do regarding what people could and couldn't do outside of the work environment.

A Member noted that the behaviours demonstrated by staff over the previous nine months had been very good and a high level of compliance had been observed resulting in low levels of cross infection. This had been supported by the high levels of surveillance that had been put in place by supervisors. The levels of protection put in place by the Service had proved very effective and should ensure resilience going forward.

The Chair noted that the introduction of the scientific cell had proved a critical addition and the additional guidance and information provided to staff via Mesh had been outstanding.

50/20 **Minutes of the Fire and Rescue Authority 5 October 2020**

Resolved that the minutes of the Fire Authority meeting held on 5 October 2020 be confirmed as a correct record.

51/20 **Review of the Constitution**

The Clerk to the Authority provided an overview of the report. The report had been submitted to provide further detail to support the process of recruitment of Deputy Chief Fire Officer and Assistant Chief Fire Officer roles as approved at the meeting of the Fire Authority on 5 October 2020.

The explanatory wording aligned to Matters for Authority, Article 6, section 6.2.4 (of the Fire Authority Constitution) had been amended in accordance with the outcomes of the meeting of the Fire Authority on 5 October. This proposed wording (3.4.1 to 3.4.5) was put forward to Members for their consideration and approval.

Additionally, the flowchart outlining the recruitment process within Appendix 1 of the report would also be included within the Constitution.

Resolved

Members approved the proposed explanatory notes for inclusion in the Fire Authority Constitution.

Members approved that the Clerk make any further consequential amendments to the Constitution in consultation with the Chair, Vice-Chair, and the opposition Leader.

52/20 Monitoring of Finances

The Treasurer to the Authority, provided an overview of the report which dealt with the monitoring of the finances of the Authority in the current financial year and covered revenue expenditure and the Capital Programme.

Appendix A of the report compared the revenue budgeted to the end of November 2020 with the actuals to that date. The actual spend to November 2020 including commitments was £63.709 million compared to a projected budget of £63.850 million, an overall favourable variance of £0.141 million. It was noted that Appendix A showed the current impact on finances as a result of the Covid 19 pandemic.

Appendix B provided statistical data relating to the Firefighters' Pension Scheme.

Appendix C provided an overview of the capital expenditure. The Authority's approved capital programme for 2020/21 was £7.679 million. Expenditure to the end of November 2020 was shown as £1.462 million. It was noted that the main forecast variance with the capital programme related to the vehicle replacement programme and the re-phased replacement of windows and doors at seven fire stations. Delays in both cases were as a result of the Covid 19 pandemic.

In answer to Members' questions the following points were raised:

- The delay in the replacement of the Command Support Vehicle had not had any affect upon operational capacity

including how the Service responded and dealt with high-rise incidents.

- There was no intention currently to undertake any borrowing to complete the capital programme. It was intended that costs would be met predominantly using ear-marked reserves. The reduced use of ear-marked reserves this year would assist with funding next year.

The Chair noted that the Authority no longer received a central government grant for capital so there was a need to be careful with regards to funding such expenditure. The Covid 19 pandemic had complicated issues during what were already challenging times.

Resolved

Members noted the report on the monitoring of finances.

53/20 An Analysis of Progress of Quarterly Performance Against 'Our Plan' – Quarter Two 2020/21

The Chief Fire Officer provided an overview of the report which outlined an analysis of the organisation's performance against 'Our Plan' for 2020-2023.

Appendix 1 of the report contained a breakdown of the corporate performance indicators across the areas of response, prevention and protection, as well as 'other' which covered performance indicators relating to the areas of people, health and safety, and facilities. Each performance indicator comprised a summary and performance against the respective tolerance level.

Key points included:

- Performance against the risk-based attendance standards continued to remain very high. Average attendance times for category 1 incident (the most critical and important of the four categories of incident) were 4 minutes 32 seconds during quarter two, below the target of 5 minutes. Average attendance times for category 2, 3 and 4 incident types remained well within the respective targets.

- Of the 12 performance indicators for prevention, only two, PI5 the percentage of Safe and Well visits referred by our partners and PI6 the number of Safe and Well points achieved by the brigade, recorded under-performance against the tolerance levels. It was noted that the delivery of Safe and Well visits had been affected by the Covid 19 pandemic, and although performance had dipped, the Service continued to engage with the most vulnerable within our communities.
- There were two performance indicators within the area of Protection. PI 13 the number of accidental fires in non-domestic premises had demonstrated performance above the upper tolerance level, and PI 14 the number of false alarm calls due to fire alarm equipment in dwellings and non-domestic premises had demonstrated performance within the tolerance levels.
- With regard to the performance indicators for people support services, PI 20 the average number of working days / shifts lost due to sickness (non-uniformed employees) had demonstrated over performance against the tolerance levels. However, PI 15 the percentage of employees that have disclosed their disabled status, PI 16 the number of female uniformed staff, and PI 19 the average number of working days / shifts lost due to sickness (uniformed and Fire Control staff) demonstrated under performance against their respective tolerance levels.
- PI 21 the total number of injuries demonstrated performance within the tolerance levels. PI 22 the total number of RIDDOR injuries demonstrated under performance against the tolerance levels. It was noted however that the number of RIDDOR injuries was very low even if above target.

The Chair of the Scrutiny Committee welcomed the report and wished to thank all staff across the Service for their continued commitment and hard work.

A Member asked what the Service was looking to do regarding improving female recruitment. The Chief Fire Officer advised that

the targets that had been set were targets that would be achieved over a matter of time. The Covid 19 pandemic had affected this area and thrown performance slightly off track in terms of engagement. The Service had found that it generally had more success in recruiting when it was able to engage with these groups face to face. Additionally, the focus was not just on recruitment but also on progression within the organisation including the use of positive action. It was known that decision making was more informed when it included a variety of protected characteristics and neuro diversity.

The Chair noted that the targets set regarding the recruitment of females were stretch targets, and it was only right that the Authority set challenging targets. The Authority was very pro-active in the recruitment of under-represented groups and would continue explore these areas and have these conversations as part of the education around such issues. It was noted that the Authority was within the top 50 inclusive employers and had been recognised by the Guardian, winning an award for its recruitment.

It was noted that the Chief Fire Officer and Deputy Chief Fire Officer had been invited by the Local Government Association Diversity Group to provide a presentation on equality and diversity. In preparing for the presentation, it was observed that the Service was ahead of many fire and rescue services in areas such as recruitment, progression, retention, and related national and community issues with the intention of removing / understanding unconscious bias.

It was noted that the report demonstrated that performance was generally positive across the corporate performance indicators with a few bespoke areas that required further development.

Resolved

Members noted the status of the Service's key performance indicators in the second quarter of 2020/21.

Members noted the progress made in delivering the three strategic priorities contained in 'Our Plan' 2020-23.

54/20 **Minutes of the Appointments, Standards and Appeals Committee held on 21 September 2020**

The minutes of the Appointments, Standards and Appeals Committee held on 21 September 2020 were approved.

55/20 **Minutes of the Audit and Risk Committee held on 26 October 2020**

The minutes of the Audit and Risk Committee held on 26 October 2020 were received.

The Chair of the Audit and Risk Committee wished to thank members of the committee, the internal and external auditors, and all officers for their continued contributions and support. Additionally, a special note of thanks to the Pension Board and Paul Gwynn, the Payroll and Pensions Manager.

The meeting ended at 12.01 hours.

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WEST MIDLANDS FIRE AND RESCUE AUTHORITY

15 FEBRUARY 2021

1. **BUDGET AND PRECEPT 2021/2022 AND BUDGET FORECAST
2022/2023 TO 2023/2024**

Joint Report of the Treasurer and Chief Fire Officer.

RECOMMENDED

1.1 THAT the following be approved:-

- 1.1.1 The Authority's Net Revenue Budget for 2021/2022 of £101.749 million which includes a Council Tax requirement of £45.038 million, set out in Appendix A, together with the associated precept levels, set out in Appendix B, resulting in a Band D Precept increase of 1.99%.
- 1.1.2 The Authority's capital programme for 2021/2022 to 2023/2024 as set out in Appendix E.
- 1.1.3 The Authority's Treasury Management Strategy which includes the Minimum Revenue Provision Statement set out in Appendix F and the Prudential Indicators in Appendix G.

2. **PURPOSE OF REPORT**

The Authority is requested to consider the Capital Programme for 2021/2022 to 2023/2024 the prudential indicators relating to the Authority's capital financing requirements, the Minimum Revenue Provision Statement, the Treasury Management Strategy, the Revenue Budget and to approve the consequent precept level and resultant amount for each constituent District Council.

3. **BACKGROUND**

- 3.1 The budget setting process is a key part of the Fire Authority's arrangements which establishes the anticipated level of available funding to deliver its key priorities and services. Work has been undertaken throughout the year to determine the Authority's key

- priorities, outcomes and strategic objectives contained in the 3 Year Strategy 2021-24 and Annual Plan 2021-22 .
- 3.2 On 21 October 2020, the Treasury confirmed the decision of the Chancellor and Prime Minister that the Comprehensive Spending Review would only set departmental budgets for 2021/22 rather than the anticipated next three or four years, due to the economic disruption caused by COVID-19. Given the uncertainty created by the convergence of COVID-19 and Brexit, it was understandable why the Government opted for a one-year spending round. However, this does not remove the fundamental principle that multi-year settlements are a more effective way of managing resources, aligned to longer term planning. Furthermore, the Government's emergency COVID-19 measures will eventually need to be accounted for. This consideration has been reflected at Policy Planning forums since October 2020 with a recognition of potential funding reductions that could impact the Authority from 2022/23 onwards.
- 3.3 As part of the Chancellor's Spending Review announcement on 25 November 2020, it was indicated that there would be a pay 'pause' in 2021 for public sector workers, other than the NHS and employees on lower wages.
- 3.4 The Fire Authority's provisional budget position was presented at the District Leaders meeting on 16 December 2020. The District Leaders were supportive of the Fire Service and specifically indicated they would support more flexibility in the Council Tax Referendum limits which applied to the Fire Service so that Council Tax for Band D properties could be increased by £5 rather than the anticipated 2% referendum limit.
- 3.5 On 17 December 2020, the Secretary of State for Ministry of Housing, Communities and Local Government (MHCLG) announced the provisional settlement for 2021/22 at £53.002m, resulting in a core funding increase of £0.106m (0.2%). The Government also proposed a Council Tax referendum threshold of 2% for Fire and Rescue Authorities.
- 3.6 Fire Authority Members received an overview of the provisional 2021/22 finance settlement, together with an indication that there was likely to be a reduction in the Council Tax base and a collection rate deficit in the current year as part of the Policy Planning Forum on 11 January 2021.
- 3.7 On 4 February 2021, MHCLG confirmed the Authority's 2021/22 total core funding.

- 3.8 The Corporate Risk Register has identified a number of major risks that would seriously affect the Authority's ability to carry out its functions. The very nature of the risks have made it extremely difficult to quantify any funding impact that would arise were the risk to materialise and in the short term would result in a demand on the Authority's General Balances, which are identified in Section 6 of this report.
- 3.9 The funding settlement is a one year only arrangement. Whilst there have been indications that some public sector services may receive growth when the anticipated Comprehensive Spending Review process is clarified (circa October/November 2021), potentially for a three year funding settlement period, some Services, including the Fire Service, are anticipating reductions to core funding.
- 3.10 Potential funding reductions have been highlighted at recent Policy Planning Forums and that if reductions of the scale indicated in Appendix I (a 5% year on year illustrative reduction but with a recognition reductions could be at a higher level) were to materialise, there would be a need to make compensating Service savings in order to achieve a balanced budget position. Because of the chronic impact of the reductions made to support services during the austerity period from 2010/2011, rather than protect the 'front line' as far as possible, there will be a need to identify transformation/efficiency savings from service delivery areas.
- 3.11 In addition, there are ongoing budget uncertainties, particularly Firefighter pension related issues, that have significant funding implications but at this stage still remain unclear in terms of ongoing cost and whether those costs will need to be found by Fire and Rescue Authorities and/or by Government funding.
- 3.12 Therefore, whilst the Government funding allocation in 2021/22 is marginally higher in cash terms compared to 2020/21, a high level of caution still needs to be applied to future financial years as the funding position remains volatile for the Fire sector, not least because of anticipated reductions in Government funding allocations from 2022/23 onwards.
- 3.13 As part of the proposed 2021/22 budget arrangements, the ongoing flexible appliance availability process will be required with a target saving of £3.8M.

- 3.14 Details of the proposed 2021/22 budget are set out in Appendix A, together with revisions to the current year's budget (the 2021/22 budget is replicated for information in the management reporting format in Appendix C).

Business Rates Retention

- 3.15 The Business Rates Retention Scheme was introduced in April 2013 and provides a direct link between business rates growth and the amount of money local authorities have to spend on local people and services. Local Authorities are able to keep 50% of the business rates revenue, adjusted for any growth or reduction on the revenue that is generated in their area. This is intended to provide a strong financial incentive for Authorities to promote economic growth.
- 3.16 The main impact on this Authority is that a proportion of income previously paid by the Government is received via the 7 West Midlands Metropolitan Councils. Under these arrangements this Authority is entitled to a payment equivalent to 2% of the amount of Business Rates retained by the 7 West Midlands Councils. This is approximately £10m.
- 3.17 The Chancellor announced in the Spending Review in November 2015 the intention to localise 100% of business rates to local authorities by 2019/20. However, this intention was modified in an announcement by the Secretary of State for MHCLG as part of the provisional settlement for 2019/20, indicating the Government's aim was to increase the local share of business rates retention to 75% from 2020/21 in a way that was fiscally neutral and ensured local councils would have the levers and incentives they needed to grow their local economies.
- 3.18 In September 2019, the Secretary of State for MHCLG announced that the implementation of changes to local government funding including business rates retention had been postponed. Authorities were notified that in order to provide certainty and stability for 2020/21, there would be a delay to the introduction of the scheme until 2021/22, a year later than planned. These plans have subsequently been deferred again, until at least 2022/23.

Fair Funding Review

- 3.19 The Fair Funding Review will affect how funding is allocated and redistributed between local authorities and would set new funding baselines for every Fire and Rescue Authority. It will not consider the overall quantum of funding available for the Fire Sector (which is a matter for the Spending Review) but will determine the relative share received by each individual Fire and Rescue Authority from the total Fire Service funding received from Central Government.
- 3.20 The initial review identified a strong rationale for retaining a separate funding formula for Fire and Rescue Services in the needs assessment and the Government provisionally identified the cost drivers with the greatest impact for Fire and Rescue Services spending as follows:
- total population,
 - deprivation, and
 - proportion of residents aged 65 and over
- 3.21 The Government did not produce any 'exemplifications' of what the impact might be for each individual Fire and Rescue Authority but did indicate there could potentially be significant changes compared to the current funding shares. If the Government were minded to minimise the change in sector funding shares, an option is to update the existing Fire funding formula as far as possible. This would involve updating the indicators in the current funding formula (where possible) and keeping the original weightings as well as the supplementary top-ups.
- 3.22 Further work is required to identify an appropriate approach to develop the new funding formula for the Fire Service. The Government has indicated it will sense-check the results of any analysis with experts in the sector, including the National Fire Chiefs Council. Subject to the outcome from consultations and additional analytical work, the Government will form a view on the best approach. It was originally proposed that the new arrangements would be introduced from 2021/22 but this has now been deferred until at least 2022/23. However, this review adds another complexity and volatility to long term financial planning.

Update 3 Year Strategy 2021-24 and Annual Plan 2021-22

- 3.23 A key element of developing the Authority's plans is to seek the opinions of those people that live, work and travel within the West Midlands. As part of this, a public consultation is undertaken every three years and/or when changes to the core services are being considered by the Authority.
- 3.24 The Authority consulted the public in 2020. This provides the opportunity for the public to influence the way the Service works. The Community Safety Strategy (the Community Risk Management Plan) is the risk analysis which identifies what the risk profile of the West Midlands community is and provides analysis of where resources are required to enable effective management of these risks in order to achieve a five-minute risk based attendance standard for the most serious emergencies.
- 3.25 The "3 Year Strategy 2021-24 and Annual Plan 2021-22" sets the Authority's strategic direction for the next three years and defines those outcomes, priorities and strategic objectives, for the first year, which are to be provided with the available resources in 2021/22 and forecasted reductions in future years.

Firefighters' Pension Scheme – Employers' Contributions

- 3.26 HM Treasury announced changes to the discount rate for unfunded public sector pensions on 6 September 2018. This, combined with the earlier 2016 Budget announcement, resulted in a reduction to the discount rate from 3% to 2.4%, and had the effect of increasing the employer contributions (to include ill-health costs) from an average 17.6% to 30.2% from April 2019.
- 3.27 The Government Actuary's Department estimated that the additional cost to the Fire sector would be around £125m per annum. However, HM Treasury provided additional funding in 2019/20 in order to mitigate most of this increase, with the sector paying only the additional costs announced at the Budget 2016 (a reduction in the discount rate from 3% to 2.8%). This meant that the Fire sector paid approximately £10m of the additional costs in 2019/20, with the remaining £115m being provided via a grant under the s31 Local Government Act 2003.

- 3.28 For this Authority the increase in the 2019/20 Employer's Pension contributions was estimated to be £6.2m. A s31 government grant of £5.7m was allocated in 2019/20 and 2020/21. An equivalent level of grant has been allocated for 2021/22.

Firefighters' Pension Scheme – Court of Appeal Judgement

- 3.29 On 20 December 2018, the Court of Appeal handed down the judgement in the Firefighters' transitional appeals case, finding that the transitional protections introduced with the new Pension scheme in 2015 were unlawfully discriminatory on grounds of age.
- 3.30 The decision relates only to the transitional protection arrangements in the 2015 firefighters' pension scheme that applied to members of the 1992 Firefighters' Pension scheme and whether these are discriminatory. It does not address the introduction of that scheme itself by the primary legislation of the Public Service Pensions Act 2013.
- 3.31 On 18th December 2019 the Employment Tribunal issued an interim Order which provided claimants with a right to be treated as if they had met the criteria for full protection under the scheme rules. Following the Publication of this Order the Government made a written statement and launched a Consultation on removing the discrimination from all Public Service Pension Schemes. The consultation closed on 11th October 2020 and the Governments response was published on 4th February 2021.
- 3.32 The response proposes that scheme members with benefits in the legacy schemes, those that existed before 1st April 2015, should have the opportunity to have their benefits calculated as if their membership of those schemes had continued until 31st March 2022. From 1st April 2022 all employees will be moved into the reformed pension scheme. In the case of Firefighters this will be the 2015 Firefighters Pension scheme. As each individual member will be able to select from a choice of benefits, each of which will have a different rate of employer contributions, the exact impact on the scheme as a whole is difficult to accurately forecast, though previous estimates have considered a potential figure of £1.5M per annum.
- 3.33 As the response has only been published recently it has not yet been possible to fully evaluate the impact of the proposed changes. As a result, for the purpose of setting the 2021/22 and medium-term budget requirements, pension budgets have been calculated based on the current regulations.

COVID-19 Funding for Local Government in 2021/22

- 3.34 The Government published details of the Local Government COVID-19 Support Package for 2021/22 by announcing allocations for Local Authorities on the £1.55 billion of additional unringfenced funding, following up on the commitments made in the 2020 Spending Review.

3.35 Council Tax Support Funding

The 2020 Spending Review announced £670 million of funding to enable local authorities to continue reducing council tax bills for those least able to pay, including households financially hard-hit by the pandemic. Indicative allocations were announced on 11 January 2021 which confirmed the Authority's allocation of £1.418 million. This will be offset by increased costs incurred by the West Midlands Local Authorities of providing local council tax support.

3.36 Collection Fund Irrecoverable Losses

The 2020 Spending Review also announced funding worth an estimated £800 million, whereby the Government will compensate Local Authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020/21. At the time of publishing this report, provisional allocations have not been announced.

3.37 Sales Fees and Charges Scheme

The Government has proposed a continuation of the scheme that is currently in operation in 2020/21, for the first 3 months of the 2021/22 financial year.

3.38 COVID-19 Grants

During 2020/21, the Authority received two separate Covid-19 related funding allocations amounting to £2.786 million. No further allocations have been indicated at this stage.

4. **PRECEPT 2021/2022**

- 4.1 Under the Council Tax arrangements, the allocation of the total sum required by the Authority between constituent District Councils is based on the relevant tax base for each District.
- 4.2 All District Councils have now formally set their Council Tax base and have notified the Authority accordingly. The total relevant Council Tax base for the Authority is 714,480.38 (719,757.23 in 2020/21). The Council Tax base has reduced by 0.73% which for the Authority is a reduction to its funding of approx. £330k.
- 4.3 In addition, the District Councils have also confirmed their Council Tax surplus/deficits which has resulted in an overall deficit for the Authority of £610k. However, the Government announced that they would amend secondary legislation to allow Authorities to spread the estimated deficit on the 2020/21 Collection Fund over the three years 2021/22 to 2023/24, following concerns that spending on local services could be significantly curtailed and/or Authorities' financial viability put at risk in 2021/22. For this Authority, the spread of the deficit is £272k in 2021/22, £169k in 2022/23 and £169k in 2023/24.
- 4.4 The appropriate precept has now been calculated for each District and is set out in Appendix B, paragraph 1.4, for the Authority's approval.
- 4.5 The Council Tax at Band D for 2021/22 would be £63.04, an increase of 1.99% (£1.23) per annum.

5. **FUNDING OF EXPENDITURE 2021/2022**

The final figures from external funding sources have now been notified and are included in the table below:

	£000
Core Funding	53,002
Section 31 Grant	2,563
Local Council Tax Support Grant	1,418
Share of Collection Fund Surplus/(Deficit)	(272)
Council Tax	45,038
Net Revenue Budget	101,749

In addition to external funding, it is estimated that the Authority will generate income of £2.969m (£3.243m in 2020/21) (Appendix D). The 2021/22 budget does not assume the use of any general balances.

6. **GENERAL BALANCES STRATEGY**

- 6.1 Based on the current forecast of net expenditure in 2020/2021, the Authority's General Balances at 1 April 2021 would be approximately £6 million. At this level, the amount of General Balances would equate to approximately 6% of the Authority's 2021/2022 Net Revenue Budget. The actual level of General Balances at 1 April 2021 will not be determined until the completion of the Authority's 2020/21 closedown of accounts process.
- 6.2 As part of considering the Authority's 2021/22 budget, following notification of the core funding settlement, the overall funding does not require the use of General Balances to support the Net Revenue Budget requirement. This would therefore result in the Authority's available General Balances remaining at approximately £6 million by the end of 2021/2022 (6% of the Authority's 2021/2022 Net Revenue Budget).
- 6.3 The funding settlement for 2021/22 is a one year only arrangement. There is no clarity over funding levels, nationally and/or locally, after that date. This hampers meaningful financial planning at a time when central government grant funding is the lowest it has been for decades and demand pressures are increasing.
- 6.4 Additional potential budget pressures, e.g. anticipated increases in firefighter pension employer rates, further anticipated Government funding reductions from 2022/23 onwards and a lack of any direct capital and transformation funding being available, means that the estimated level of General Balances of approximately £6m million by the end of 2021/22 is considered appropriate given the issues highlighted.

7. **CAPITAL PROGRAMME**

7.1 At the Authority meeting on 17 February 2020, consideration and approval was given to the current three-year Capital Programme. The Programme has been monitored during the year at Authority meetings.

7.2 It is estimated that commitments in respect of those projects which make up the proposed capital programme, is as follows:

	£m
2021/2022	7.763
2022/2023	3.109
2023/2024	4.021

The full list of projects is shown on Appendix E.

7.3 A forecast of resources covering the period 2021/22 to 2023/2024 is shown below:

7.4 The table below compares the expenditure on those projects within the capital programme which are committed against a forecast of projected resources for the period 2021/22 to 2023/2024.

	2021/22 £m	2022/23 £m	2023/24 £m
Capital Receipts	-	-	2.249
Capital Grants	-	-	-
Revenue Funding	7.763	3.109	0.396
Total Capital Resources	7.763	3.109	2.645
Less: Commitments	7.763	3.109	4.021
Funding Surplus/(Deficit)	-	-	(1.376)

7.5 At the time of announcing the funding settlement for 2021/22, no specific announcements have been made by the MHCLG in relation to capital funding. The lack of any specific capital funding allocations continues to be an issue for the Fire sector which central Government have been asked to address.

7.6 The Authority's capital programme has predominantly been funded by earmarked reserves and this continues to be the case over the period 2021/22 to 2023/24. However, because of the ongoing use of earmarked reserves it needs to be highlighted that at this stage there

is a deficit in the capital programme summarised in the above Table, specifically in 2023/24.

8. **TREASURY MANAGEMENT AND THE PRUDENTIAL CODE**

- 8.1 The Fire Authority recognises the importance of Treasury Management to the economy and efficiency of its finances. It also recognises that delivering quality services in this area requires expertise and skills that can best be provided by specialist professions from external organisations.
- 8.2 West Midlands Fire Service's Treasury Management functions are provided by Sandwell MBC who have in turn appointed external advisors to support them. The Fire Authority has also linked its appointment of bankers to that of Sandwell MBC in order to benefit from efficiencies in tendering, cash flow management and investment.
- 8.3 The Treasury Management Strategy for 2021/22 is set out in Appendix F.
- 8.4 Under the Local Government Act 2003, credit approvals were abolished, and a new prudential capital finance system was introduced from 1 April 2004. CIPFA has prepared a Prudential Code which underpins the system of capital finance. Local authorities are required by Regulation to have regard to the Prudential Code under Part 1 of the Local Government Act 2003.
- 8.5 The key objectives of the Prudential Code are to ensure that the capital investment plans of the Authority are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.
- 8.6 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used and the factors that must be taken into account. The indicators are designed to support and record local decision making.
- 8.7 The Prudential Indicators that have been calculated for this Authority are detailed on Appendix G.

9. **PLANNING FOR THE 2022/2023 TO 2023/2024 BUDGET**

- 9.1 In preparing the draft revenue budget for 2021/2022, an expenditure forecast for 2022/2023 to 2023/2024 has also been undertaken by “rolling forward” the 2021/22 draft budget; updating for specific known budget pressures, anticipated inflation and pay awards, adding in commitments, adjusting for anticipated staff turnover levels, setting efficiency targets, etc. (Appendix H).
- 9.2 The funding settlement for 2021/22 is a one year only arrangement and in the Secretary of State for MHCLG settlement announcement there was no indication of further funding levels beyond 2021/22. In planning for the 2022/23 budget, a reduction of 5% has been reflected in the overall core funding and a further 5% in 2023/24. It should be noted that this is a very provisional figure and there is the potential for the scale of reductions to be of a greater magnitude than this base assumption. Every 1% reduction in core funding represents a loss of circa £0.530m funding for the Authority.
- 9.3 A summary of the impact of the indicated reductions in core funding is shown in the table below:

Estimated position based on the financial settlement for core funding for 2021/22 and a reduction of 5% in 2022/23 and 2023/24 (with a Band D Council Tax increase of 1.99% in 2021/22 and 2% in 2022/23 and 2023/24)

	2021/22 £m	2022/23 £m	2023/24 £m
Net Budget Requirement	101.749	102.204	104.788
Core Funding	53.002	50.352	47.834
Section 31 Grant	2.563	2.500	2.500
Local Council Tax Support Grant	1.418	-	-
Council Tax	45.038	45.938	46.858
Council Tax Surplus/(Deficit)	(0.272)	(0.169)	(0.169)
Available Resources	101.749	98.621	97.023
Annual (Deficit)	-	(3.583)	(7.765)
Service Transformation/efficiency		3.583	7.765
Budget Surplus/(Deficit)	-	-	-

10. **ROBUSTNESS OF THE BUDGET PREPARATION AND ADEQUACY OF RESERVES**

- 10.1 In accordance with the Local Government Act 2003 (S25-S27) and to comply with CIPFA guidance on local authority reserves and balances, the Treasurer is required to formally report to members on the robustness of the budget and the adequacy of reserves.
- 10.2 The budget presented to the Authority has been prepared using reasonable and appropriate estimation techniques for both expenditure and income. The budget process is such that all financial pressures faced by the Authority have been considered and resources allocated as appropriate to fulfil the priorities of the Authority. Where resources have not been allocated to identified pressures either; the pressure has been absorbed into the existing budget or the risk associated with not meeting the pressure has been evaluated and appropriate action taken. The robustness of the budget preparation undertaken by the Authority is therefore considered satisfactory.
- 10.3 The appropriate level of reserves and provisions has been assessed and determined using a variety of mechanisms, including:
- The budget setting process, the annual financial cycle and contributions from the strategic leadership of the organisation.
 - Considering the budget at various stages of construction including the reasonableness of the key budget assumptions such as estimates of inflationary and corporate financial pressures, realism of income targets and the extent to which known trends and liabilities are provided for.
 - Review of the movements, trends and availability of contingencies, provisions and earmarked reserves to meet anticipated and unforeseen cost pressures in the context of future pressures and issues.
 - The use of professional experience and best professional judgement.
 - The use of appropriate professional, technical guidance and local frameworks.
 - Knowledge of the Officers involved in the process, particularly finance professionals, including their degree of experience and qualifications.

- Review of the strength of financial management and reporting arrangements including internal control and governance arrangements.
- 10.4 The Authority's aim is to have a prudent level of General Balances informed by an assessment of potential risks to the organisation. The level of General Balances at the end of the financial year 2019/20 was approximately £6m, 6% of the net budget requirement. This level of balances is considered appropriate at this stage due to the assumed scale of core funding reductions in future years, volatility of Council Tax collection rates and the absence of capital and transformation funding available to the Authority.
- 10.5 It was deemed that a prudent level of earmarked reserves was established during the Authority's 2019/2020 closedown exercise. A review of these reserves will be undertaken as part of the Authority's 2020/2021 closedown of accounts process.
- 10.6 Based on known circumstances and financial risk assessments, it is felt that adequate earmarked reserves and provisions were created to meet legal and expected liabilities, as at 31 March 2020. A list of the reserves and the intended strategy for their use in future years is provided in Appendix J.
- 10.7 Consideration will be given to the appropriate level of reserves required as at 31 March 2021 as part of the Authority's closedown of accounts process.
- 10.8 In recommending an adequate level of reserves, consideration is given to the opportunity costs of maintaining particular levels of reserves and balances and compares these to the benefits accrued from having such reserves. The opportunity cost of maintaining a specific level of reserves is the 'lost' opportunity, for example, of investing elsewhere to generate additional investment income or using the funds to invest in service improvements. In assessing this, it is important to consider that reserves can only be used once and are therefore potentially only 'one-off' sources of funding. Therefore, any use of general reserves is only ever used on one-off items of expenditure and/or to assist transformational change. The level of reserves is also determined by use of a comprehensive risk assessment to ensure they represent an appropriately robust 'safety net' which adequately protects against potential unbudgeted costs.

- 10.9 The current level of reserves is considered to be sufficient in all but the most unusual and serious combination of possible events. In this context it is considered that the current level of reserves presents an optimum balance between risk management and opportunity cost. This maintains a suitable and sustainable level of reserves, which include ensuring sound governance and financial stability in the short and longer term.
- 10.10 Best endeavours have been made to ensure that the budget and reserves are adequate using the information available at this date. The budget has been constructed with a professional policy led medium term strategic framework using appropriate assumptions, linking investment and spending to key priorities and having undertaken a comprehensive assessment of risk.
- 10.11 The forecast budget for 2022/23 and 2023/24 shows a balanced budget, subject to the achievement of transformation/efficiency savings to offset the illustrative 5% reductions in Government core funding. As stated earlier, it may be that the scale of funding reductions could be higher than this which would require a correspondingly higher level of transformation/efficiency savings to be made. In addition, given the number of issues that could have a significant impact on the Authority's budget position over the period of the medium term financial plan i.e.; future Government funding allocations to the Fire Sector, the introduction and impact of the Fair Funding Review, the treatment of firefighter pension related issues and the indicative deficit in year three of the capital programme, the need for and scale of budget savings required over the period of the medium term financial plan needs to be kept under review.

11. **EQUALITY AND DIVERSITY IMPLICATIONS**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report will not lead to and/or do not relate to a policy change.

12. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

BACKGROUND PAPERS

MHCLG/Home Office Communications

District Leaders' Meeting 16 December 2020

Policy Planning Forum 11 January 2021

The Plan 2021–2024

The contact name for this report is Wayne Brown, Deputy Chief Fire Officer, 0121 380 6907.

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**SUMMARY OF 2020/2021 AND 2021/2022 BUDGET**

	Original Budget 2020/21 £000s	Revised Budget 2020/21 £000s	Original Budget 2021/22 £000s
<u>Expenditure</u>			
Employees	*92,113	93,316	93,396
Premises	5,849	5,365	6,048
Transport	1,458	1,157	1,423
Supplies & Services	8,314	8,356	8,129
Capital Financing	9,396	2,802	10,527
Appropriations to Reserves	100	100	100
Total Expenditure	117,230	111,096	119,623
<u>Income</u>			
Government Grants	*(52,310)	*(52,250)	*(54,070)
Non-Domestic Rates	(9,846)	(10,090)	(9,846)
Income from Services	(3,243)	(2,726)	(2,969)
Collection Fund (Surplus) / Deficit	(466)	(466)	272
Appropriations from Reserves	(6,880)	(1,079)	(7,972)
Total Income	(72,745)	(66,611)	(74,585)
COUNCIL TAX REQUIREMENT	44,485	44,485	45,038
Collection Fund Surplus / (Deficit)	466	466	(272)
Core Funding (Formula Grant)	43,050	43,050	43,156
Core Funding (NNDR)	9,846	10,093	9,846
Section 31 Grant	2,300	2,303	3,981
NET REVENUE BUDGET	100,147	100,397	101,749

* figures reflect the increase in employer's pension contribution and associated government grant funding.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**BAND D PRECEPT INCREASE OF 1.99%**

- 1.1 THAT it be noted that the constituent District Councils have formally set their Council Tax bases for the year 2021/2022 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992 as follows:

	Tax Base
Birmingham	253,995.00
Coventry	82,717.10
Dudley	91,800.53
Sandwell	74,387.79
Solihull	77,190.00
Walsall	70,809.41
Wolverhampton	63,580.55
	<hr/>
	714,480.38

- 1.2 THAT the following amounts be now calculated by the Authority for the year 2021/2022 in accordance with Sections 40 to 48 of the Local Government Finance Act 1992:

- 1.2.1 £119,623,000 being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(2)(a) to (d) of the Act.
- 1.2.2 £74,585,263 being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(3)(a) to (b) of the Act.
- 1.2.3 £45,037,737 being the amount by which the aggregate at 1.2.1 above exceeds the aggregate at 1.2.2 above calculated by the Authority in accordance with Section 42A(4) of the Act as its council tax requirement for the year.
- 1.2.4 £63.04 being the amount at 1.2.3 above divided by the total amount at 1.1 above, calculated by the Authority in accordance with Section 42B(1) of the Act as the basic amount of its Council Tax for the year.

1.3	<u>Valuation Bands</u>	£	£
		(to 6 decimals)	(rounded to 2 decimals)
	A	42.023769	42.02
	B	49.027730	49.03
	C	56.031692	56.03
	D	63.035653	63.04
	E	77.043576	77.04
	F	91.051499	91.05
	G	105.059422	105.06
	H	126.071306	126.07

being the amounts given by multiplying the amount at 1.2.4 above by the number which in the proportion set out in Section 5(1) of the Act is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Authority in accordance with Section 47(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

1.4 Resultant precepts:

	£
Birmingham City Council	16,010,741
Coventry City Council	5,214,126
Dudley MBC	5,786,706
Sandwell MBC	4,689,083
Solihull MBC	4,865,722
Walsall MBC	4,463,517
Wolverhampton City Council	<u>4,007,842</u>
Total	<u>45,037,737</u>

being the amounts given by multiplying the amount at 1.2.4 above by the appropriate tax base at 1.1 above in accordance with section 48(2) of the Act, as the amount of precept payable by each constituent District Council.

- 1.5 THAT the precept for each District Council as calculated at 1.4 above be issued in accordance with Section 40 of the Local Government Finance Act 1992.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**SUMMARY OF 2020/2021 AND 2021/2022 BUDGET****SERVICE ANALYSIS**

	Original 2020/21 £'000	Revised 2020/21 £'000	Original 2021/22 £'000
<u>Devolved Budgets</u>			
Democratic Rep & Brigade Managers	1,171	1,195	1,197
Strategy & Organisational Intelligence	1,285	1,339	1,350
Communications	673	808	703
Finance & Resources	5,567	5,739	5,626
Digital & Data	4,774	5,250	5,133
People Services	643	788	724
Training, Health & Wellbeing	4,821	5,262	5,127
Prevention, Preparedness & Response	3,094	3,281	3,233
Protection & Organisational Assurance	5,372	5,694	5,648
Command Delivery, Fire Control & Workforce Planning	5,127	4,725	5,013
<u>Corporate Budgets</u>			
Finance & Resources	17,151	14,629	16,822
Digital & Data	146	176	132
People Services	2,390	2,306	2,422
Training, Health & Wellbeing	144	171	144
Protection & Organisational Assurance	24	44	44
Command Delivery, Fire Control & Workforce Planning	46,241	47,275	46,832
Other Income & Expenditure	1,524	1,715	1,599
NET REVENUE BUDGET	100,147	100,397	101,749

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**SERVICE INCOME BUDGETS 2020/21 AND 2021/22**

	Original Budget 2020/21 £000s	Revised Budget 2020/21 £000s	Original Budget 2021/22 £000s
Fees and Charges:			
- Fire Control & Contact Centre	1,038	1,047	1,059
- NFCC	381	381	381
- Training	280	153	280
- Child Care Vouchers	172	87	87
- ICT	111	112	112
- External Contracts	63	81	83
- Mutual Assistance	161	161	161
- Room Hire	64	2	50
- Transport Engineering Workshops	80	40	80
- Other	249	256	232
Sales	94	59	90
Rents - Property	131	140	149
Interest	300	100	100
Partnerships	97	99	97
Other Income	22	8	8
TOTAL SERVICE INCOME	3,243	2,726	2,969

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

CAPITAL PROGRAMME 2021/2022 TO 2023/2024

Scheme	Project Year In 2021/22	2021/22 £000s	2022/23 £000s	2023/24 £000s
<i>Committed Schemes:</i>				
Vehicle Replacement Programme (VRP)	On-going	5,636	2,818	3,636
Drill Tower & Burn Facility Upgrade	1 of 2	400	130	-
Boiler Replacement Programme	On-going	87	-	84
Rewires	On-going	158	59	236
Windows & Door Replacements	On-going	677	102	65
Roof Replacement	On-going	805	-	-
BA Set Replacement	0 of 1	-	-	-
TOTAL COMMITMENTS		7,763	3,109	4,021
<i>Projected Resources Available:</i>				
Prudential Borrowing		-	-	-
Capital Receipts		-	-	2,249
Capital Grants		-	-	-
Earmarked Reserves/DRF		7,763	3,109	396
TOTAL PROJECTED RESOURCES		7,763	3,109	2,645
FUNDING SURPLUS/(DEFICIT)		-	-	(1,376)

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

TREASURY MANAGEMENT STRATEGY 2021/22

1.1 Background

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties.

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

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

CIPFA defines treasury management as:

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

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2021/22, local authorities to prepare a capital strategy, which will provide the following:

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

The aim of the capital strategy is to ensure that Members of the Authority fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

Further information on the Capital Strategy can be found at:

<https://www.wmfs.net/about-us/openness/documents/>

1.2.2 Treasury Management Reporting

The Authority is required to receive and approve the following main reports each year. These reports are required to be adequately scrutinised by the Audit and Risk Committee before being recommended to the Authority.

Prudential and Treasury Indicators and Treasury Strategy – This report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision (MRP) Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A Mid Year Treasury Management Report – This will update Members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An Annual Treasury Report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.3 Treasury Management Strategy for 2021/22

The strategy for 2021/22 covers two main areas:

Capital Issues

- the capital expenditure plans and the associated prudential indicators;
- the MRP policy.

Treasury Management Issues

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

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

1.4 Treasury Management Consultants

The Authority's treasury management function is provided by Sandwell MBC who have appointed Link Asset Services, Treasury solutions as its external treasury management advisors.

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

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

2. Capital Prudential Indicators 2021/22 – 2023/24

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators:

2.1 Capital Expenditure

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

2.2 The Authority's Borrowing Need (the Capital Financing Requirement)

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

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

2.3 Minimum Revenue Provision Statement

The Authority is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG Regulations have been issued which require the full Authority to approve an MRP Statement in advance of each year. A variety of options are provided to Authorities, so long as there is a prudent provision. The Authority is recommended to approve the following MRP Statement

For all borrowing the MRP policy will be:

- **Asset Life Method** (Option 3) – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction).

This option provides for a reduction in the borrowing need over approximately the assets life.

For 2015/16 onwards the proposed MRP policy has been amended to an Annuity basis which results in a reduction to the amount of revenue applied to provide for debt in the period 2015/16 to 2033/34 after which point the revenue applied increases compared to the current MRP approach through to 2054/55. The change does not increase the level of debt but means that the level of capital expenditure financed by borrowing, the Capital Financing Requirement will reduce more slowly in the earlier years as the amount of MRP is lower than the policy in 2014/15. However, the revised policy would ensure that the CFR would be repaid over a period of 40 years. If the current MRP approach continued there would be a balance outstanding of approximately £7m at the end of the 40-year period. It is not proposed to amend retrospectively any MRP recognised in previous years; this policy would apply from 2015/16 onwards.

In addition, the Authority can set aside amounts in excess of the minimum required. Consideration will continue to be given to more closely aligning external debt with the capital financing requirement by making a voluntary MRP contribution and/or using capital receipts. This would reduce the Authority's expenditure commitments in future years.

3. Treasury Management Strategy - Borrowing

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

3.1 Current Portfolio Position

Within the prudential indicators there are a number of key indicators to ensure that the Authority operates its activities within well defined limits. One of these is that the Authority needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

3.2 Treasury Indicators: Limits to Borrowing Activity

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

2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
£39m	£38m	£37m	£36m

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

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

2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
£43m	£42m	£41m	£39m

3.3 Prospects for Interest Rates

The Authority's Treasury Management functions are provided by Sandwell MBC who have appointed Link Asset Services as its treasury advisor and part of their service is to assist with formulating a view on interest rates. The following table and Appendix F1 gives Link Asset Services central view.

Link Group Interest Rate View 9.11.20													
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 16th December, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged. These forecasts were based on an assumption that a Brexit trade deal would be agreed by 31.12.20: as this has now occurred, these forecasts do not need to be revised.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and borrowing rates

Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

Borrowing interest rates fell to historically very low rates as a result of the COVID-19 crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 2020/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing Strategy

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. Interest rates in financial markets will be monitored alongside other economic indicators.

Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Authority is asked to approve the following treasury indicators and limits:

	2021/22	2022/23	2023/24
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	160%	160%	160%
Limits on variable interest rates based on net debt	30%	30%	30%
Maturity Structure of fixed interest rate borrowing 2021/22			
	Lower	Upper	
Under 12 months	0%	20%	
12 months to 2 years	0%	20%	
2 years to 5 years	0%	25%	
5 years to 10 years	0%	50%	
10 years and above	0%	90%	
Maturity Structure of variable interest rate borrowing 2021/22			
	Lower	Upper	
Under 12 months	0%	20%	
12 months to 2 years	0%	20%	
2 years to 5 years	0%	25%	
5 years to 10 years	0%	50%	
10 years and above	0%	90%	

3.5 Policy on Borrowing in Advance of Need

The Authority will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

Borrowing in advance will be made within the constraints that it will be limited to no more than 20% of the expected increase in borrowing need (CFR) over the three-year planning period. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

All rescheduling will be reported to the Audit and Risk Committee through the mid-year or annual reporting mechanism.

3.7 New financial institutions as a source of borrowing and/or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities).
- Financial institutions (primarily insurance companies and pension funds).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

4 Annual Investment Strategy

4.1 Investment Policy

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

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

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

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

Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

Further, the Authority's and Sandwell MBC's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Authority and Sandwell MBC will engage with its advisors to monitor the market.

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

Investment instruments identified for use in the financial year are listed in Appendix F2 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Authority's Treasury Management Practices – Schedules.

4.2 Creditworthiness policy

The primary principle governing the Authority's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Authority will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Authority's prudential indicators covering the maximum principal sums invested.

A counterparty list will be maintained in compliance with the following criteria. These criteria are separate to that which determines which types of investment instrument are either Specified or Non-Specified as it provides an overall pool of counterparties considered high quality which the Authority may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Asset Services, treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of a possible longer term change) are provided to Officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Authority criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

- Banks 1 - good credit quality – the Authority will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign long-term rating of AA+

and have, as a minimum, the following Fitch, Moody's and Standard & Poor's (S&P) credit ratings (where rated):

- i. short term – F1, P-1, A-1 (Fitch, Moody's and S&P) respectively
 - ii. long term – A, A1 and A (Fitch, Moody's and S&P) respectively
- Banks 2 – Part nationalised UK banks – Royal Bank of Scotland. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
- Banks 3 – The Authority's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Building Societies. The Authority will use all Societies which meet the ratings for banks outlined above.
- Money Market Funds – AAA rated
- UK Government (including gilts and the Debt Management Account Deposit Facility (DMADF))
- Local Authorities, Parish Authorities, CCLA, etc
- Supranational institutions

Use of additional information other than credit ratings

Additional requirements under the Code require the Authority to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

Creditworthiness

Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30.6.20 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on actual levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.

4.3 Country and sector considerations - Due care will be taken to consider the country, group and sector exposure of the Authority's investments. In part the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition:

- no more than 25% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

4.4 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. The Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to forecast when it may start rising so it will be assumed that investment earnings from money market-related instruments will remain low for the foreseeable future.

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

Average earnings in each year	
2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Long term later years	2.00%

The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by the deal the UK agreed as part of Brexit.

There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Authority is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 365 days			
£m	2021/22	2022/23	2023/24
Principal sums invested > 365 days	£25m	£25m	£25m

4.5 Investment Risk Benchmarking. These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

Security - The Authority's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.03% historic risk of default when compared to the whole portfolio.

Liquidity – in respect of this area the Authority seeks to maintain:

- Liquid short-term deposits of at least £20m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.25 years, with a maximum of 1.0 years.

Yield – local measures of yield benchmarks are:

- Investments – internal returns above the 7-day LIBID rate

And in addition, that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.03%	0.12%	0.10%	0.08%	0.06%

Note: This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment.

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

APPENDIX F1

Interest Rate Forecast 2021 – 2024

Link Group Interest Rate View		9.11.20 (The Capital Economics forecasts were done 11.11.20)												
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00	
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30	
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80	
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60	
Bank Rate														
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-	
5yr PWLB Rate														
Link	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00	
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-	
10yr PWLB Rate														
Link	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30	
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-	
25yr PWLB Rate														
Link	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80	
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-	
50yr PWLB Rate														
Link	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60	
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-	

**TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND
COUNTERPARTY RISK MANAGEMENT**

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Authority's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Authorities to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the guidance requires this Authority to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Authority has adopted the Code and will continue to apply its principles to all investment activity. In accordance with the Code, the Treasurer has produced its Treasury Management Practices (TMPs). This part, TMP1, covering investment counterparty policy requires approval each year.

Annual Investment Strategy – The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Authority will use. These are high security (i.e. high credit rating, although this is defined by the Authority, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Authority is:

Strategy Guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified Investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish Authority, CCLA or community Authority.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.
5. A body that is considered of a high credit quality (such as a bank or building society).

For category 5 this covers bodies with a minimum short-term rating of AA (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Authority has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is as per the "Investment Counter Party and Liquidity Framework".

Non-Specified Investments – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with:

	Non-Specified Investment Category	Limit (£ or %)
a	<p>Supranational Bonds greater than 1 year to maturity</p> <p>(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p>(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. The Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. However, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>30%</p> <p>AAA long term ratings</p>
b	<p>Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	30%
c	<p>The Authority's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	20%
d	<p>Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Authority may use such building societies which were originally considered Eligible Institutions.</p>	20%
e	<p>Any bank or building society that has a minimum long-term credit rating of AA-, for deposits with a maturity of greater than one year</p>	3 years and £30m

The Monitoring of Investment Counterparties – The credit rating of counterparties will be monitored regularly. The Authority receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Treasurer, and if required new counterparties which meet the criteria will be added to the list.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**PRUDENTIAL INDICATORS**

1. The actual capital expenditure that was incurred in 2019/20 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

2019/20 £000 Actual	2020/21 £000 Estimate	2021/22 £000 Estimate	2022/23 £000 Estimate	2023/24 £000 Estimate
5,283	3,521	7,763	3,109	4,021

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2018/19 are:

2019/20 % Actual	2020/21 % Estimate	2021/22 % Estimate	2022/23 % Estimate	2023/24 % Estimate
2.47	2.68	2.58	2.56	2.57

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

3. All borrowing forecasts contained within this report relate only to supported capital expenditure, which receives Government grant support. Consequently, the incremental impact of any borrowing arising from new capital investment decisions has been reflected within the overall budget projections, although the impact specifically on the level of precept cannot be quantified.
4. Estimates of the end of year capital financing requirement for the Authority for the current and future years and the actual financing requirements at 31 March 2019 are:

31/03/20 £000 Actual	31/03/21 £000 Estimate	31/03/22 £000 Estimate	31/03/23 £000 Estimate	31/03/24 £000 Estimate
36,259	35,352	34,391	33,370	32,287

5. The capital financing requirement measures the Authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, West Midlands Fire & Rescue Authority does not associate borrowing with particular items or types of expenditure. The Authority relies upon Sandwell Metropolitan Borough Council to undertake its treasury management function, which has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Service. West Midlands Fire & Rescue Authority has, at any point in time, a number of cash flows both positive and negative and Sandwell Metropolitan Borough Council manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Authority's underlying need to borrow for a capital purpose.

6. CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence.

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The Authority had no difficulty meeting this requirement in 2018/19, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

7. In respect of its external debt, it is recommended that the Authority approves the following authorised limits for its total external debt gross of investments for the next three financial years and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary.

2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
44,000	43,000	42,000	41,000	39,000

8. These authorised limits are consistent with the Authority's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing and with approved treasury management policy statement and practices. They are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.
9. The Authority is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movement, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring.

2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
40,000	39,000	38,000	37,000	36,000

10. The Authority's actual borrowing at 31 March 2020 was £35.7m. It should be noted that actual long-term liabilities are not directly comparable to the authorised limit and operational boundary, since the actual long-term liabilities reflects the position at one point in time.
11. In taking its decisions on this budget report, the Authority is asked to note that the authorised limit determined for 2020/2021 (see paragraph 7 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

APPENDIX H

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

NET EXPENDITURE BUDGET FORECAST 2022/2023 TO 2023/2024

	Budget 2022/23	Budget 2023/24
Subjective Heading	£000s	£000s
Employees	94,000	96,080
Premises	6,218	6,402
Transport	1,480	1,543
Supplies & Services	8,099	8,099
Capital Financing	5,777	3,071
Income	(10,152)	(9,902)
Appropriations	(3,218)	(505)
NET EXPENDITURE	102,204	104,788
Available Funding	98,621	97,023
Annual (Deficit)	(3,583)	(7,765)
Service Transformation/efficiency	3,583	7,765
Surplus/(Deficit)	-	-

Note

Budget forecast for 2022/23 and 2023/24 assume:

- A Council Tax increase of 2% in 2022/23 and 2023/24.
- Inflation assumptions as shown on Appendix H2.
- Continuation of Section 31 government grant to fund employer's firefighter pension contribution increase.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

INFLATION ASSUMPTIONS

Pay Awards:		%
- Uniformed Staff		
	July 21	0.0*
	July 22	2.0
	July 23	2.0
- Non-Uniformed Staff		
	April 21	0.0*
	April 22	2.0
	April 23	2.0
General Prices:		
	April 21	2.0
	April 22	2.0
	April 23	2.0
Pensions Increase Order:		
	April 21	0.5
	April 22	2.0
	April 23	2.0
Residential Rents:		
	April 21	2.0
	April 22	2.0
	April 23	2.0

*Note: Excludes employees on lower wages (less than £24k annual, full time equivalent)

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

SENSITIVITY ANALYSIS

The approximate annual impact of a 1% variation in some of the key assumptions underpinning the budget projections is shown below:

Expenditure

Uniformed pay awards	£735k (£550k part year)
Employers Firefighters Pension Contribution	£450k
Interest payable	£320k
Non-uniformed pay award	£155k
General inflation	£83k
Energy costs	£11k
Fuel	£5k

Income

Core Funding	£530k
Council Tax	£450k
Interest receivable	£435k

WEST MIDLANDS FIRE AND RESCUE AUTHORITY**SCENARIO ANALYSIS**

2019/20 was the final year of the four-year settlement. In the Secretary of State for MHCLG provisional settlement announcement in December 2020 for 2021/22, there was no indication of further funding levels beyond 2021/22. In planning for 2022/23 onwards, a year-on-year reduction of 5% has been indicated in 2022/23 and 2023/24 to the core funding. However, it is recognised funding reductions may be at a higher level than this and so the impact of a further 1% reduction to the core funding is shown below the following Tables.

Core Funding Reductions

Financial Year	£ Core Funding	% Reduction	£ Reduction
2015/16	61,943,000		
2016/17	58,665,000	-5.3%	-3,278,000
2017/18	54,703,000	-6.8%	-3,962,000
2018/19	53,030,000	-3.1%	-1,673,000
2019/20	52,048,000	-1.9%	-982,000
2020/21	52,896,000	+1.6%	+848,000
2021/22	53,002,000	+0.2%	-1,058,000
2022/23	50,352,000	-5.0%	-2,650,000
2023/24	47,834,000	-5.0%	-2,518,000

Core Funding Reduction of 2% in 2022/23 and 2023/24

Financial Year	£ Core Funding	% Reduction	£ Reduction
2021/22	53,002,000		
2022/23	51,942,000	-2.0%	-1,060,000
2023/24	50,903,000	-2.0%	-1,039,000

Core Funding Reduction of 10% in 2022/23 and 2023/24

Financial Year	£ Core Funding	% Reduction	£ Reduction
2021/22	53,002,000		
2022/23	47,702,000	-10.0%	-5,300,000
2023/24	42,932,000	-10.0%	-4,770,000

A 1% movement in core funding equates to approximately £530k.

APPENDIX J

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

RESERVES STRATEGY

	31/03/20 £000s	31/03/21 £000s	31/03/22 £000s	31/03/23 £000s	31/03/24 £000s	31/03/25 £000s
Capital						
Forecast Capital Program Shortfall	13,879	11,797	3,084	160	0	0
Fire Station Improvements/Investments	765	0	0	0	0	0
Occupational Health Relocation	76	0	0	0	0	0
Insurance						
Insurance Reserve	6,943	6,943	6,943	6,943	6,943	6,943
Strategy & Organisational Intel.						
Project Management/Support	107	0	0	0	0	0
Organisational Intel.	73	37	0	0	0	0
New Risks	41	40	0	0	0	0
Communications						
Community Engagement	147	43	0	0	0	0
Comms/Media Events	7	6	0	0	0	0
Finance & Resources						
Property Maintenance	880	723	481	271	0	0
Procurement of Operational Equip	66	0	0	0	0	0
Loss of Use Recovery	66	8	0	0	0	0
Project Management/Support	14	0	0	0	0	0
Digital & Data						
Enterprise Resource Planning (ERP)	1,903	1,400	0	0	0	0
ESMCP	1,321	1,110	650	0	0	0
Other IT Equipment & System Upgrades	354	193	0	0	0	0
Incident Reporting System (IRS)	200	150	0	0	0	0
Staffing	152	58	0	0	0	0
Office 365	140	100	0	0	0	0
Enabling Future Technology (EFT)	124	0	0	0	0	0
People Support Services						
Safeguarding Arrangements	56	0	0	0	0	0
Training, Health & Wellbeing						
Staff Training & Development	125	40	0	0	0	0
Health & Wellbeing	101	9	0	0	0	0
Training Equipment/Facilities	15	0	0	0	0	0

Continued..	31/03/20 £000s	31/03/21 £000s	31/03/22 £000s	31/03/23 £000s	31/03/24 £000s	31/03/25 £000s
Prevention, Preparedness & Response						
Project Management/Support	508	293	0	0	0	0
COVID019 Funding	459	0	0	0	0	0
Community Partnerships	215	94	0	0	0	0
Community Safety	100	0	0	0	0	0
Education Materials/Facilities	25	13	0	0	0	0
Youth Services	10	0	0	0	0	0
Protection & Organisational Assurance						
SSRI/RIDGE	400	881	0	0	0	0
Project Management/Support	97	32	0	0	0	0
Legal Services	90	0	0	0	0	0
Fire Safety	23	0	0	0	0	0
Command Delivery, Fire Control & WP						
Tech Rescue	410	330	0	0	0	0
Command Delivery	245	115	0	0	0	0
Total Earmarked Reserves	30,137	24,415	11,158	7,374	6,943	6,943
General Reserve	5,823	5,823	5,823	5,823	5,823	5,823
% Net Revenue Budget	5.9%	5.8%	5.7%	5.9%	6.0%	6.0%
Total Reserves	35,960	30,238	16,981	13,197	12,766	12,766

Further information on the Reserves Strategy can be found at:

<https://www.wmfs.net/about-us/openness/documents/>

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

15 FEBRUARY 2020

1. **THREE YEAR ROLLING STRATEGY 2021-24 AND ANNUAL PLAN**

Report of the Chief Fire Officer

RECOMMENDED

- 1.1 THAT Members note the outcomes of the evidence-based Community Risk Management Plan (CRMP) review.
- 1.2 THAT Members approve the CRMP proposals that will be developed for implementation over the period of the three-year rolling Strategy 2021-24.
- 1.3 THAT Members re affirm the Authority's Vision statement for the Authority's Strategy.
- 1.4 THAT Members note the context of planning for the three-year Strategy and Annual Plan.
- 1.5 THAT Members approve the three-year Strategic objectives 2021-24 and refresh of the annual plan priorities for delivery in 2021-22.

2. **PURPOSE OF REPORT**

- 2.1 This report is submitted to Members to provide the detail of:
 - Strategic CRMP proposals which will be delivered through the Services three year rolling Strategy.
 - The proposed re affirmation of the Authority's Strategic Vision and
 - the proposed three-year rolling Strategy objectives and Annual Plan priorities for delivery during 2021-22.
- 2.2 These proposals form our three-year rolling Strategy for 2021-24 and have been developed following a review of the outcomes of

the CRMP planning process for 2021-2024, CRMP consultation outcomes and a detailed review of our internal and external operating environments. These have formed an understanding of the strategic planning considerations which the Service has or will have to plan for within the three-year Strategy.

3. **BACKGROUND**

Role of a Fire Service

- 3.1 West Midlands Fire Service (WMFS) has primary responsibility for risk management through the Fire and Rescue Services Act 2004, as well as the Health and Safety at Work etc. Act 1974 and the Management of Health and Safety at Work Regulations 1999; ensuring the effective planning, organisation, control, monitoring and review of preventive and protective measures for its staff and its communities.
- 3.2 This is enabled through the Fire and Rescue National Framework for England 2018 (Framework), which sets out the expectations of all Fire and Rescue Services, providing an overall strategic direction aligned to their role as set out in the Fire and Rescue Services Act 2004. The framework identifies several priorities for Fire and Rescue Authorities to:
- make appropriate provision for fire prevention and protection activities and response to fire and rescue related incidents.
 - identify and assess the full range of foreseeable fire and rescue related risks their areas face.
 - collaborate with emergency services and other local and national partners to increase the efficiency and effectiveness of the service they provide.
 - be accountable to communities for the service they provide; and
 - develop and maintain a workforce that is professional, resilient, skilled, flexible and diverse.
- 3.3 The Framework aligned to bullet point 2 above, requires the Integrated Risk Management Plan (IRMP) to cover at least a three-year time span and be reviewed and revised as often as it is necessary. The requirements are set out in more detail in section 4.6 of the Framework.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/705060/National_Framework_-_final_for_web.pdf

Community Risk Management Plan (CRMP)

- 3.4 The NFCC have developed the CRMP process to support sector wide consistency in how local IRMPs are developed. The NFCC CRMP process aligns to the expectations set out in the Framework. Officers within the Service are integrated into this ongoing national work.
- 3.5 WMFS has used the detailed stages within the NFCC CRMP process to guide its IRMP review. As a result, WMFS has recently changed its reference of the IRMP to the CRMP. This enables consistency and alignment to the national approach, which will also form part of the NFCC Professional Standards and will be reviewed through Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).
- 3.6 WMFS ensures compliance with the expectations as set out in the Framework through ensuring its CRMP is the starting point in the development of the three-year rolling Strategy. The CRMP focuses purely on the risk that exists across the West Midlands area.
- 3.7 WMFS consult on their CRMP every three years, or when there is a material change that will impact on the services communities will receive. The CRMP is continually reviewed to ensure it provides a current assessment of risk.

Three Year rolling Strategy.

- 3.8 The Authority's three-year rolling Strategy reflects the expectations of a CRMP, the Vision, as well as the Medium-Term Financial Plan. The three-year objectives reflect the high-level goals of WMFS to achieve the CRMP and Vision.
- 3.9 The Authority's ability to plan beyond three years is difficult given the ever-changing external environment, its impact on community risk and the length of any comprehensive spending review period, which can range from one to three years.
- 3.10 The three-year rolling Strategy contains three key layers which are considered after CRMP outcomes have been realised and considered. These are People, Finance and Digital and cut across all objectives, to ensure the delivery of the Strategy is focused against the competences needed for staff, ensuring that they are delivered in the most efficient and effective way and a continued focus on how these can be transformed digitally. This will ensure

that we both support staff in their delivery, as well as enable our communities.

- 3.11 One-year priorities form the 'annual plan' within the three-year rolling Strategy. This provides more detail of the outcomes WMFS aims to achieve in that year to:
- reduce vulnerability,
 - increase public safety through removing, reducing, controlling; and/or
 - mitigating risk in the community through prevention, protection and response priorities.
- 3.12 The structure of the three-year rolling strategy is set out in Appendix 1.
- 3.13 Enabling Outcomes have been formed internally, highlighting the value of existing ways of working which significantly contribute to the way in which WMFS delivered and continued to deliver services during the COVID pandemic. These outcomes form more detailed internal mechanisms by which the three-year objectives and one-year priorities will be delivered. The Enabling Outcomes are set out in Appendix 2.
- 3.14 The annual plan and its priorities are measured through WMFS Key Performance Indicators (KPI) and the Statement of Assurance provides assurance around the delivery of services to the public.

CRMP Review and Outcomes

- 3.15 The review of the CRMP for WMFS for 2021-24, has incorporated the identification, review and assessment of existing, and potential future risks to the community within the West Midlands conurbation.
- 3.16 This identifies 'foreseeable risks' that exist or are emerging across the West Midlands, which fall within the scope of the Fire and Rescue Services Act, the Regulatory Reform Order, Civil Contingencies Act and other relevant legislation; as well as the objectives of a Fire and Rescue Service which are to reduce, mitigate or manage death and injury, damage to property, the economy and/or environment.
- 3.17 The CRMP review has been achieved through gathering data and information to evidence:
- understanding of current risks and trends;

- learning and understanding of emerging risks through trends, developments, externally available research and analysis and professional knowledge; and
- identifying and learning from unprecedented events.

3.18 Through this process WMFS can identify the causes and consequences of foreseeable risks, how they have changed or indeed, how new risks are emerging. This then enables the future approaches of how prevention, protection and response interventions need to be maintained, developed and/or changed to meet changing risk, to be determined.

3.19 The WMFS risk analysis process is fully integrated within its strategic and resource planning, to ensure the three-year rolling Strategy is informed and driven by evidence. This understanding allows the Service to identify suitable methodologies and risk reduction measures which are proportionate and tailored to the needs of the individuals/groups targeted. We are then able to support the community with greater prevention and protection measures being offered to those who we can evidence are at a greater risk of fire and other emergencies.

3.20 The WMFS CRMP process is set out in Appendix 3.

3.21 The foreseeable risks identified through the CRMP process are set out in Appendix 4.

3.22 An overview of the CRMP outcomes, which provide the basis for the development of the Authority's proposed Vision and three-year rolling Strategy, is set out below as presented to Members at the Policy Planning Forum 11 January 2021.

- 2019-20 has seen a reduction in total incidents to previous years, however high-risk incidents continue to rise and secondary fires (2,171 less than in 2018/29) whilst reduced still account for 17.3% of our total incidents (and are likely to fluctuate significantly again during periods of prolonged hot weather).
- WMFSs 5 minutes high risk response attendance standard remains our core response (mitigation) method for high-risk incidents achieved through a diverse fleet arrangement.
- We have achieved an average attendance of 4 minutes and 48 to high risk incidents in 2019/20.
- Road Traffic Collisions have increased over the three-year period, although our response in extricating has reduced by

- approximately 20% (52 incidents).
- Whilst road incidents are increasing the majority (80%) of RTCs that WMFS have responded to in 2019/20 have necessitated a 'Services Only' response.
- Safe and well interventions continue to provide effective prevention focusing on identifying causes of causes, enabled through targeting those most vulnerable to fire related incidents.
- A range of protection interventions aligned to the RBIP provide a robust approach to the prevention and protection of community and local economy.
- Current protection and prevention interventions provide effective up stream controls to risk causation factors.
- Risk causation factors are likely to change over the coming three-year period 2021-24 due to:
 - Increasing societal changes resulting from the impact of COVID are likely to impact on causation factors of existing risks.
 - An economic downturn creating changing behaviours and circumstances within the home and across businesses.
 - Changing Fire Safety legislation placing additional pressure on business owners
- 'Unexpected events' such as Grenfell, Manchester arena and more recently the COVID pandemic, whilst not usual are foreseeable and require continual planning locally, regionally and nationally. This ensures a co-ordinated response across agencies in protecting public safety.
- Emerging risks such as environmental change, extreme weather-related incidents such as flooding and woodland fires, also require national and regional resilience capabilities.

3.23 The assessment of the WMFS CRMP presents a picture of developing change, requiring further understanding to establish how this will impact on the delivery of future services, in the most efficient and effective way.

3.24 As part of understanding risk, the CRMP process recognises the following variables are significant when determining an increased level of risk and vulnerability across the West Midlands:

- housing type
- employment status

- health (physical and mental - illness, disability)
- income
- crime rate of area

3.25 Whilst the longer-term impact of COVID is yet to be fully evidenced across the assessment of our CRMP and influencing external factors, the outcomes of COVID will reach further than the physical illness this disease presents and may contribute to the risk factors that cause vulnerability to fire.

3.26 Through continuing to understand the causes of risks being realised in the community and continually monitoring and reviewing the way in which we prevent and mitigate the impact of those risks occurring, we can maximize the opportunities for our prevention, protection and response interventions, as well as the capability and capacity of the workforce to deliver them.

CRMP Consultation 2021-2024 Outcomes

3.27 To support the review of the CRMP and meet the requirements set out in the Framework, the Authority engaged in a 10-week consultation exercise from 7 October to 16 December 2020.

3.28 The purpose of this consultation was to engage with local communities, our staff, partners and businesses to understand their views and opinions about how WMFS currently provides its services, as well as how this could continue within the Authority's three-year rolling Strategy 2021-24. Questions were asked in five key areas:

- Response: Management of resources
- Prevention: Digital Approaches
- Prevention: Causes of the Causes
- Protection: Approach to Automatic Fire Alarms
- Funding

3.29 Overall, responses to our consultation themes showed a significant majority of respondents overwhelmingly agreeing or strongly agreeing with consultation proposals with the most divisive question being Question 3. This asked whether we should be tackling the wider social issues that contribute to an individual's vulnerability to fire and other risk, however still 75% of responses still either agreed or strongly agreed.

A detailed breakdown of the consultation outcomes is set in Appendix 5 and are referred to throughout the remaining sections

in this report.

CRMP Proposals

- 3.30 The proposals set out below are high level 'evidence based' CRMP proposals, taken from the consideration of the broad outcomes set out earlier in this report (CRMP review and outcomes), the WMFS Strategic Analysis for 2016-2019 and 2017-2020, assessments of individual risks through the CRMP process, 2020 CRMP consultation outcomes, as well as the application of professional knowledge and judgement.
- 3.31 These CRMP proposals have been determined through the Strategic Enabling Team (SET) as risk priorities for planning and implementation over the three-year rolling Strategy 2021-24.
- 3.32 Survivability Study.** The survivability study undertaken in 2015/16 provided WMFS with a sound evidence base to the overall timeline for the survival of a victim of fire in the home (and other emergency incidents) and the impact that a 5-minute response time could have risk to life.

CRMP Proposal 1 (to note):

- 3.33** *SET will commission the review of those key factors that contribute to the survivability timeline and research through the Technical CRMP group. The outcomes of this review will form the evidence base for future CRMP proposals.*
- 3.34** This report is identifying areas of change within the CRMP that need to be understood more. These changes impact on the outcomes we want to achieve. As we embrace new ways of working, as well as delivery of services which reach wider than traditionally fighting fires, there is a firm rationale to widen this research to understand how these changes impact on survivability across wider risks to communities and the economy.
- 3.35 Current Risks:** Our strategic analysis evidences an increase in our response to high and low risk incidents over the last three years. Road Traffic Collision (RTCs) have seen the most significant over this period while secondary fires still account for a significant proportion of our overall incidents.
- 3.36 We also know from our analysis that we overperform in attendance times across incidents which fall into category 2-5.
- 3.37 There are many factors that contribute to increasing incidents

which impact on determining the level of risk they present to the community and the level of resource required from the Service. For example, RTCs are a category 1 incident as they generally present a risk to life. Our data helps us to understand that whilst these are increasing, the severity of RTCs is decreasing and our interventions to 'extricate' individuals using specialist tools and skills is required less.

- 3.38 Whilst the need to continue to respond to RTCs that present a risk to life is critical; through further research to understand the changes in this risk, we can consider the opportunities these changes will have to how we respond to those RTCs which do not present risk to life. This could incorporate the increased use of technology, responding in a different vehicle with a different level of resource and/or working with partners to consider respective roles and the wider role of WMFS.
- 3.39 These principles can be applied across a number of other incident types such as secondary fires, where a greater understanding of current and forecasted causes and impacts, will support the determination of the most efficient and effective response interventions to ensure public safety.
- 3.40 There is no legal duty for Fire Authority's to respond to calls originating from Automated Fire Alarm (AFA) systems to establish if there is a fire, However, as part of the Service Delivery Model (SDM) WMFS responds to automatic fire alarm calls using three Business Support Vehicles (BSV), therefore protecting front line appliances by attending calls.
- 3.41 There is an opportunity to take a risk-based approach to mobilising to automatic fire alarms. Mobilising to life risk where the site is not managed will not change.
- 3.42 Exploring alternative options will further protect the Service Delivery Model, to ensure resources are available for immediate deployment to high risk incidents.
- 3.43 Those responding to the CRMP public consultation agreed with the development of alternative approaches to Automated False Alarms to enable businesses to comply with their fire safety responsibilities – 88% of respondents.
- 3.44 By refining our approaches to response interventions, where this is appropriate, we can ensure the most appropriate availability of resources for Category 1 high risk incidents, where they can

achieve the most impact.

CRMP Proposal 2:

- 3.45 *The current approach to responding to RTCs, AFAs and Secondary Fires will be reviewed to determine the opportunities these changing risks provide in considering alternative approaches to responding.*
- 3.46 **Emerging Risks** - The CRMP analysis supports the identification of new and emerging risks, which require a greater understanding and assessment to identify the potential new and increased hazards these present and how they may therefore result in risks to the community.
- 3.47 The development of HS2 over the next three years 2021-24, the Commonwealth Games taking place in 2022 and the impact of BREXIT are some of the most obvious emerging risks, which have the potential to impact on how we deliver our services, as well as the skills required of our staff to achieve this. HS2 and the developments which exist as part of it, new buildings, etc. will present longer term risks to our communities, which will need to form part of our CRMP now and into the future.

CRMP Proposal 3:

- 3.48 *The future impact of these emerging risks on the CRMP will be incorporated in the three-year rolling strategy. This will include how Prevention, Protection and Response Services may need to change to enable flexibility in the delivery of our services.*
- 3.49 **Enhanced Community Risk Reduction** - WMFS data shows a link between health status of an individual and Fire & Rescue related risks such as fire. This is supported by strong correlations between health conditions such as mental illness, physical disability or mobility issues, with both the increased risk of fire and severity of such incidents on the individual in relation to injuries. These are set out in the Marmot principles.
- 3.50 WMFS has a targeted person-centred approach to its prevention interventions with Safe and Well activity and Complex Needs Officers being a core delivery mechanism for this. Our Strategy uses the principle of 'upstream activity', identifying and tackling the causes of the causes of preventable death and related injury, underpins our prevention activity.

- 3.51 Protection interventions also form part of the ‘up stream’ approach to the delivery of services to our communities. The outcomes of Grenfell are forecasted to place greater demand on the service through the development of control measures to manage the risks of fires in tall buildings. The wider capacity and capability of our workforce in delivering against these emerging demands will be instrumental in managing risk in an integrated way.
- 3.52 As causes as well as consequences of incidents begin to change, WMFS will need an increased focus through the capability and capacity of the workforce, to identify and understand the causes of the causes. This is the best way of enabling the development and implementation of targeted prevention and protection interventions, adapting to the changing needs of our communities, delivered in an integrated way through the workforce.
- 3.53 Firefighters are employed to reduce the likelihood of a risk occurring and/or mitigate it when it does. This is the basis for the provision of integrated prevention, protection and response activities through the role of a fire fighter aligned to the risk that is presented in a local CRMP.
- 3.54 Through being clearer about this prevention and protection activity and how it supports the delivery of the CRMP, WMFS can build the understanding and skills in the workforce through its approach to organisational development, to deliver these services.
- 3.55 Building prevention and protection capability and capacity across our operational workforce provides:
- an increased understanding of the causes of incidents when they do occur, enabling a greater understanding of the risk environment.
 - capacity in our operating model to deliver services in a more efficient and effective way.
 - an up-stream approach which focuses on addressing the causes of the causes. Prevention and Protection interventions provide effective controls to a risk occurring and can therefore contribute directly to reducing the fire or other related risks which WMFS would have to attend in a response capacity. This activity contributes to the protection of resources to respond to high risk and high impact risks when they occur.
- 3.56 Our most recent consultation outcomes have highlighted that amongst the 10.6k respondents, 75% agreed that West Midlands

Fire Service should be tackling the wider issues that make people more vulnerable to fire and other risks.

- 3.57 Respondents considered WMFS to be well placed to engage in this work and commended us for our willingness to tackle the wider social issues. Further encouraging WMFS to work with other public services to tackle these issues and address vulnerability.
- 3.58 Whether or not the workforce had the required skills to deliver this work was a common theme for response. Primarily concerns were around government funding and whether WMFS had the capacity to deliver this effectively whilst maintaining or key services in the light of government cuts.

CRMP Proposal 4:

- 3.59 *The most appropriate interventions to reduce vulnerability to fire and other risks will be determined through the CRMP, using the principle of an integrated approach to intervention, protection and response activity enhancing the 'up stream' approach to fire fighting.*
- 3.60 **Digital Transformation.** Digital transformation is a key supporting priority for the delivery of the Strategy and more recently through establishing enabling outcomes for WMFS has achieved a greater level of understanding across middle management.
- 3.61 Digital is underpinned by our use, access to and analysis of data. WMFS uses digital tools in several ways already to manage risk to our communities, through the allocation of the most appropriate resources, to movement of resources to risk, the delivery of critical prevention and protection interventions at a time where COVID makes it more difficult to provide these services in person.
- 3.62 Digital as a mindset is far more developed across the workforce, as we have very quickly moved to working from home as a main mode of delivery of support services.
- 3.63 The CRMP consultation undertaken in 2020 has highlighted that most respondents, 84%, agreed that the use of technology and digital solutions would complement face-to-face engagement and delivery of Safe and Wells.
- 3.64 Digital will continue to transform the way in which WMFS operates to enable the most effective delivery of services to our communities in a targeted way. WMFSs digital approach will also

focus on how. through the digital provision of services, we enable our communities to learn and understand more about the risks they face and how these can be prevented.

CRMP Proposal 5:

- 3.65 *The Service will continue to research, understand, implement a range of opportunities to digitally enable its workforce and communities to transform the delivery of services to our communities.*
- 3.66 The proposals in this report highlight several areas of development and change within the West Midlands CRMP. As stated earlier in the report, the detail of these proposals need to be further developed and understood to enable implementation within the three year rolling Strategy. An efficient and agile approach to the management of resources to risk will be a critical factor for consideration.
- 3.67 It should also be noted that the detail in this report and the recommended proposals are from a community risk perspective. There are a number of variables that have been considered in the preparation of these proposals and some additional of which the detail is currently unknown. As these variables continue to change, they may vary the development and implementation of the proposals.
- 3.68 It is anticipated that the proposals detailed in this section will be developed for presentation into Fire Authority in Autumn 2021 as options for implementation, which provide for more efficient and effective delivery of community outcomes within a balanced budget.

4. VISION STATEMENT

- 4.1 The evidence based CRMP and CRMP proposals set out in this report fully support the continued focus of the recommended Authority strategic direction. This is set out in the current Authority vision of:

‘Making the West Midlands Safer, Stronger and Healthier’.

- 4.2 It is recommended that this vision statement is reaffirmed in recognition of the risk that continues to exist and increase across the West Midlands and our ability as a Fire and Rescue Authority to seek to prevent and mitigate these risks through our statutory

functions of Prevention Protection and Response.

5. THREE YEAR ROLLING STRATEGY 2021-24 AND ANNUAL PLAN

Strategic Planning Considerations

- 5.1 As highlighted so far in this report the CRMP outcomes provide an evidence-based assessment of the risks that exist in the community.
- 5.2 To enable effective planning for the coming one year (annual plan) a range of tools have been used to understand how internal and external factors will influence the CRMP risks and the future delivery of Services. An ongoing STEEPLE assessment has informed the development of the Strategy and influenced the wider CRMP proposals.
- 5.3 An overview of these key planning considerations is set out below:

Government expectations and Statutory Requirements

- 5.5 At a government level the planning environment currently presents several changes, which have contributed to the proposed objectives and priorities set out in paragraphs 5.37-5.38 over the rolling three-year period.
- 5.6 The Fire Minister has clearly set intentions to focus on the professionalism, people, performance, governance and collaboration of Fire and Rescue Services. This has created an expectation that whilst further efficiencies may need to be achieved, these should be driven through the diversification of services and increasing value for money.
- 5.7 The Home Office 'Fire Reform Implementation Plan' will define the role of Fire and Rescue Services for the future, aligned to the delivery of a CRMP and will provide direction for a number of recommendations identified in the HMICFRS State of Fire report 2019.
- 5.8 Changing legislation in response to independent reviews such as Kerslake and Hackett are already creating a strong focus on the direction of risk-based protection services and the competencies of the workforce to meet these new and emerging expectations. These changes stretch across prevention, protection and

response services and will be supported by further embedding the basis of our 'integrated' Service Delivery Model.

- 5.9 The HMICFRS State of Fire Report 2019, by Sir Tom Windsor, highlights five areas for change across the sector which align to these changing expectations of the fire sector. To support wider transformation in the delivery of services across the fire sector, these have been considered through the National Fire Chiefs Council and are contained in focused objectives via the NFCC 'Fit for Future' programme.
- 5.10 The independent HMICFRS led inspection programme will assure the delivery of services and any changes to these driven by government and legislative changes. Aligned to government expectations, there is a keen focus on evidencing the efficiency and effectiveness of prevention, protection and response services as well as understanding how well the workforce is looked after.
- 5.11 The most recent HMICFRS (COVID) assessment of WMFS praised how it has evolved its ways of working and has recommended that it 'should determine how it will adopt, for the longer term, the new and innovative ways of working introduced during the pandemic, to secure lasting improvements'. (COVID Inspection letter paragraph 6)

Value for Money

- 5.12 Whilst the Authority's government funding for 2021-22 provides for a level of stability, there is anticipated to be further impacts during the year of reduced council tax and business rate collection levels due to the impacts of COVID.
- 5.13 Beyond this, there is recognition of the need to plan for further funding reductions across years 2022-24 as part of the three-year rolling Strategy and scenarios of 2, 5 and 10% reductions will be considered against this.
- 5.14 Over the coming 12 months (2021-22) the Authority's priorities will be achieved financially by utilising a flexible approach to fleet management, delegated to the Chief Fire Officer, ensuring the right resources are available to attend high risk incidents in high-risk areas within 5 minutes. This approach has been supported through the CRMP consultation undertaken in October-December 2020, with 93% of respondents agreeing that the Service should continue to adopt flexible approaches to managing our resources.

Many responses cited the need to be flexible to adapt to the changing demands on the service whilst embracing new technologies. There was also recognition of funding cuts which needed to be addressed.

- 5.15 Through the development of CRMP proposals, with more detailed options for delivery in 2022 onwards, WMFS will seek to meet these anticipated funding reductions through focusing on how we are able to re-configure and transform our use of resources and assets in more efficient and effective ways. Focusing on maintaining and enhancing our Service Delivery Model through ensuring public safety, delivering this within a balanced budget.

Digital

- 5.16 Digital is a strategic layer within the three-year rolling Strategy and an enabler to the delivery of one year priorities.
- 5.17 Being able to deliver services in a different way, to meet the changing operating environment as well as the diverse needs of communities requires 'smarter' ways of working.
- 5.18 Our communities already benefit from new technologies such as the Dynamic Cover Tool which allows us to ensure our resources are strategically placed to achieve our high risk attendance standard. More recently, our advancement of Microsoft 365 has supported our workforce to work from home throughout the COVID pandemic, where their role allows, ensuring the safety of our staff and the ability to operate effectively as an emergency service.
- 5.19 The WMFS CRMP consultation outcomes have told us that our communities agree with the ongoing the use of technology and digital solutions, to complement our face-to-face engagement and delivery Safe and Wells. There is recognition from responses that those most vulnerable may not have access to the technology required, and/or the skills to engage with it. Therefore, digital innovation would allow WMFS to target the skills of its workforce to enable face to face engagement to gain a full picture of an individual's vulnerability.
- 5.20 Our three-year rolling Strategy will continue to focus on understanding how data and technology can improve our performance, efficiency and services to the community. A critical part to this is enabling our workforce to understand why, that they

have skills and work together to make changes by being part of the journey.

People

- 5.21 The delivery of the three year rolling Strategy centres around ensuring the Service's workforce have the opportunity to develop the right competences, skills and behaviours, to ensure we are fit for the future and continue to provide the most effective and efficient delivery of services in an ever changing environment.
- 5.22 To enable the delivery of prevention, protection and response priorities the competencies of a professional fire fighter are set out through the Competency Risk Assessment, which focuses on developing operational competencies to meet current and future expectations. This ensures the delivery of assertive, effective and safe services to communities and ones which make the biggest difference for the most impact.
- 5.23 The WMFS Organisational Development Strategy is centred around enabling our workforce to understand how, in whichever role, they contribute to making West Midlands Safer, Stronger and Healthier. The way in which we work together both internally and externally, to provide these services is underpinned by our core values and behavioural framework. From staff on the front line to those providing critical support services which enable the provision of services to our communities, the Authority's three-year strategy will be supported to ensure we are leading with a purpose, for a purpose.
- 5.24 Defining the role of a Fire fighter is a key focus for the government and Home Office. This will become clearer over coming months, as expectations around the role of Fire Services and expected reform are delivered.

Community Risk Based Services

- 5.25 Aligned to the NFCC CRMP scope of a Fire Service, nationally, the role of a fire fighter is to manage and or mitigate risk to life or property. This is delivered through the services of prevention, protection and response.
- 5.26 The WMFS CRMP outcomes set out earlier in this report have highlighted increasing high-risk incidents and we can reasonably foresee that this trend will continue. The Service Delivery Model is based on having the right resources in place to ensure that high

risk category 1 incidents are responded to in the most efficient and effective way, thereby aiming to mitigate the impact on loss to life and property.

- 5.27 The three-year objectives and one-year priorities set out in this report will seek to consider alternative approaches to responding to medium and low risk incidents, which will enable further protection of the resources needed to respond to high risk category 1 incidents.
- 5.28 The influence of the outcomes of independent and sector led reviews and new legislation as cited earlier in this report, will have a significant impact on our one-year priorities and overall three year strategy. There is a keen focus to ensure our people, processes and systems are well placed to manage this changing environment, as well as ensure through our Risk Based Inspection Programme that we continue to support and advise business owners and where needed, enforce legislation to ensure the safety and prosperity of our communities.
- 5.30 Prevention priorities will focus on maintaining and enhancing the delivery of targeted interventions such as safe and wells, safe and strong and road safety education. The delivery of these interventions using a variety of methods to reach and target different audiences will be important, not least because of the impact COVID has had and continues to have, on the ability for face-to-face engagement with our communities.
- 5.31 The impact of COVID on our communities over the next 12 months, will continue to exacerbate those factors that make individuals, communities, and businesses more vulnerable to fire and other emergency incidents.
- 5.32 The continuation and widening of collaborative partnerships will support the enhancement of our prevention and protection interventions. The evidence that has supported these interventions undertaken over several years has clearly demonstrated the close link between health and social inequalities to the vulnerability to fire. This work is aligned to the Marmot principles which the Service has been awarded 'Marmot Status' by Professor Marmot in recognition of those interventions.
- 5.33 The support that we have given to wider local and national health priorities throughout the COVID pandemic, has created an increased understanding of the role that the Service can/does provide through an up-stream approach to firefighting, in targeting

those most vulnerable. Collaborating on what services are provided, how and who to, will enhance the ability for the Service to target individuals and communities more effectively, as well as those that have been harder to reach. This will deliver enhance the Service's ability to deliver our vision of a Safer, Stronger and Healthier community

- 5.34 A key influencing factor to the way in which our prevention, protection and response interventions are delivered is the changing risk in the community caused by environmental, physical, social and human behavioural factors. The review of the survivability study and its key components will provide a renewed evidence base to how the aforementioned factors and any new or emerging factors, impact on the risk of fire and other emergency incidents in our communities and those most vulnerable. Thereby helping WMFS to determine where change may be needed to ensure targeting of risk in the most effective way.
- 5.35 This direction for our Strategy is supported through the CRMP consultation outcomes which tell us that most respondents (75%), believe the Service should be tackling the wider risk related issues that make people more vulnerable to fire and other risks.
- 5.36 Feedback from respondents identified that it was thought WMFS are well placed to engage in this work and commended us for our willingness to tackle the wider social issues.

Three Year Rolling Strategy - Strategic Objectives

- 5.37 To provide greater clarity in the Strategic intentions of our three year rolling Strategy, the SET have considered the outcomes of the CRMP, the STEEPLE and strategic planning considerations and have refreshed the one year priorities in the annual plan, as well as setting broad Strategic objectives for the three year Strategy. The proposed objectives are set out below.

Response: Dealing excellently with incidents

Prevention: Delivering interventions which support safer and healthier communities

Protection: Protecting life and property to make businesses stronger and communities safer

One-year Strategic Priorities

- 5.38 The following proposed priorities set out in more detail how the three-year objectives will be worked towards and achieved during 2021-22.

Response

- We will aim to get the right resources to incidents as quickly as possible, and with five minutes in high-risk areas, to save life, reduce harm and protect homes and businesses.
- We will, through our highly trained firefighters, deliver an assertive, effective and safe response to all incidents to make the biggest difference for our communities.
- We will lead rescue operations and work collaboratively with partners to deliver an effective response.
- We will deliver a local, national, and international response to major incidents, new risks and humanitarian situations, through our firefighters and specialist teams.

Prevention

- We will, work with our partners to, reduce fire-related risks faced by the most vulnerable in our communities.
- We will improve the safety, health and well-being of the most vulnerable people in our communities, through targeted prevention activities directly linked to vulnerability from fire.
- We will educate to prevent arson-related incidents, supporting safer and stronger communities through our partnership working.
- We will reduce the number of people killed or seriously injured on our roads through education and prevention, working with strategic partners.
- We will work in partnership to support and protect the most vulnerable in our communities throughout the COVID pandemic and beyond.

Protection

- We will protect life and property by targeting high-risk buildings and vulnerable businesses through an advice, compliance and enforcement approach to fire safety legislation, with a focus on residential tall buildings.
- We will continuously improve our community safety outcomes by implementing the learning from independent and sector-led reviews.
- We will improve community safety through innovative and smarter approaches, using digital technology to enhance the delivery of protection activities.
- We will assist in the restoration of economic growth through prevention, education and support to businesses, including collaboration with other regulators and partner agencies.

- We will develop and adopt innovative approaches to reduce disruption to businesses, communities and West Midlands Fire Service caused by unwanted fire signals.

6. **EQUALITY IMPACT ASSESSMENT**

- 6.1 The matters contained in this report will not lead to and do not relate to a policy change.

7. **LEGAL IMPLICATIONS**

- 7.1 The recommendations in this report ensure the effective and efficient delivery of Fire and Rescue Authority Services as set out on the Fire and Rescue Services Act, Regulatory Reform Order, Emergency Order, Civil Contingencies Act and the National Framework which incorporates the duties of these Acts, but also the requirements for governance and assurance of performance.

8. **FINANCIAL IMPLICATIONS**

- 8.1 There are no direct financial implications to the approval of recommendations in this report.

9. **ENVIRONMENTAL IMPLICATIONS**

- 9.1 There are no environmental implications.

BACKGROUND PAPERS

Our Plan 2020-23

IRMP 2021-23

CRMP Proposals, SET Report, 6 January 2021

CRMP Consultation Outcomes SET Report 13 January 2021

HMICFRS COVID 19 Inspection Letter 22.01.21

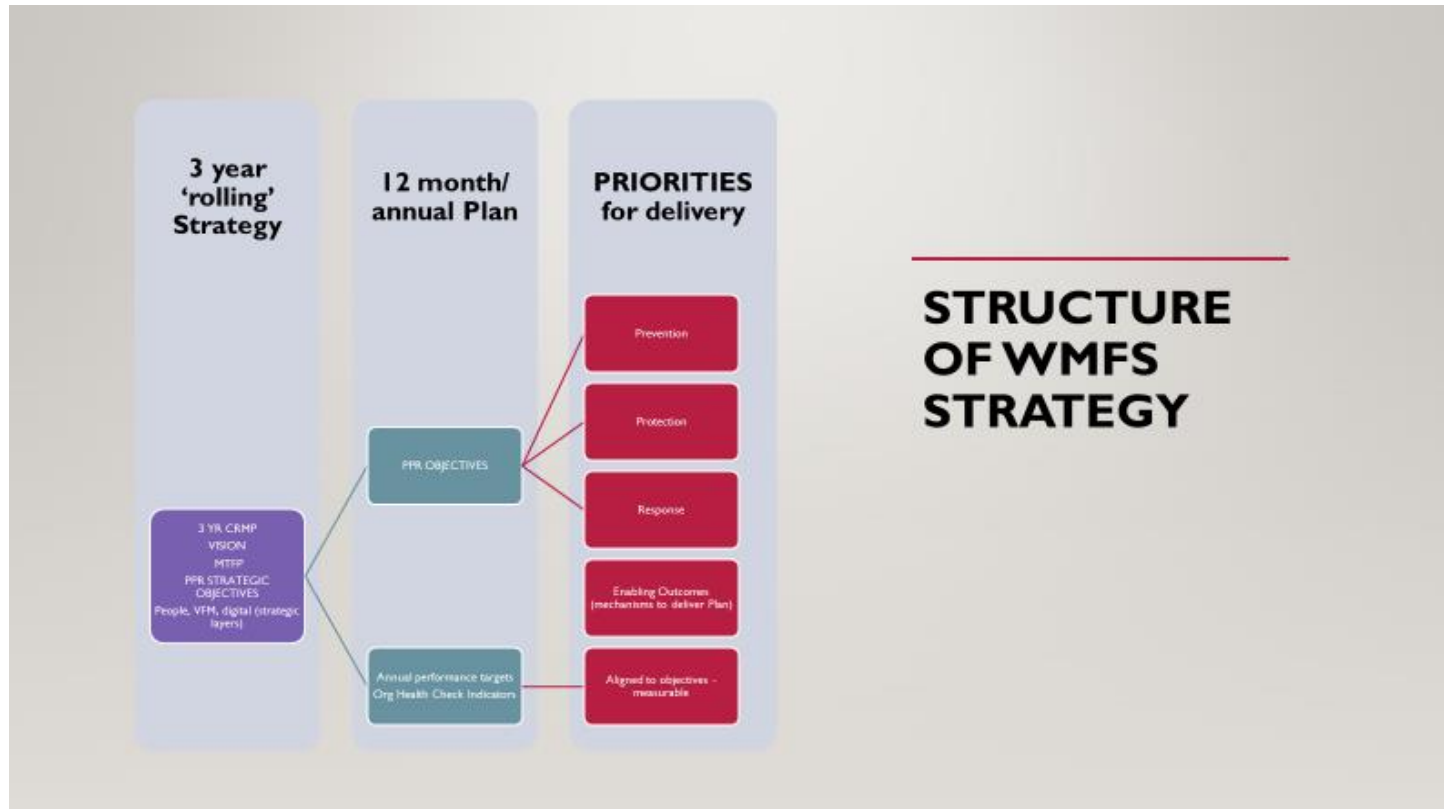
HMICFRS Sir Tom Windsor State of Fire report 2019

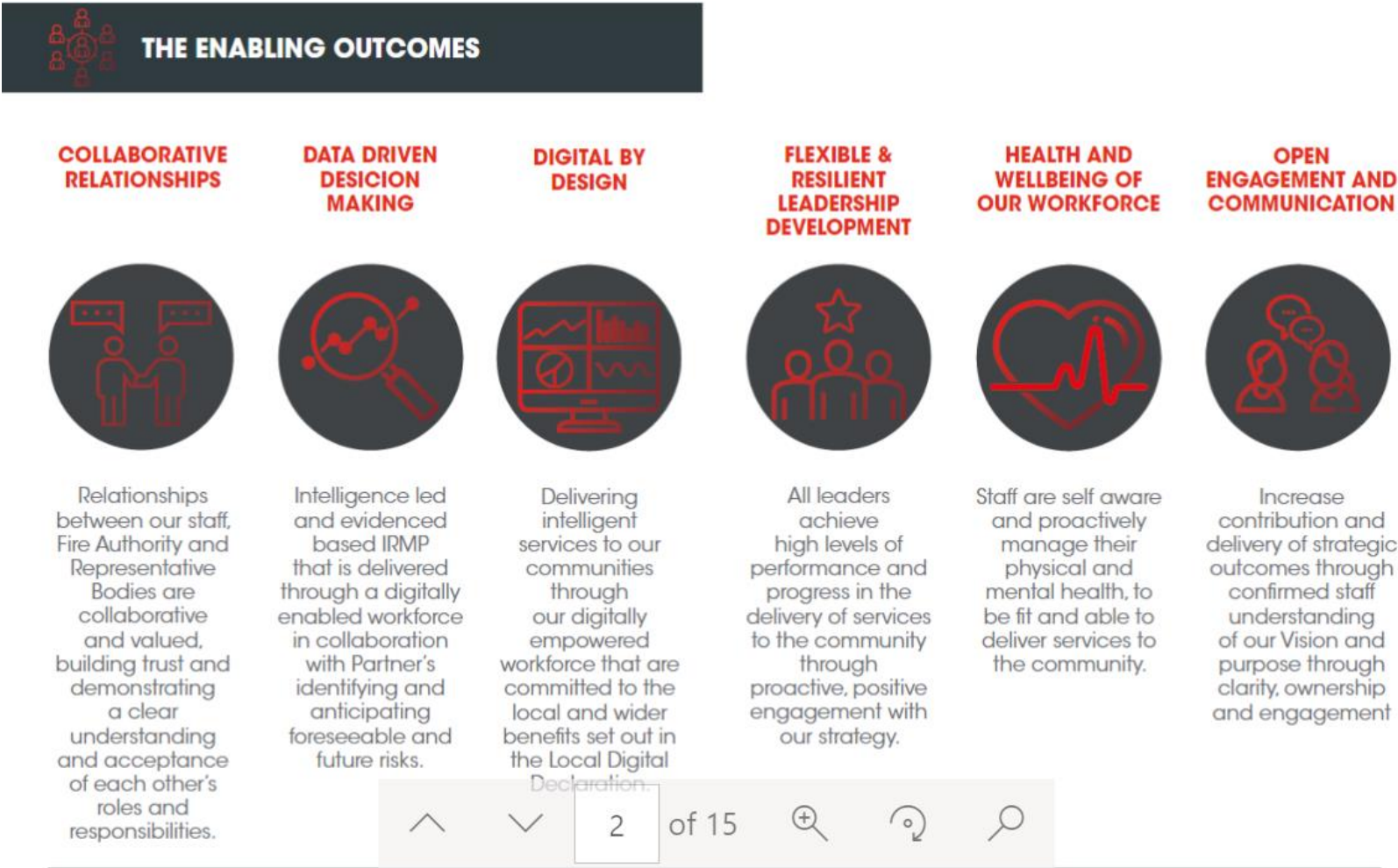
NFCC Fit for Future recommendations 2020

The contact name for this report is Karen Gowreesunker – telephone number 07973 810338.

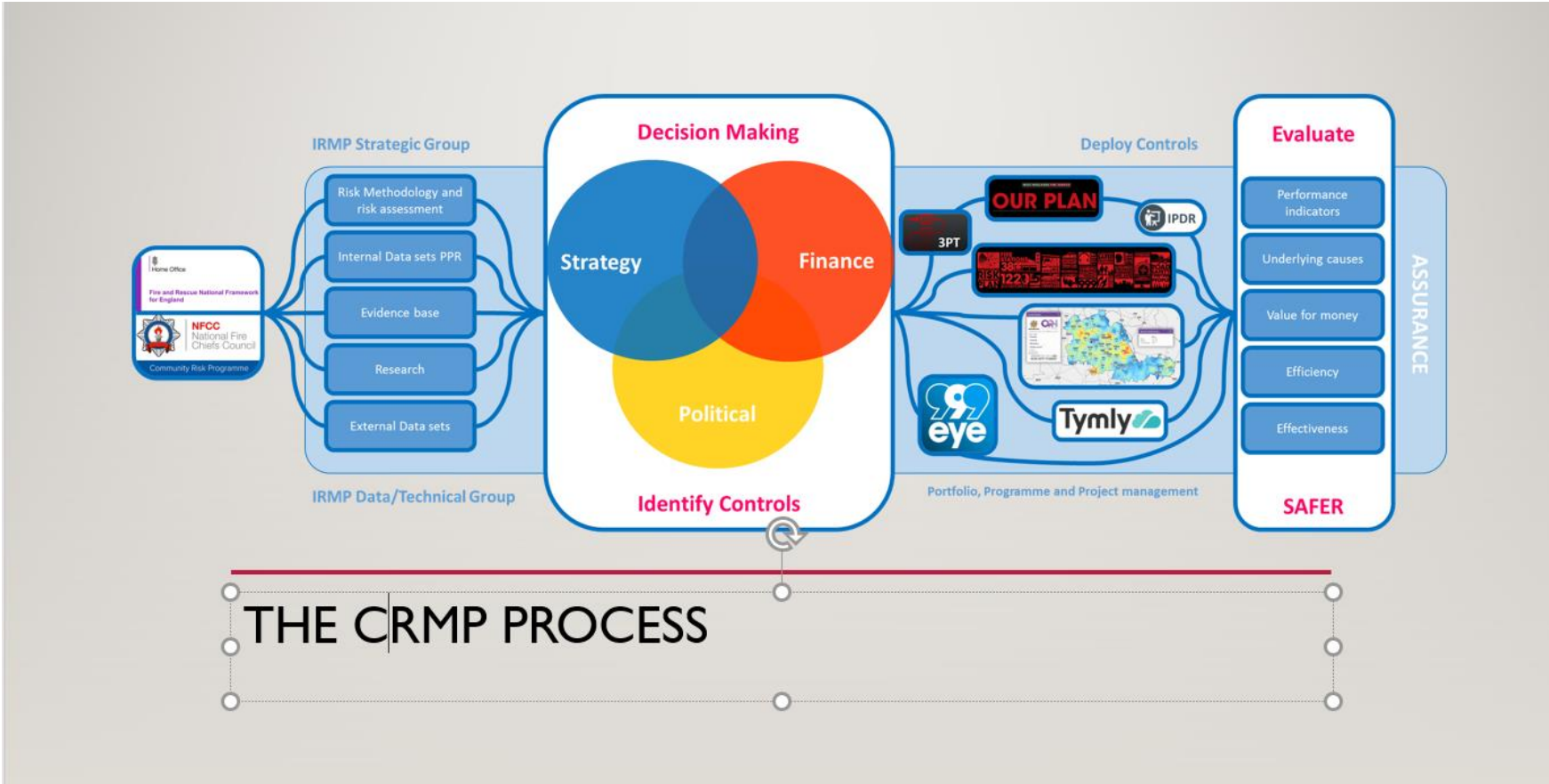
KAREN GOWREESUNKER Strategic Enabler Strategy
PHIL LOACH Chief Fire Officer

APPENDIX 1





APPENDIX 3



APPENDIX 4

Hazardous Scenario
Domestic dwelling fire
Road traffic collision
Residential building fire
Fires in tall buildings
Commercial building fire
Industrial building fire
Fires at a waste site
Fires in building under construction or demolition
Rescue of trapped person
Rescue from collapsed structure
Road vehicle fire
Fire at an electrical installation
Agricultural building fire
Marauding terrorist attack
Rescue from water
Flooding
Rescue from depth
Rescue from height
Wildfire
Release (Leak, spillage or discharge) of hazardous materials
Explosion
Environmental protection incidents
Railway or tram rescue
Railway or tram fire
Aircraft rescue
Aircraft fire
Rescue involving animals
Fire on a boat or vessel

APPENDIX 5

WEST MIDLANDS FIRE AND RESCUE AUTHORITY COMMUNITY RISK MANAGEMENT PLAN CONSULTATION OUTCOMES

In support of the organisation's commitment to open and transparent engagement, coupled with the fast-moving external landscape and our legal requirement to consult upon our Community Risk Management Plan (CRMP) every three years, the West Midlands Fire and Rescue Authority engaged in a 10-week consultation exercise from 7 October to 16 December 2020.

The purpose of this consultation was to engage with local communities, our staff, partners and businesses to understand their views and opinions about how the Authority currently provides its services, as well as how this could continue within The Authority's three-year (rolling) planning period, 2021-2024. Questions were asked about five key areas:

- Response: Management of resources
- Prevention: Digital Approaches
- Prevention: Causes of the Causes
- Protection: Approach to Automatic Fire Alarms
- Funding

1. **CRMP IMPLICATIONS**

1.1 Response numbers

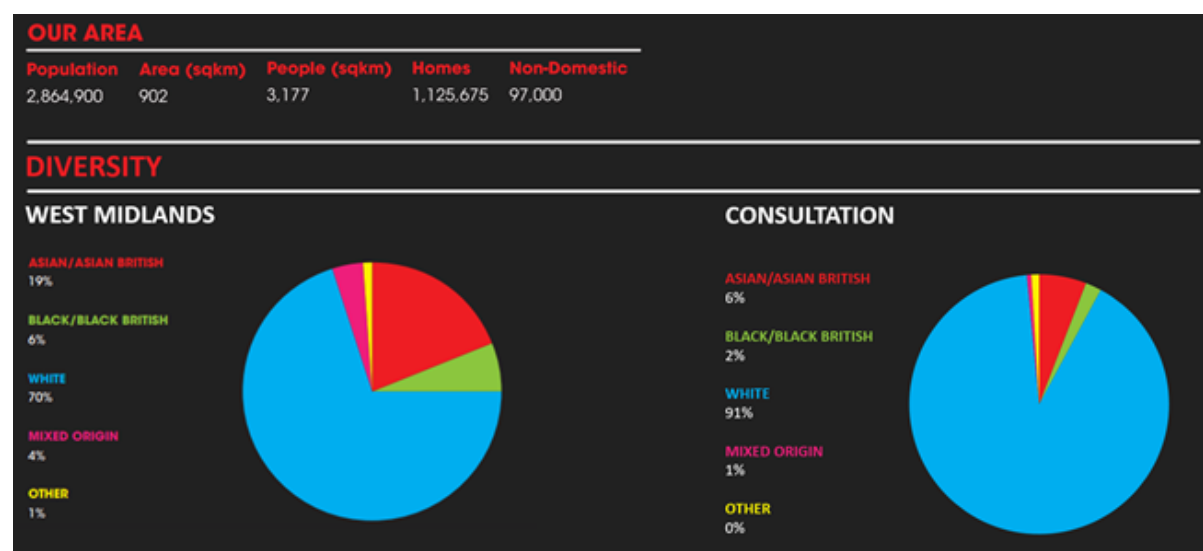
The consultation process collected 10,903 responses of both a quantitative and qualitative nature, which amounts to over 5,135 more responses than our previous consultation exercise in 2016 and around 9,000 more than in 2013.

Whilst it is not possible to summarise the success of a consultation purely by the number of responses, the consultation undertaken by WMFS shows a significantly larger level of engagement with local communities and people than its previous consultations and compares well with other recent fire and rescue service public consultations (though it's important to point out that different services may have used different tactics and had different overall consultation outcomes, compared to WMFS).

1.2 Respondent Profile

The area served by WMFS is diverse in nature. The consultation welcomed responses from all parts of our communities and using the WM Now platform, the Service was able to specifically target certain BAME groups. Despite this, the consultation was under-represented by 13% of Asian/ Asian British-identifying respondents, 4% under-represented of Black/ Black British-identifying respondents and 4% under-represented of Mixed Origin/ other origin-identifying respondents. The consultation was over-represented of white-identifying respondents by 21%. This gives a clear focus for future consultation work. The Corporate Communications Team has already identified several areas of improvement for future consultation work. These include:

- Being clearer on the availability of the 'different languages' option on the online platform
- Making clear the availability of other versions of the consultation documents (I.e. Easy Read, hard copy and different language versions etc)



1.3 Headline Results

Overall, responses to our consultation themes showed a significant majority of respondents overwhelmingly agreeing or strongly agreeing with our proposals with the most divisive question being Question 3. This asked whether or not we should be tackling the wider social issues that contribute to an individual's vulnerability to fire and other risk, however still 75% of responses still either agreed or strongly agreed.

1.4 Questions and Responses

See [Appendix 1](#) for consultation questions with accompanying background text. To view examples of comments received through the free text entry field, see [Appendix 2](#).

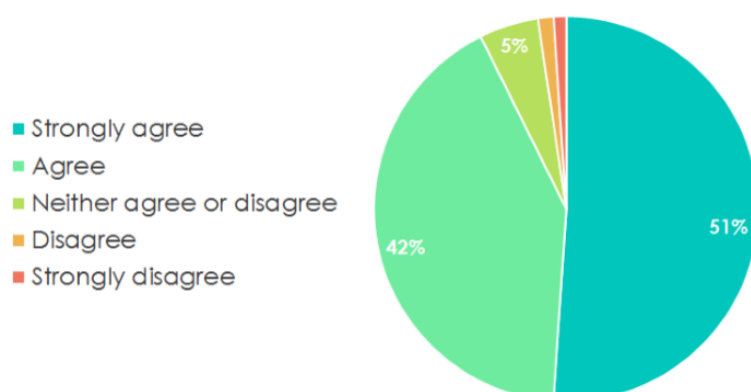
Note: The West Midlands Combined Authority and the Mayor's Office submitted a combined response but they, along with the FBU decided to submit their responses via

email rather than use the WMNow platform. Both these responses can be found in [Appendix 2](#).

(Since the consultation closed the FBU have submitted a report detailing their full response to the consultation, outlining a number of recommendations, this report can be found in the [Background papers](#) section of this paper. Appendix 2 provides the FBU's high level overview submitted prior to the close of the consultation.)

1.4.1 Question 1: Response

To what extent do you agree that we should continue to adopt flexible approaches to managing our resources?



- Strongly Agree: 5476
- Agree: 4480
- Neither agree or disagree: 560
- Disagree: 143
- Strongly Disagree: 117

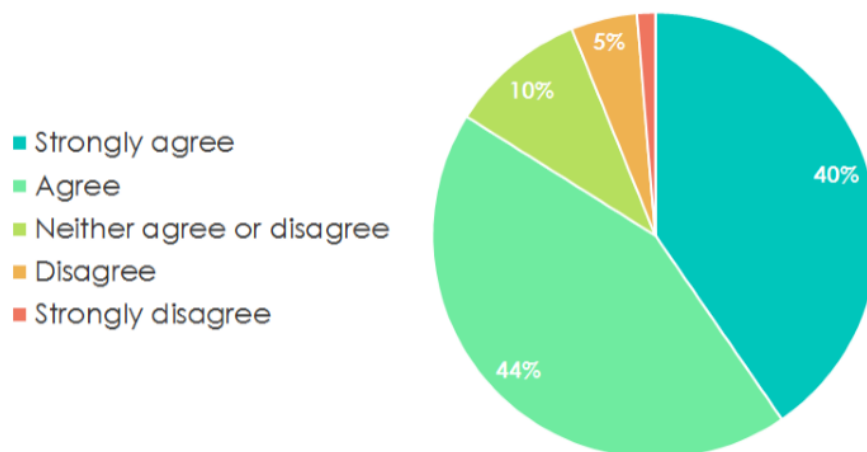
Key Themes:



- 93% Of respondents agree/Strongly agree that we should continue adopt flexible approaches to managing our resources.
- Flexible approaches was the stand out theme within this free text field. Many responses cited the need to be flexible adapt the changing demands on the service whilst embracing new technologies.
- Within the background to this question we made reference to the government funding cuts we have experienced over the past 10 year. This became a key theme within the free text field to this question, with the majority citing whilst they agree with our approach, they felt that we shouldn't be put in this position by government and that funding cuts should be addressed.
- Although not reflected in the word could above, BRVs were a key theme amongst Current or former employees, with a number of respondent taking he opportunity to question the suitability of the vehicle and the safety of 3 people riding an appliance.

1.4.2 Question 2: Prevention – Digital Approaches

To what extent do you agree with the use of technology and digital solutions to complement our face-to-face engagement and delivery of our Safe and Wells?



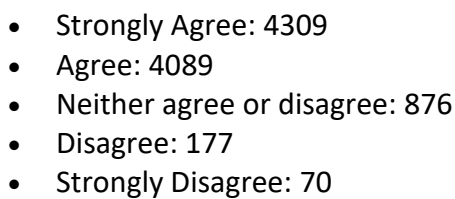
- Strongly Agree: 4056
- Agree: 4374
- Neither agree or disagree: 1004
- Disagree: 486
- Strongly Disagree: 135

- ### Key Themes:



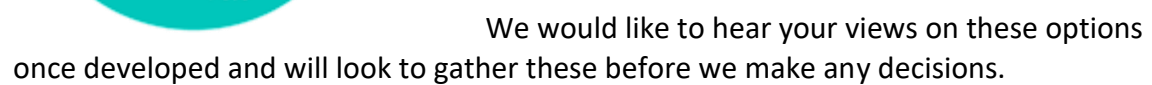
- #### 1.4.4 Question 4: Protection

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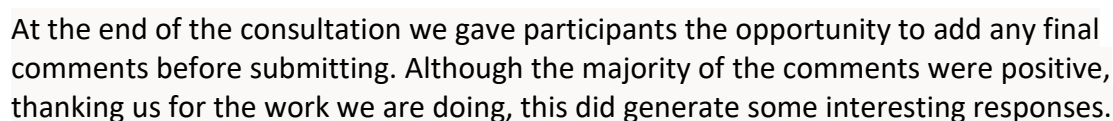
- 88% of respondents Agreed/strongly agreed with developing alternative approaches to responding to Automated Fire Alarms.
- A key theme here that is evident from the above word cloud is that many took the view businesses should take more responsibility for this issue and should be charged for repeated false alarms.
- A concern that was evident in responses was the risk of non-attendance where they may be a fire developing, and that investment in technology is needed to ensure this is not realised.

It is difficult to predict exactly what will be required but planning for various scenarios will enable us to consider the widest range of options, in delivering the highest quality services to our Communities, within a balanced budget.



- Yes: 8932
- No: 340

- #### 1.4.6 Final Comments Free Text Field:



1.5 Methodology

Due to social interaction restrictions placed upon communities and individuals because of the Covid-19 pandemic, it was not possible to undertake public engagement activities using our traditional methods. In previous public consultations WMFS has seen a high proportion of respondents as a result of face-to-face engagement between firefighters and other employees and members of public. During this consultation, this was not possible, and only approximately 5% of responses were as a direct result of WMFS employee engagement.

1.5.2 Online access

The consultation document and supporting information was accessible from the West Midlands Fire Service website (www.wmfs.net) and hosted on the WM Now platform. This allowed respondents to answer the questionnaire with or without registering for further engagement updates from the Service.

WMNow is a free community messaging system developed by VISAV Limited for West Midlands Police that delivers up-to-date information and alerts from the police force as well as other public-sector partners direct to subscribers' inboxes. This service is free for all residents in the West Midlands area, and the system currently has approximately 80k active subscribers.

This direct communication with local people and businesses was successful and accounts for approximately 88% of all responses. WMFS was also able to send out an additional alerts to specific demographic groups later in the consultation period to target under-represented BAME groups and encourage their participation in the consultation.

1.5.3 Social media promotion and 'calls to action'

Other online social platforms played an important part in promoting the consultation and signposting people to the consultation documents and questions. Specifically, the consultation made use of Twitter, Facebook and LinkedIn.

A total of 53 organic posts across the three platforms were posted, additionally six paid-for posts were issued across Facebook and Twitter. This resulted in a total of 189 additional messages from partners and an individual mentioning, talking about or sharing our consultation.

The organic posts were split to highlight specific aspects of the consultation; this is as follows:

- Response Related – 11
- Prevention Related – 13
- Protection Related – 11
- Finance Related – 6
- Generic Posts – 12

The social-digital engagement of the consultation was successful, demonstrated by these metrics on the close of the consultation:

Total number of social posts	59 posts
Total number of people 'reached' through social posts	361,950
Total number of 'engagements' with the posts (likes, shares, 'hearts')	13,304
Total number of clicks (through to the consultation from social post)	1,804

Consultation responses as a result of social media accounted for around 5% of all responses, broken down as:

Facebook	494 responses
LinkedIn	26 responses
Twitter	184 responses

1.5.4 Internal communications and employee engagement

All employees of West Midlands Fire Service were encouraged to take part in the consultation process as well as raise its awareness.

Four specific internal news items were posted to the Service's intranet homepage (Mesh Hub) and the consultation was also included in two Chief Fire Officer updates. In total these six news items were viewed 2,164 times. In addition, there were four posts to the Service's discussion platform, Yammer, which received 1,140 views.

Employees were also encouraged to engage via three organisation-wide emails and through discussion on the MS Teams Middle Manager channel.

- In total, 3.9% (345 people) of respondents identified as either currently or previous WMFS employees.
- 1.6% (145 people) of respondents indicated they had heard of the consultation through engagement with a Fire Station
- 3% (275 people) indicated they had heard of the consultation through engagement with a WMFS Department.

1.5.5 Partner engagement

West Midlands Fire Service communicated directly with a range of partners and stakeholders, allowing them to consider and respond to the public consultation. These include:

- Birmingham Chambers of Commerce
- Local Resilience Forum (LRF) Communication partners
- West Midlands Fire and Rescue Authorities
- National Association of Retired Firefighters
- NHS Clinical Commissioning Groups and NHS Trusts
- Clinically vulnerable members of our communities through Safe and Wells
- West Midlands businesses
- Local MPs & Fire Minister
- Local Authorities
- Representative Bodies
- West Midlands Combined Authorities
- Blue light partners
- Health and Wellbeing Boards
- Public Health England

In total we received 104 responses from Elected representatives (36) and Partner Organisations (68).

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

15 FEBRUARY 2021

1. MONITORING OF FINANCES

Report of the Treasurer.

RECOMMENDED

THAT the report be noted.

2. PURPOSE OF REPORT

2.1 This report deals with the monitoring of the finances of the Authority in the current financial year and covers revenue expenditure and the Capital Programme.

2.2 Expenditure is compared with a profile of the Authority's budget.

3. BACKGROUND

3.1 Revenue Expenditure

3.1.1 The Authority's 2020/2021 Council Tax requirement is £44.485 million and the revenue budget is £100.397 million. As part of the Authority's 2021/2022 budget setting process, the current year's budget has been reviewed. Where appropriate, budgets have been re-aligned and reflect the overall impact of the forecasted COVID-19 related expenditure.

3.1.2 Appendix A compares the revenue budgeted to the end of January 2021 with the actuals to that date. Devolved budgets are managed by the Section responsible for incurring the expenditure as opposed to corporate budgets, which are managed by the named Section on behalf of the Brigade as a whole.

3.1.3 Actual spend to January 2021, including commitments, was £81.359 million compared to a projected budget of £81.408 million, an overall favourable variance of £0.049 million.

3.1.4 The most significant variance relates to:

- Command Delivery, Fire Control & Workforce Planning, mainly due to an underspend on the Operational pay budget.
- In addition to the budget allocated as part of the 2020/21 revised estimates exercise (as at November 2020) for COVID-19 related expenditure above the grant allocation, expenditure remains volatile and so the December 2020 & January 2021 impact is reflected in the monitoring statement (Appendix A). There is an opportunity to claim for additional COVID-19 funding, with submissions needing to be made by 14 February 2021. There is no certainty regarding how successful any claim will be.

3.1.5 Appendix B provides statistical data relating to the Firefighters' Pension Scheme.

3.2 **Capital Expenditure**

3.2.1 The Authority's approved capital programme for 2020/2021 is £7.496 million. A scheme analysis is shown on Appendix C. Expenditure to the end of January 2021 is shown as £1.789 million.

3.2.2 The main forecast variance within the capital programme relates to:

- Vehicle Replacement Programme – delayed purchase of the:
 - Command Support Vehicle,
 - Detection, Identification & Monitoring Vehicle,
 - Water & Foam Units,
 - Community Safety Trailers,
 - Slippage of 6 PRL's to 2021/22.
- Replacement of windows and doors at 7 Fire Stations has been re-phased to 2021/22 due to supplier lockdown during the pandemic.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report, an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

6. **FINANCIAL IMPLICATIONS**

These are contained in the body of the report and the attached Appendices.

BACKGROUND PAPERS

Authority's Budget and Precept Report – February 2020
Finance Office Budget Monitoring Files

The contact officer for this report is Wayne Brown, Deputy Chief Fire Officer, telephone number 0121 380 6907.

MIKE GRIFFITHS
TREASURER

REVENUE MONITORING SUMMARY TO JANUARY 2021

	LATEST BUDGET 2020/2021 £'000	PROFILED BUDGET £'000	ACTUALS + COMMIT -MENTS £'000	VARIANCE TO PROFILED BUDGET £'000
DEVOLVED BUDGETS				
Democratic Representation & Corporate Management	1,195	992	992	-
Corporate Charges	1	1	1	-
Strategy & Organisational Intelligence	1,339	1,076	1,050	-26
Communications	808	639	658	19
Digital & Data	5,250	4,280	4,262	-18
Finance & Resources	5,738	4,553	4,562	9
People Services	788	594	594	-
Training, Health & Wellbeing	5,262	4,288	4,293	5
Prevention, Preparedness & Response	3,281	2,585	2,541	-44
Protection & Organisational Assurance	5,694	4,666	4,631	-35
Command Delivery, Fire Control & Workforce Planning	4,725	3,786	3,739	-47
CORPORATE BUDGETS				
Finance & Resources	14,629	11,023	10,994	-29
Digital & Data	176	94	88	-6
People Services	2,306	1,983	1,969	-14
Training, Health & Wellbeing	171	131	133	2
Protection & Organisational Assurance	44	94	98	4
Command Delivery, Fire Control & Workforce Planning	47,275	39,239	38,970	-269
Other Income & Expenditure	1,715	1,384	1,384	-
COVID-19: Dec 2020 & Jan 2021	0	0	400	400
Appropriation to Reserves				
TOTAL (NET BUDGET REQUIREMENT)	100,397	81,408	81,359	-49
Core Funding	-55,912	-47,945	-47,945	0
TOTAL (COUNCIL TAX REQUIREMENT)	44,485	33,463	33,414	-49

FIREFIGHTERS' PENSION SCHEMES

NON-FINANCIAL INFORMATION	2020/21 PROJECTION				ACTUAL POSITION AS AT JANUARY 2021			
	1992 FPS	2006 FPS	2015 FPS	TOTAL	1992 FPS	2006 FPS	2015 FPS	TOTAL
Members of FPS at 1st April 2020	139	6	1,108	1,253	139	6	1,108	1,253
New Members	-	-	95	95	-	-	48	48
Opt-In (including net auto-enrolment)	-	-	-	-	-	-	3	3
Transitional Members during year	-32	-1	33	-	-28	-	28	-
Transfers from Other Pension Schemes	-	-	4	4	-	-	-	-
Transfers to Other Pension Schemes	-	-	-4	-4	-	-	-1	-1
Retirements	-37	-4	-20	-61	-20	-	-15	-35
Opt-Out	-	-	-20	-20	-	-	-5	-5
Leavers	-	-	-12	-12	-1	-	-11	-12
Ill-Health Retirements	-4	-	-	-4	-	-	-1	-1
Members of the Fire Pension Schemes as at 31 January 2021	90	6	1,154	1,250				

CAPITAL MONITORING STATEMENT 2020/21

Scheme	Year 2020/21	Latest Budget £'000	Actuals January 2021 £'000	Forecast £'000	Variance £'000
<u>LAND & BUILDINGS</u>					
Boiler Replacement Programme	Ongoing	484	228	503	+19
Roof Replacements	Ongoing	87	0	87	-
Windows/Door Replacement	Ongoing	531	14	14	-517
Rewires	Ongoing	328	41	272	-56
Drill Towers / Training Facilities	3 of 3	359	13	359	-
Oldbury Modification	1 of 2	20	0	20	-
Security Works	2 of 2	105	35	105	-
Occupational Health Relocation	2 of 2	116	40	116	-
Coventry Fire Station	6 of 6	84	84	84	-
Aston Fire Station	6 of 7	559	389	437	-122
Health & Safety Works (COVID-19)	1 of 1	256	0	256	-
<u>VEHICLES</u>					
Vehicle Replacement Programme	Ongoing	4,215	655	916	-3,299
<u>ICT & EQUIPMENT</u>					
C&C Upgrade Vision 4 / ESMCP	3 of 3	352	290	352	-
Grand Total		7,496	1,789	3,521	-3,975
<u>Funded By</u>					
Prudential Borrowing		0		0	-
Capital Grants / Contributions		74		74	-
Capital Receipts to be Applied		0		0	-
Revenue Financing / Earmarked Reserves		7,422		3,447	-3,975
TOTAL		7,496		3,521	-3,975
SURPLUS(-)/DEFICIT(+)					

Minutes of the Audit and Risk Committee
--

07 December 2020 at 12.00hrs

Conducted as a digital meeting

Present: Councillor Catherine Miks (Chair), Councillors Barrie, Miller, Spence, Mr Ager, Richard Percival (Grant Thornton) and John Matthews (Sandwell MBC)

Apologies: Councillor Gill (Vice Chair), Karen Gowreesunker (WMFS) Neil Chamberlain (West Midlands Police and Chair of WMFS Pension Board)

Officers in attendance: Martina Doolan, Mike Griffiths, Paul Gwynn, Prakash Singh, Kal Shoker, Gary Taylor

37/20 **Declarations of Interest**

There were no declarations of interest registered.

38/20 **Minutes of the Audit and Risk Committee held on 26 October 2020**

Resolved that the minutes of the Audit and Risk Committee held on 26 October 2020 be approved as a correct record of proceedings.

39/20 **Request for a decision on action to be taken in respect of immediate detriment cases under the McCloud - Sargeant Ruling**

Mike Griffiths introduced the report and passed to Paul Gwynn for presentation of its content. The overall context was summarised that the Government is currently in a consultation process regarding proposals to remove unlawful age discrimination in the fire fighters pension schemes. The changes proposed in the consultation to remove the discrimination (which will subsequently apply across all the main public service pension schemes) will provide members with a choice of which

scheme they would like to be in for the remedy period (the period for the discrimination to be resolved). The remedy period is defined as between 1 April 2015 and 31 March 2022.

Members enquired of the different scenarios affecting staff and of the numbers potentially affected. These were explained by pension scheme and confirmation of approximately sixty persons retiring during the period February 2021 to March 2022.

Members discussed the merits of the guidance and the potential for litigation should it not be applied, or legal advice overturned. Paul Gwynn confirmed that correspondence to fire fighters will explain the law as it stands at the time and if judgements were different benefits would be reviewed and amended as required. Such an approach was mitigating risk for employer and employee.

The Committee **approved** the recommendation that the Scheme Administrator apply the guidance issued by the Home Office to cases where a Firefighter retires on or after 1st February 2021 and to any eligible cases of ill health retirement.

40/20 **Corporate Risk Report**

Gary Taylor presented the report, detailing a nine-month period covering Quarter 4, 2019/20 and Quarters 1 and 2, 2020/21. In addition, the report provided an update on the management of Corporate Risk through the Business Continuity arrangements which were put in place in March 2020. The importance of this was emphasised as it was provided to ensure Members remain informed about all aspects relating to the management of the Fire Authority's Corporate Risks.

It was reported that Corporate Risk continued to effectively managed. Members attention was drawn to the three indicators that experienced an increase or decrease during the period reported.

During Quarter 1, 2020/21 there was a reduction in the risk score for Corporate Risk 1.2 External (Political and Legislative) Environment. This was due to the collaboration across the region including regular liaison with Local Authorities and the West Midlands Combined Authority through formal structures,

e.g. the Strategic Co-ordinating Group and the Local Resilience Forum.

There was a reduction in the risk score for Corporate Risk 2.1 (People). This was due to the positive engagements with staff and representative bodies during the first three months of the pandemic.

There was an increase in the risk score for Corporate Risk 4.1 (Protection). This was due to COVID-19 having an impact on the ability for Fire Safety Inspection Officers being unable to visit high risk premises during the first three months of the pandemic. However, during Quarter 2, 2020/21 this was reduced due to the recommencing of audits of high-risk premises.

The Chair commended the management of risk given the unprecedented circumstances the Service had been operating within during the period of the report. A Member supported this comment, referencing Fire Safety Inspections, enquiring if the supply of increasingly powerful fireworks had impacted upon risk management. Gary Taylor responded that risk calculation had identified private fireworks storage as a potential issue with the absence of public displays. There had been no issues found during Inspections and the associated Prevention Communication strategy in local and social media had assisted this outcome. Members were advised the Service continued to focus upon the potential latent availability of fireworks due to absence of public display provision.

The Committee **approved** the Corporate Risk Assurance Map Summary (Quarter 4, 2019/20 and Quarter 2, 2020/21 and **noted** the management of Corporate Risk through the Business Continuity arrangements for Quarter 1 and 2, 2020/21.

41/20 **Annual Report of the Senior Information Risk Owner**

Gary Taylor introduced the context of the role of a Senior Information Risk Owner (SIRO). It was explained that across the public sector, many organisations produce an Annual Report from the SIRO to provide further detail about performance against specific legislation such as the Data Protection Act 2018 but also to consider the wider risks and mitigations related to information governance.

A presentation summarising the Annual SIRO report (Appendix 2 of the report) was provided by Martina Doolan. Members were informed of the roles and responsibilities hierarchy for managing data/information, the purpose of an annual report, an overview of its content and the key findings. It was confirmed the Service has moved to a proactive position for Management of Information.

A Member welcomed the report as a useful development for managing process and risk, commenting it was positive the Service seeking out good practice within other organisations to develop its approach. The Chair enquired how much poor practice was based upon human error. It was advised that most incidents were due to such circumstances and future training would be based upon case studies to reinforce awareness and practice in this area.

The Chair requested that Gary Taylor consider the Scrutiny Committee being made aware of the Annual SIRO Report and their undertaking a review of staff training regarding management of information. Gary Taylor confirmed he would progress discussion and report back for Member decision, enabling assurance of outcome.

The Committee **noted** the Annual Report of the Senior Information Risk Owner.

42/20 **Verbal Update on Audit Progress - Grant Thornton**

Richard Percival of Grant Thornton provided a verbal update on progress of the West Midlands Fire Service audit for 2019-20.

Members were advised the audit opinion would be delivered prior to Christmas 2020. There is supplementary work being undertaken on the land evaluation and assets parts of the audit. It was explained this was due to perceived gaps in the audit review and was not an issue arising of any work or documents supplied by officers of the Service. It was also confirmed the audit of the West Midlands Pension Fund had been completed and would be considered in relation to any impact on the West Midlands Fire Service audit.

The Chair acknowledged progress and **agreed** to provide comment upon receipt of the audit findings by the Committee.

43/20 **Minutes of the Pensions Board on the 14 May 2020**

The minutes were presented for information to the Audit and Risk Committee in their role as Scheme Manager. There were no matters arising.

The Committee **noted** the content of the minutes.

44/20 **Minutes of the Pensions Board on the 30 July 2020**

The minutes were presented for information to the Audit and Risk Committee in their role as Scheme Manager. There were no matters arising.

The Committee **noted** the content of the minutes.

45/20 **Minutes of the Pensions Board on the 11 September 2020**

The minutes were presented for information to the Audit and Risk Committee in their role as Scheme Manager. There were no matters arising.

The Committee **noted** the content of the minutes.

46/20 **Draft Audit and Risk Work Plan 2020-2021**

The Committee **noted and approved** its work programme for 2020-21.

The meeting closed at 13.10 hours.

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