

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

18 FEBRUARY 2019

1. BUDGET AND PRECEPT 2019/2020 AND BUDGET FORECAST 2020/2021 TO 2021/2022

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 2019/2020 of £96.778 million which includes a Council Tax requirement of £43.215 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 2.99%.

1.1.2 The Authority's capital programme for 2019/2020 to 2021/2022 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 2019/2020 to 2021/2022, 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 to be contained in the 2019–2022 Plan.

- 3.2 As part of the settlement for 2016/17, an offer was made for a multi-year funding settlement. Any Authority wishing to take up the four-year funding settlement to 2019/20 was required to set out their proposals in an Efficiency Plan to qualify for the four-year settlement from April 2016. The Authority at its meeting on 19 September 2016 considered and approved the Financial Efficiency Plan (FEP) which was submitted to the Home Office.
- 3.3 On 13 December 2018, the Secretary of State for Ministry of Housing, Communities and Local Government (MHCLG) announced the provisional settlement for 2019/20 at £52.048m, resulting in a core funding reduction of £0.982m. The Government also proposed a Council Tax referendum threshold of 3% for Fire and Rescue Authorities.
- 3.4 The provisional four-year settlement offer which was originally announced in December 2016 and been confirmed each year, resulting in the following core funding reductions:
- 2016/17 £3.278m
 - 2017/18 £3.962m
 - 2018/19 £1.673m
 - 2019/20 £0.982m

A total reduction over the four-year period (2016/17 – 2019/20) of £9.895m (16% of the 2015/16 core funding).

- 3.5 On 29 January 2019, MHCLG confirmed the Authority's 2019/20 total core funding.
- 3.6 The projected budget includes a number of efficiency measures which were set out in the FEP referred to earlier as well as enabling any actions to be undertaken arising out of the Authority's Corporate Risk Register. 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.

- 3.7 To support the resolution of the Trade Dispute, on 6 June 2018 the Executive Committee took a decision to withdraw new entrants' contracts. These contracts enabled the ongoing delivery, within the current Service Delivery Model, of new activities that were linked to the Authority's strategy including commissioned health work.
- 3.8 The Authority's approved FEP included £2m Alternative Funding to be generated by 2019/2020. Due to the change in strategic direction and subsequent withdrawal from delivering commissioned health activities, the £2m target is unachievable. In addition, funding of £0.6m for Disturbance Allowance and £0.3m to maintain the Late Shift Allowance, was provided for in the 2018/19 budget from Reserves. This was in anticipation that both Allowances would cease from 2019/20 onwards. The failure to achieve the removal of these Allowance creates further budget pressures and an overall shortfall in the approved FEP of circa £3m.
- 3.9 As a consequence of the above, it was recognised at the Executive Committee meeting on 6 June 2018, that Service changes would be required to enable a budget to be produced for the Authority in February 2019, reflecting new areas of savings to replace the previously approved FEP.
- 3.10 At the Fire Authority Meeting on 17 September 2018, Members noted the need for further ongoing revenue savings in future years (highlighted originally in the budget report presented to Members on 19 February 2018), due to additional anticipated Government funding reductions from 2020/21 onwards combined with the need for investment in the Protection function and Support Services. At the subsequent Authority meeting on 19 November 2018, Members approved an investment in the Protection function from 2019/20 of approximately £0.6m.
- 3.11 The 2019/20 shortfall in the FEP (£3m), together with the Fire Authority approved investment in the Protection Function (£0.6m) requires savings of £3.6m to be made in 2019/20 in order to achieve a balanced budget. Any additional investments in Support Service would add a corresponding amount to the scale of total savings required. The 2019/20 budget reflects the assumption that the proposed flexible, risk-based management of resources on a daily basis would provide the basis of achieving the required level of savings, specifically by a reduction in employee related costs.

3.12 Details of the proposed 2019/20 budget are set out in Appendix A, together with revisions to the current year's budget (the 2019/20 budget is replicated for information in the Service Reporting Code of Practice format in Appendix C).

Business Rates Retention

- 3.13 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.
- 3.14 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.
- 3.15 The Chancellor announced in the Spending Review in November 2015 the intention to localise 100% of business rates to local authorities by 2019/20. In July 2016, Communities and Local Government (CLG) issued the first consultation exercise in relation to the significant proposed changes to Local Government funding arrangements. The consultation included 36 questions, with one Fire Service specific question seeking views as to whether Fire funding should be removed from the business rates retention scheme, with Fire funding provided through a separate grant administered through the Home Office.
- 3.16 However the Local Government Finance Bill, which contained provision for 100% retention, fell when Parliament was dissolved for the June 2017 General Election. It was not revived in the Queen's Speech but the Government has confirmed it is still committed to the reforms.
- 3.17 The Secretary of State for MHCLG announced in the provisional settlement for 2019/20 the Government's aim to increase the local share of business rates retention to 75% from 2020/21 in a way that is fiscally neutral. It is also intending to implement reforms to the business rates retention system to ensure local councils have the levers and incentives they need to grow their local economies.

Fair Funding Review

- 3.18 The Fair Funding Review will affect how funding is allocated and redistributed between local authorities. It is currently proposed that the new arrangements will be introduced from 2020/21 .
- 3.19 The Review will 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 Review has identified a strong rationale for retaining a separate funding formula for Fire and Rescue Services in the needs assessment. The Government has 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 have not produced any 'exemplifications' of what the impact might be for each individual Fire and Rescue Authority but have indicated there could potentially be significant changes compared to the current funding shares.
- 3.22 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.
- 3.23 Another option under consideration is to develop a multi-level model using fire incident data as a proxy for relative risk. Fire incident data is available at a more granular level and allows the testing of a more sophisticated multi-level model to analyse data. Preliminary analysis demonstrates this is a viable approach, although further work and views from the sector are needed to determine if fire incidents adequately reflect fire service activities.

3.24 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. However, this review adds another complexity and volatility to long term financial planning.

Update of 'The Plan'

3.25 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.

3.26 The Authority consulted the public in 2017 and this provided the opportunity for the public to influence the way the Service works. The Community Safety Strategy (the Integrated 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 an average five-minute risk based attendance standard for the most serious emergencies. However, following the Executive Committee decision on 6 June 2018 to remove new entrants' contracts it was recognised this would result in the need for a change in the Authority's strategy which is reflected in the Plan 2019-2022.

3.27 'The Plan' sets the Authority's strategic direction for the next three years and defines those outcomes, priorities and strategic objectives which are to be provided with reduced funding and resources.

Firefighters Pension Scheme – Employers Contributions

3.28 HM Treasury announced changes to the discount rate for unfunded public sector pensions on 6 September 2018. This, combined with the earlier announcement at Budget 2016, has resulted in a reduction to the discount rate from 3% to 2.4%, and has the effect of increasing the employer contributions (to include ill-health costs) from an average 17.6% to 30.2% from April 2019.

- 3.29 The Government Actuary's Department has estimated that the additional cost to the Fire sector would be around £107m per annum. However, HM Treasury has provided additional funding in 2019/20 in order to mitigate most of this increase, with the sector paying only the additional costs announced at Budget 2016 (a reduction in the discount rate from 3% to 2.8%). This means that the Fire sector will pay approx. £10m of the additional costs in 2019/20, with the remaining £97m being provided via a grant under s31 Local Government Act 2003.
- 3.30 For this Authority the increase in the 2019/20 Employer's Pension contributions is estimated to be £5.3m. A s31 government grant of £4.9m has been allocated in 2019/20. The budget forecasts from 2020/21 reflect a continuation of this arrangement. However, a reduction or complete removal of the S31 arrangement would create an ongoing budget pressure of up to circa £5m.

Firefighters Pension Scheme – Court of Appeal judgement

- 3.31 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.
- 3.32 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.
- 3.33 The judgement remits it to the employment tribunal to consider remedy. The Government have submitted an application for permission to appeal to the Supreme Court. This means that any remedy hearing at the Employment Tribunal will not take place until all the issues around the appeals are resolved. It is therefore not likely to understand what this means for pension scheme members and their benefits for some time. It is estimated that the increase in employer's contribution, for this Authority, if members moved back to the 1992 Scheme would be in the region of £1.5m per annum. For the purpose of setting the 2019/20 and medium-term budget requirements, pension budgets have been calculated based on the current regulations.

4. **PRECEPT 2019/2020**

- 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 713,120.04 (701,960.99 in 2018/19).
- 4.3 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.
- 4.4 The Council Tax at Band D for 2019/20 would be £60.60, an increase of 2.99% (£1.76) per annum.

5. **FUNDING OF EXPENDITURE 2019/2020**

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

	£000
Core Funding	52,048
Section 31 Grant	1,015
Share of Collection Fund Surplus / (Deficit)	500
Council Tax	43,215
Net Revenue Budget	96,778

In addition to external funding, it is estimated that the Authority will generate income of £3.079m (£3.877m in 2018/19) (Appendix D). The 2019/20 budget also assumes the use of £1.1m general balances.

6. **GENERAL BALANCES STRATEGY**

- 6.1 Based on the current forecast of net expenditure in 2018/19, the Authority's General Balances at 1 April 2019 would be approximately £6.9 million. At this level, the amount of General Balances would equate to 7.1% of the Authority's 2019/2020 Net Revenue Budget. The actual level of General Balances at 1 April 2019 will not be determined until the completion of the Authority's 2018/2019 closedown of accounts process.

- 6.2 When the Medium Term Financial Plan was approved by the Authority on 19 February 2018, due to the estimated scale of Government funding reductions in future years and increased budget pressures (particularly the impact of higher pay award assumptions), the further use of General Balances was anticipated in 2019/20 and 2020/21.
- 6.3 As part of considering the Authority's 2019/20 budget, the overall funding requires the use of £1.1 million General Balances to support the Net Revenue Budget requirement, which includes an estimated 2% pay award assumption (compared to 1% allowed for when the FEP was established). This would result in the Authority's available General Balances being approximately £5.8 million by the end of 2019/20 (6% of the Authority's 2019/2020 Net Revenue Budget).
- 6.4 The four-year finance settlement comes to an end in March 2020. There is no clarity over funding levels, nationally and 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.
- 6.5 Whilst the Government settlement figures up to 2019/20 have provided some greater funding certainty than previously, additional potential budget pressures, e.g. anticipated increases in firefighter pension employer rates, further anticipated Government funding reductions beyond this time period and a lack of any direct capital and transformation funding being available, means that the level of General Balances is estimated to be approximately £5 million by the end of 2020/21, which is considered appropriate given the issues highlighted.
- 6.6 However, it should be recognised that the use of General Balances is not a sustainable means of funding the Authority's revenue budget. Consequently, consideration needs to be given to further Service changes, from 2021/22, which currently shows a budget deficit of £1.7m (Appendix H) to reduce the reliance on General Balances and to set a budget from this point without the use of General Balances. The intended strategy for the use of General Balances is shown in Appendix J2.

7. CAPITAL PROGRAMME

7.1 At the Authority meeting on 19 February 2018, 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
2019/2020	6.524
2020/2021	3.153
2021/2022	3.359

The full list of projects is shown on Appendix E.

7.3 A forecast of resources covering the period 2019/20 to 2021/22 is shown below:

	2019/20 £m	2020/21 £m	2021/22 £m
Capital Receipts	-	-	2.249
Capital Grants	-	-	-
Revenue Funding	6.524	3.153	1.110
Total Capital Resources	6.524	3.153	3.359

7.4 The table below compares the expenditure on those projects within the capital programme which are committed and the projected resources outlined in paragraph 7.3:

	2019/20 £m	2020/21 £m	2021/22 £m
Projected Resources	6.524	3.153	3.359
<u>Less: Commitments</u>	6.524	3.153	3.359
Funding Surplus/(Deficit)	-	-	-

7.5 At the time of announcing the funding settlement for 2019/20, 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.

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 2019/20 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 2019/2020 TO 2021/2022 BUDGET

- 9.1 In preparing the draft revenue budget for 2019/20, an expenditure forecast for 2020/21 to 2021/22 has also been undertaken by “rolling forward” the 2019/20 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 2019/20 is the final year of the four-year settlement. In the Secretary of State for MHCLG settlement announcement, there was no indication of further funding levels beyond 2019/20. In planning for 2020/21 onwards, a reduction of 2% has been assumed to the overall core funding. 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 £0.5m 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 assuming the financial settlement reductions to core funding to 2019/20 and estimated reduction of 2% in 2020/21 and 2021/22 (with a Band D Council Tax increase of 2.99% in 2019/20, 2020/21 and 2021/22)

	2019/20 £m	2020/21 £m	2021/22 £m
Net Budget Requirement	96.8	97.9	100.6
Core Funding	52.1	51.0	50.0
Section 31 Grant	1.0	1.0	1.0
Council Tax	43.2	45.2	47.2
Council Tax Surplus	0.5	0.7	0.7
Available Resources	96.8	97.9	98.9
Annual Surplus/(Deficit)	-	-	(1.7)

- 9.4 Progress of delivery against the FEP is provided in Appendix H4

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 is forecast to be £6.9m, of which £1.1m will be utilised to help fund the 2019/20 budget, reducing the level of available General Balances to £5.8m, approximately 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 2017/2018 closedown exercise. A review of these reserves will be undertaken as part of the Authority's 2018/2019 closedown of accounts process.
- 10.6 Based on known circumstances and financial risk assessment, it is felt that adequate earmarked reserves and provisions were created to meet legal and expected liabilities, as at 31 March 2018. 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 2019 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 2021/22 shows a shortfall of £1.7m. Attention needs to be given to the Service adjustments that would be required to set a balanced budget for that year. However, 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 and the treatment of firefighter pension related issues, 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

Executive Report 6 June 2018 – Delivery of The Plan 2018/2021

Authority Report 17th September 2018 – Revising The Strategy 2018 – 2022

Authority Report 17th September 2018 – Strategy Options 2019 – 2022

Authority Report 19th November 2018 – Revising The Strategy 2019 – 2022

Authority Report 19th November 2018 – Investment in Protection Resources

District Leaders' Meeting 7 December 2018

Policy Planning Forum 4 February 2019

The Plan 2019–2022

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

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

APPENDIX A**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****SUMMARY OF 2018/2019 AND 2019/2020 BUDGET**

	Original Budget 2018/19	Revised Budget 2018/19	Original Budget 2019/20
	£000s	£000s	£000s
<u>Expenditure</u>			
Employees	85,215	85,974	*89,797
Premises	5,643	5,261	5,763
Transport	1,340	1,451	1,470
Supplies & Services	7,304	7,898	7,452
Capital Financing	15,620	8,903	10,318
Appropriations to Reserves	100	100	100
Total Expenditure	115,222	109,587	114,900
<u>Income</u>			
Core Funding (Formula Grant)	(53,030)	(53,415)	(52,048)
Other Government Grant	(1,890)	(2,352)	*(7,118)
Income from Services	(3,877)	(3,634)	(3,079)
Collection Fund (Surplus) / Deficit	(466)	(466)	(500)
Appropriations from Reserves	(14,654)	(8,415)	(8,940)
Total Income	(73,917)	(68,282)	(71,685)
COUNCIL TAX REQUIREMENT	41,305	41,305	43,215
Collection Fund Surplus / (Deficit)	466	466	500
Core Funding (Formula Grant)	53,030	53,030	52,048
Section 31 Grant	676	676	1,015
NET REVENUE BUDGET	95,477	95,477	96,778

* 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 2.99%

- 1.1 THAT it be noted that the constituent District Councils have formally set their Council Tax bases for the year 2019/2020 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	251,580.00
Coventry	83,400.10
Dudley	92,253.95
Sandwell	74,150.81
Solihull	76,946.00
Walsall	70,792.74
Wolverhampton	63,996.44
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	713,120.04

- 1.2 THAT the following amounts be now calculated by the Authority for the year 2019/2020 in accordance with Sections 40 to 48 of the Local Government Finance Act 1992:

- 1.2.1 £114,900,000 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 £71,685,080 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 £43,214,920 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 £60.60 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	40.399856	40.40
	B	47.133165	47.13
	C	53.866475	53.86
	D	60.599784	60.60
	E	74.066403	74.07
	F	87.533021	87.53
	G	100.999640	101.00
	H	121.199568	121.20

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	15,245,694
Coventry City Council	5,054,028
Dudley MBC	5,590,569
Sandwell MBC	4,493,523
Solihull MBC	4,662,911
Walsall MBC	4,290,025
Wolverhampton City Council	<u>3,878,170</u>
Total	<u>43,214,920</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 AUTHORITYSUMMARY OF 2018/2019 AND 2019/2020 BUDGETSERVICE ANALYSIS

	2018/19 £'000	2018/19 £'000	2019/20 £'000
<u>Devolved Budgets</u>			
Corporate Management	2,616	2,538	2,592
Corporate Charges	580	542	388
<i>Service Support:</i>			
People Support Services	6,033	6,452	6,285
Finance & Resources	5,072	5,117	5,314
I.C.T	4,211	4,918	4,441
Intelligence & Innovation	1,447	1,740	1,520
Business Development	94	115	95
<i>Service Delivery:</i>			
Operations	52,848	52,899	52,220
<u>Corporate Budgets</u>			
Service Support	15,953	15,699	17,138
Service Delivery	5,005	5,069	5,245
Other Income & Expenditure	1,618	388	1,540
NET REVENUE BUDGET	95,477	95,477	96,778

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

SERVICE INCOME BUDGETS 2018/19 AND 2019/20

	Original Budget 2018/19	Revised Budget 2018/19	Original Budget 2019/20
	£000s	£000s	£000s
Fees and Charges:			
- Fire Control & Contact Centre	956	959	991
- NFCC	350	350	350
- Training	296	326	314
- Child Care Vouchers	-	240	240
- ICT	111	111	111
- External Contracts	102	127	57
- Mutual Assistance	70	70	35
- Fire Engineering	100	117	5
- Room Hire	40	56	54
- Transport Engineering Workshops	31	81	75
- Other	227	293	242
Sales	104	104	104
Alternative Funding	1,000	250	0
Rents - Property	114	89	125
Interest	300	385	300
Other Income	76	76	76
TOTAL SERVICE INCOME	3,877	3,634	3,079

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

CAPITAL PROGRAMME 2019/2020 TO 2021/2022

Scheme	Project Year In 2019/20	2019/20 £000s	2020/21 £000s	2021/22 £000s
<i>Committed Schemes:</i>				
Vehicle Replacement Programme	On-going	3,254	2,404	2,772
Aston Fire Station	5 of 5	2,159	-	-
Drill Towers / Training Facilities	2 of 2	290	-	-
Boiler Replacement Programme	On-going	151	171	-
Rewires	On-going	321	195	192
Windows & Door Replacements	On-going	276	234	175
Roof Replacement	On-going	73	149	220
TOTAL COMMITMENTS		6,524	3,153	3,359
<i>Projected Resources Available:</i>				
Prudential Borrowing		-	-	-
Capital Receipts		-	-	2,249
Capital Grants		-	-	-
Earmarked Reserves/DRF		6,524	3,153	1,110
TOTAL PROJECTED RESOURCES		6,524	3,153	3,359
FUNDING SURPLUS/(DEFICIT)		-	-	-

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

TREASURY MANAGEMENT STRATEGY 2019/2020

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 2019-20, 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 2019/20

The strategy for 2019/20 covers two main areas:

Capital Issues

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

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
- 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.

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 2019/20 – 2021/22

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 2019/20 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.

2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
£41m	£40m	£39m	£38m

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:

2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
£45m	£44m	£43m	£42m

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 Asset Services Interest Rate View													
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowing significantly during the last quarter. At their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

Borrowing interest rates have been volatile so far in 2018/19 and while they were on a rising trend during the first half of the year, they have backtracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

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 2019/20 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:

	2019/20	2020/21	2021/22
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 2018/19			
	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 2018/19			
	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

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

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the 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.

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, then 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 & Poors (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.

UK banks – ring fencing

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

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

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

4.3 Country 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. Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

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:

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.50%
- 2021/22 1.75%
- 2022/23 1.75%
- 2023/24 2.00%
- Later years 2.50%

The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

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	2019/20	2020/21	2021/22
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 2019 – 2022

Link Asset Services Interest Rate View													
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
Capital Economics	0.75%	1.00%	1.25%	1.50%	1.70%	1.75%	2.00%	2.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
Capital Economics	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.96%	3.08%	3.33%	3.58%	3.53%	3.48%	3.43%	3.38%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%	-	-	-	-	-

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 2017/18 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

2017/18 £000 Actual	2018/19 £000 Estimate	2019/20 £000 Estimate	2020/21 £000 Estimate	2021/22 £000 Estimate
4,527	11,342	6,524	3,153	3,359

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2017/18 are:

2017/18 % Actual	2018/19 % Estimate	2019/20 % Estimate	2020/21 % Estimate	2021/22 % Estimate
2.72	2.57	2.61	2.62	3.16

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 2018 are:

31/03/18 £000 Actual	31/03/19 £000 Estimate	31/03/20 £000 Estimate	31/03/21 £000 Estimate	31/03/22 £000 Estimate
37,977	37,115	36,201	35,229	34,197

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 2017/18, 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.

2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
46,000	45,000	44,000	43,000	42,000

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.

2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
42,000	41,000	40,000	39,000	38,000

10. The Authority’s actual borrowing at 31 March 2018 was £37.4m. 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 2018/2019 (see paragraph 7 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

NET EXPENDITURE BUDGET FORECAST 2020/2021 TO 2021/2022

	Budget 2020/21	Budget 2021/22
Subjective Heading	£000s	£000s
Employees	91,300	93,000
Premises	5,300	5,800
Transport	1,500	1,500
Supplies & Services	7,200	7,300
Capital Financing	10,400	7,200
Income	-9,300	-9,500
Appropriations	-8,500	-4,700
NET EXPENDITURE	97,900	100,600
Available Funding	97,900	98,900
Surplus/(Deficit)	-	-1,700

Note

Budget forecast for 2020/21 and 2021/22 assume:

- A Council Tax increase of 2.99% in 2020/21 and 2021/22.
- Achieving the savings identified in the FEP.
- Inflation assumptions as shown on Appendix H2.
- An assumed £0.6m business rates rebate in 2020/21.
- 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 19	2.0
	July 20	2.0
	July 21	2.0
- Non-Uniformed Staff		
	April 19	2.0
	April 20	2.0
	April 21	2.0
General Prices:		
	April 19	2.0
	April 20	2.0
	April 21	2.0
Pensions Increase Order:		
	April 19	2.4
	April 20	2.0
	April 21	2.0
Residential Rents:		
	April 19	3.5
	April 20	2.0
	April 21	2.0

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	£660k (£500k part year)
Employers Firefighters Pension Contribution	£770k
Interest payable	£360k
Non-uniformed pay award	£146k
General inflation	£80k
Energy costs	£12k
Fuel	£6k

Income

Core Funding	£520k
Council Tax	£432k
Interest receivable	£290k

APPENDIX H4

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

PROGRESS AGAINST THE EFFICIENCY PLAN

Efficiency Plan Saving Forecast 2016/17 – 2019/20

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Staffing	2.1	1.3	0.4	0.2	4.0
Alternative Funding	0.2	0.8	1.0	-	2.0
Internal Restructures	0.4	0.6	-	-	1.0
Service Reductions	1.0	-	-	-	1.0
Council Tax Base	0.9	0.4	0.4	0.3	2.0
TOTAL	4.6	3.1	1.8	0.5	10.0

Actual Saving Achieved 2016/17 & 2017/18 and Estimate for 2018/19 & 2019/20

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Staffing	1.3	1.3	0.4	3.0	6.0
Internal Restructures	0.5	0.3	0.1	0.1	1.0
Service Reductions	0.9	0.3	-	-	1.2
Council Tax Base	0.9	0.7	0.7	0.7	3.0
TOTAL	3.6	2.6	1.2	3.8	11.2

Note: Alternative Funding is no longer reflected in the actual savings achieved.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

SCENARIO ANALYSIS

2019/20 is the final year of the four-year settlement. In the Secretary of State for MHCLG provisional settlement announcement in December 2018, there was no indication of further funding levels beyond 2019/20. In planning for 2020/21 onwards, a further reduction of 2% has been assumed to the overall core funding. Furthermore, the impact of a further 1% or 2% reduction to the core funding is shown in 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	51,007,000	-2.0%	-1,041,000
2021/22	49,987,000	-2.0%	-1,020,000

Further 1% Core Funding Reduction in 2020/21 and 2021/22

Financial Year	£ Core Funding	% Reduction	£ Reduction
2019/20	53,048,000		
2020/21	51,457,000	-3.0%	-1,591,000
2021/22	49,913,000	-3.0%	-1,544,000

Further 2% Core Funding Reduction in 2020/21 and 2021/22

Financial Year	£ Core Funding	% Reduction	£ Reduction
2019/20	53,048,000		
2020/21	50,926,000	-4.0%	-2,122,000
2021/22	48,889,000	-4.0%	-2,037,000

Should the core funding reductions in 2020/21 and 2021/22 be 1% lower than currently indicated, the table below shows the impact of the reductions.

Financial Year	£ Core Funding	% Reduction	£ Reduction
2019/20	53,048,000		
2020/21	52,518,000	-1.0%	-530,000
2021/22	51,993,000	-1.0%	-525,000

APPENDIX J

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

RESERVES STRATEGY

RESERVES	31/03/18 £000s	31/03/19 £000s	31/03/20 £000s	31/03/21 £000s	31/03/22 £000s	31/03/23 £000s
Earmarked Reserves						
Capital						
Fire Station Improvements/Investments	9,069	3,353	0	0	0	0
Forecast Capital Program Shortfall	10,951	8,177	3,737	584	0	0
Insurance						
Insurance Reserve	7,188	7,188	7,188	7,188	7,188	7,188
Other						
Digital Transformation	324	100	0	0	0	0
Gains Share	250	190	95	0	0	0
Holiday Pay	107	0	0	0	0	0
Seconded Staff	13	15	0	0	0	0
Service Review	2,088	800	400	0	0	0
Business Development						
Project Management/Support	67	0	0	0	0	0
Communications						
Communications/Media Events	16	19	4	0	0	0
Community Engagement	21	0	0	0	0	0
Finance & Resources						
Loss of Use Recovery	50	77	37	0	0	0
Procurement Collaboration	23	0	0	0	0	0
Procurement of Operational Equipment	218	97	0	0	0	0
Property Maintenance	1,210	1,038	986	901	311	15
ICT						
ESMCP-Local Transition	1,916	1,717	734	0	0	0
Firelink	278	0	0	0	0	0
IT Equipment & System Upgrades	1,405	480	150	0	0	0
Intelligence & Innovation						
Care Quality Commission	59	0	0	0	0	0
Distributed Training Model (DTM)/ERP	1,000	2,000	1,000	0	0	0
Firefighting & Rescue Equipment	10	0	0	0	0	0
Legal Services	96	31	0	0	0	0
Project Management/Support	159	13	7	0	0	0
People Support Services						
Health & Wellbeing	169	85	24	12	0	0
Staff Training & Development	370	41	0	0	0	0
Time Management System	29	25	0	0	0	0
Training Equipment/Facilities	136	44	0	0	0	0
Prevention						
Community Partnerships	446	310	91	0	0	0
Education Materials/Facilities	65	32	13	0	0	0
Youth Services	9	12	6	0	0	0
Protection						
Fire Safety	11	0	0	0	0	0
Response						
Service Delivery	408	180	73	0	0	0
Tech Rescue	823	775	609	444	234	0
Total Earmarked Reserves	38,984	26,799	15,154	9,129	7,733	7,203
General Reserve	8,390	6,890	5,790	5,040	5,040	5,040
% Net Revenue Budget	8.8%	7.1%	6.0%	5.0%		
Total Reserve Balances	47,374	33,689	20,944	14,169	12,773	12,243

Further information on the Reserves Strategy can be found at:
<https://www.wmfs.net/about-us/openness/documents/>