

Fire & Rescue Service Headquarters Summergroves Way Kingston upon Hull HU4 7BB
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To: Members of the Governance, Audit and Scrutiny Committee	Enquiries to: Samm Campbell Email: committeemanager@humbersidefire.go.uk Tel. Direct: (01482) 393205 Date: 24 February 2022
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Dear Member

I hereby give notice that a meeting of the **GOVERNANCE, AUDIT AND SCRUTINY COMMITTEE** of Humberside Fire Authority will be held on **MONDAY 7 March 2022 at 10.00AM** at HUMBERSIDE FIRE & RESCUE SERVICE HEADQUARTERS, SUMMERGROVES WAY, KINGSTON UPON HULL, HU4 7BB.

Public and press attendance at meetings

Due to current social distancing requirements, a **maximum of 4 people** will be permitted entry to the public gallery - **places must be booked in advance** by contacting the Committee Manager on the contact details above.

The business to be transacted is set out below.

Yours sincerely



Mathew Buckley
Monitoring Officer & Secretary to Fire Authority

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A G E N D A

Business	Page Number	Lead	Primary Action Requested
<u>Procedural</u>			
1. Apologies for absence	-	Monitoring Officer/ Secretary	To record
2. Declarations of Interest (Members and Officers)	-	Monitoring Officer/ Secretary	To declare and withdraw if pecuniary
3. Minutes of the meeting of 7 February 202	(pages 1 - 11)	Chairperson	To approve

Business	Page Number	Lead	Primary Action Requested
4. Matters arising from the Minutes, other than on the Agenda	-	Chairperson	To raise
<u>Governance</u>			
5. Update: Matters Arising/ Feedback from Fire Authority	verbal	Chairperson and Monitoring Officer/ Secretary	To consider and make any recommendations to the HFA
<u>Audit</u>			
6. Draft Internal Audit Plan 2022/23	(pages 12 - 18)	Internal Audit (TIAA)	To consider and make any recommendations to the HFA
7. External Audit Update	(pages 19 - 34)	Mazars	To consider and make any recommendations to the HFA
8. External Audit Strategy Memorandum	(papers to follow)	Mazars	To consider and make any recommendations to the HFA
<u>Finance and Performance</u>			
9. Treasury Management and Capital Expenditure Strategy 2022/23	(pages 35 - 76)	Head of Finance	To consider and make any recommendations to the HFA
10. HMICFRS Inspection Update	Verbal	Director of Service Improvement	To consider and make any recommendations to the HFA
<u>Scrutiny Programme</u>			
11. Workforce Monitoring and Planning (Revision of Workforce Plan)	(pages 77 - 85)	Director of People and Development	To consider and make any recommendations to the HFA
12. GAS Committee Scrutiny Programme 2021/22	(pages 86 - 92)	Monitoring Officer/Secretary	To approve
13. Any Other Business	-	All Members	To raise

Under the Openness of Local Government Bodies Regulations 2014 members of the public may film, record, take photographs or use social networking during Authority and committee meetings that are open to the public. *The Monitoring Officer/Secretary kindly requests advance warning from anyone wishing to film, record or take photographs during open meetings so that suitable provision can be made.*

HUMBERSIDE FIRE AUTHORITY
GOVERNANCE, AUDIT AND SCRUTINY COMMITTEE

7 FEBRUARY 2022

PRESENT: Independent Co-opted Members Mr D Chapman (Chairperson), Mr J Doyle, Mrs P Jackson, Mr A Smith and Mrs M Thomlinson.

Councillor Briggs and Councillor Green attended as observers.

Phil Shillito - Deputy Chief Fire Officer/Executive Director Service Delivery, Niall McKiniry - Assistant Chief Fire Officer, Jason Kirby - Temporary Director of People and Development, Paul McCourt - Director of Service Delivery, Simon Rhodes - Temporary Director of Service Improvement, Steve Topham - Director of Service Delivery Support, Martyn Ransom - Head of Finance, Mathew Buckley - Monitoring Officer/Secretary, and Samm Campbell - Committee Manager were also present. Andy McCulloch - Internal Audit (TIAA) and Ross Woodley (Mazars) attended remotely.

The meeting was held at the Humberside Fire and Rescue Service Headquarters, Kingston upon Hull. Meeting commenced at 10.00 a.m.

PROCEDURAL

1/22 APOLOGIES FOR ABSENCE - There were no apologies for absence.

2/22 DECLARATIONS OF INTEREST - There were no declarations of interest.

3/22 MINUTES - *Resolved* - That the minutes of the meeting of the Committee held on 15 November 2021 be confirmed as a correct record.

4/22 MATTERS ARISING FROM THE MINUTES, OTHER THAN ON THE AGENDA - There were no matters arising from the minutes.

GOVERNANCE

5/22 UPDATE: MATTERS ARISING/FEEDBACK FROM FIRE AUTHORITY - The Monitoring Officer/Secretary provided feedback on items considered by the Fire Authority at its meeting of 3 December 2021.

Resolved - That the update be received.

Audit

6/22 EXTERNAL AUDIT ANNUAL REPORT 2020/21 - Ross Woodley (Mazars) presented the external audit annual report 2020/21.

Resolved - That the report be received.

7/22 INTERNAL AUDIT UPDATE - Andy McCulloch (TIAA) presented a report updating the Committee on progress in relation to the internal audit process.

The three individual audit reports referred to in the internal audit update had been circulated to Members prior to the meeting:

1. Data Quality - Risk Information Enforcement
2. Out of Hours Arrangements

3. Shift Productivity (Follow-up)

There were no proposed changes to the remainder of the 2021/22 audit plan, and no Priority 1 recommendations had been issued since the Committee's previous meeting. Work was underway in relation to the audit plan for 2022/23, and it would be adapted to take account of the outcomes of the Service's inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services during December 2021 and January 2022.

Resolved - That the update be received.

FINANCE AND PERFORMANCE

8/22 2021/22 ANNUAL ACCOUNTS CLOSEDOWN TIMETABLE - The Head of Finance presented a report summarising the annual accounts closedown timetable for 2021/22.

The Service would work with Mazars to agree the annual accounts closedown timetable, and aimed to present the Service's audit accounts by the end of November 2022.

Resolved - That the annual accounts closedown timetable be received.

9/22 PUBLIC SECTOR AUDIT APPOINTMENTS - The Head of Finance presented a report which would seek the Fire Authority's approval to allow Public Sector Auditor Appointments (PSAA) to act on its behalf to appoint an external auditor.

Mazars was contracted to undertake external audit duties for the Authority until 2022/23. Through PSAA the Authority would look to appoint an auditor until 2027/28. While Mazars had experienced difficulties in producing the final audited accounts for the Authority, so had the other nine audit firms that the Authority could have contracted with.

Resolved - that the report be received.

10/22 REVIEW OF ANTI-FRAUD RELATED POLICIES - The Temporary Director of Service Improvement presented drafts of the following anti-fraud related policies due to be considered for approval by the Fire Authority:

1. Anti-Fraud and Corruption Policy
2. Anti-Money Laundering Policy
3. Anti-Bribery Policy
4. Whistleblowing Policy

Resolved - That the draft anti-fraud related policies be received.

11/22 HMICFRS INSPECTION UPDATE - The Temporary Director of Service Improvement provided the Committee with a verbal update in relation to Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service's (HMICFRS).

At the time of the meeting, the Service was undergoing the final week of a six-week inspection by HMICFRS. The Inspectorate had reviewed significant amounts of data during the early stages of its inspection, which had been conducted both on-site and remotely.

Resolved - That the update be received.

SCRUTINY PROGRAMME

12/22 MANAGEMENT OF RISK AT ON-CALL FIRE STATIONS - The Director of Service Delivery submitted a report in response to the scope within the Committee's Scrutiny Programme for 2021/22.

TIAA's recent audit of data quality and risk information enforcement had yielded a judgement of 'reasonable assurance'. Operational risk information underpinned the Service's approach to emergency response, enabling it, for example, to work tactically to prevent incidents from becoming worse, or from damaging national infrastructure. As Outlined in the Service Delivery Operational Risk Management Policy (appendix 1), the Service had a statutory duty under the Fire and Rescue Services Act 2004 and the Civil Contingencies Act 2004 to gather, assess and share risk information to mitigate the impact of emergency incidents. The Service was proactive in identifying, obtaining, assessing, recording, and disseminating operational risk information to all 31 fire stations, including 19 on-call-only stations. The adopted approach follows nationally developed protocols from Fire and Rescue National Operational Guidance, Provision of Operational Risk Information Systems (PORIS). The processes for operational risk gathering, its subsequent review and application into operational plans were identical for both on-call and full-time staff.

If any firefighter observed an undocumented risk in the community, they could register the risk provisionally for later assessment and potential incorporation into a site-specific risk information (SSRI) record. Each fire station was responsible for monitoring and updating the information in its SSRIs; the Service was 99 percent compliant in this regard. SSRIs also attracted an overall risk rating (very high, high or medium) and would be regularly verified to maintain accurate records according to that rating (every six months, year or two years respectively). SSRIs enabled the Service to plan its approach to an intervention, meaning that, in the event of an incident, plans would already be in place for ambulance access and the number of required pumping appliances.

Members raised the following points:

- **Software Provision** - The Service had initially contracted a software provider (Chameleon) to develop bespoke software to manage its risk information, including through devices inside the fire appliances. However, Chameleon had since opted to withdraw from the contract and refund the Service. The Service's current software worked sufficiently well, but it was in the process of procuring similar software that was more easily accessible.
- **SSRIs** - The Service maintained SSRI's in relation to around 1,300 high risk properties, many of which had associated operational pre-plans. While SSRIs assessed as very high would each have an associated operational pre-plan, not all those assessed as high risk did. If a high risk property was well-managed and had its own plans in place, an operational pre-plan would not necessarily be needed.
- **National Guidance** - In line with HMICFRS's recommendations in the 2019 State of Fire and Rescue report, the Fire Standards Board and National Fire Chiefs Council had begun to issue a series of fire standards, and would likely continue to do so following relevant consultation processes. The Inspectorate was also in the process of deciding whether to recommend the publication of guidance on the balance of whole-time and on-call firefighters, which was different in each fire and rescue service.
- **Sharing Information** - Fire and rescue services had a duty to share risk information with neighbouring services. The Service's own policy was to share and seek relevant

data within 10km of a neighbouring service's borders, where either service could be the first to respond to an incident.

- Internal Audit Report - The Committee noted the findings within the internal audit report and asked how the Service would address them. The Service was working to standardise information recording processes across each of its stations to ensure consistency. Station and watch managers, many of whom were relatively new in post, were being trained to provide greater assurance.

Resolved - (a) That the Committee be provided with further details on the number of high and very high risk site-specific risk information records;

(b) that the Committee be updated on progress made against the internal audit report, and

(c) that the Committee be updated concerning the procurement of software.

13/22 GAS COMMITTEE SCRUTINY PROGRAMME 2021/22 - The Committee Manager submitted a report summarising the Committee's Scrutiny Programme 2021/22.

Resolved - (a) That the Programme be received, and

(b) that the Committee's meeting due to be held on 21 February 2022 instead be held on 7 March 2022.

14/22 ANY OTHER BUSINESS - ARK PROJECT - The project board had continued to meet and to liaise with the University of Hull to identify a new partner for the project. A decision on how to move the project forward was due to be made in April 2022.

Date	Item	Minute	Resolution	Responsible	Brief summary of outcome
13 July 2020	Internal Audit Update	49/20	Resolved - (b) that the Committee be updated in relation to TIAA's assessment of key financial controls at a future meeting.	TIAA	The Committee received the report relating to key financial controls at its meeting held on 25 January 2021.
13 July 2020	Draft Annual Performance Report 2019/20	51/20	Resolved - b) that the report be revised, taking into account the Committee's suggested amendments, prior to its receipt by the Fire Authority on 24 July 2020.	Director of Service Improvement	The report was updated prior to its receipt by the Fire Authority on 24 July 2020.
13 July 2020	LGA Consultation on Draft Code of Conduct	54/20	Resolved - That the Committee respond to the consultation collectively through Mandy Tomlinson.	Mandy Tomlinson	The consultation was responded to as planned.
13 July 2020	GAS Committee Scrutiny Programme 2020/21	56/20	Resolved - That the Scrutiny Programme 2020/21 be approved subject to the addition of scoping questions agreed by the Committee.	Committee Manager	Scrutiny Programme updated.
13 July 2020	AOB - Action Schedule	58/20	Resolved - That the Committee receive an action schedule tracking its recommendations at future meetings.	Committee Manager	Action schedule created.
7 September 2020	Internal Audit Progress Update	68/20	Resolved - that the TIAA briefing note, Cyber Threats using the COVID-19 Pandemic, be circulated to the Committee.	TIAA	The briefing note was circulated to the Committee following the meeting.
7 September 2020	Performance Reporting Update	70/20	Resolved - that, in future, changes of this calibre be communicated to the Committee further in advance.	Director of Service Improvement	ONGOING
7 September 2020	Absence Management Q1	72/20	Resolved - that the Service seek further feedback from its employees in relation to its anti-bullying campaign.	Director of People and Development	The Committee received a report on the Anti-Bullying Campaign at its meeting held on 5 July 2021.
7 September 2020	Effectiveness of the Protection Risk-Based Targeting Strategy	77/20	Resolved - (c) that the Committee be updated in six months in relation to the uptake of fire safety inspection training among on-call firefighters, and (d) that the Committee be updated in six months in relation to the Service's work with the University of Hull.	Director of Service Delivery Support	

7 September 2020	Update in relation to the Emergency Medical Response Cost Recovery Model (Scrutiny Programme 2019/20)	78/20	Resolved - That the updates be received.	Director of Service Delivery	Rescheduled for further update.
16 November 2020	Performance and Risk Report - Second Quarter 2020/21	88/20	Resolved - (b) that the Service consider publishing details of the complaints it receives on its website.	Director of Service Improvement	A summary of complaints was uploaded to the Service's website.
16 November 2020	Absence Management - Second Quarter 2020/21	90/20	Resolved - (b) that the Temporary Director of People and Development update Members with the costs related to the delivery of the Employee Assistance Programme.	Temporary Director of People and Development	The Committee was provided an update on 30 November 2020.
16 November 2020	Treasury Management Mid-Year Update Report 2020/21	91/20	Resolved - (b) that the Service facilitate a session for the Committee on long-term treasury management issues.	Head of Finance	The session was held on 26 April 2021.
16 November 2020	Development and Delivery Plans to Support the Health and Wellbeing of Staff	94/20	Resolved - (b) that a verbal update be provided to the Committee in around three months.	Head of Occupational Health	Updates in relation to the Employee Assistance Programme were received at the Committee's meeting held on 5 July 2021.
16 November 2020	Update in relation to the Emergency Medical Response Cost Recovery Model (Scrutiny Programme 2019/20)	95/20	Resolved - (b) that the matter of the Emergency Medical Response Cost Recovery Model be considered resolved.	Director of Service Delivery	The cost recovery programme in relation to the Emergency Medical Response service was aligned across the Service's area.
25 January 2021	Internal Audit Update	8/21	Resolved - (b) that the audit report relating to health and safety be circulated to the Committee prior to its next meeting, and (c) that the Committee be informed of the final topic for the 2020/21 internal audit programme.	(b) Committee Manager (c) Head of Corporate Assurance	(b) The health and safety audit report was circulated on 2 February 2021 and included on the agenda for the 22 February 2021 meeting. (c) The decision was taken to move this slot into

					<p>2021/22 and await further guidance regarding the focus of the HMICFRS inspection before deciding on the topic. The following topic was also due to be proposed to the Committee for scrutiny in 2021/22:</p> <p>Business Continuity – Response to Covid Pandemic: Evaluation of lessons learned and the adoption of new working practices.</p>
25 January 2021	Protection Engagement with the Commercial and Business Community	13/21	<p>Resolved - (a) That an update on the Service's protection engagement be received during the 2021/22 scrutiny programme;</p> <p>(b) that the Committee be assured that the new Risk-Based Inspection Programme methodology enables the Service to prioritise and target engagement activities effectively, and</p> <p>(c) that the Committee note the ongoing impacts of both the Grenfell Tower fire and the Covid-19 pandemic, including the positive changes arising from them.</p>	Committee Manager/ Director of Service Support	<p>(a) The Committee approved its work programme at the meeting held on 14 June 2021;</p> <p>(b) N/A;</p> <p>(c) N/A.</p>
25 January 2021	GAS Scrutiny Programme 2020/21	14/21	<p>Resolved - (b) that the Workforce Plan be added as a matter for consideration as part of the scrutiny item due to be heard on 12 April 2021, Diversity and Recruitment - Progress and Plans.</p>	Committee Manager	The Programme was updated and included on the agenda for the 22 February 2021 meeting.
22 February 2021	Draft Internal Audit Plan 2021/22	23/21	<p>Resolved - (b) that the Committee's scrutiny of diversity and recruitment (due to be considered at the meeting to be held on 12 April 2021) be taken</p>	TIAA	The Committee received TIAA's report on equality, diversity and inclusion at its meeting held on 5 July 2021.

			into consideration during TIAA's audit of equality, diversity and inclusion as part of its Internal Audit Plan 2021/22.		
22 February 2021	GAS Committee Scrutiny Work Programme 2020/21	26/21	Resolved - (b) that a workshop be held in April 2021 to consider items for the 2021/22 Scrutiny Programme.	Committee Manager	The workshop was held on 20 May 2021 in order for the Programme to be considered for approval at the Committee's meeting due to be held on 14 June 2021.
12 April 2021	Draft Annual Governance Statement	37/21	Resolved - (b) that the draft Annual Governance Statement be updated to incorporate recent changes to the Committee's membership, and (c) that the Chair of the HFA and the Monitoring Officer consider an appraisal process for the GAS Committee.	Director of Service Improvement	(b) The Annual Governance Statement was updated prior to its receipt by the Fire Authority.
12 April 2021	Diversity and Recruitment - Progress and Plans	39/21	Resolved - (a) That the Service's future Positive Action Strategy and Framework be applied consistently; (b) that the Service ensure that its employees fully understand its Positive Action Strategy and Framework; (c) that the Service gather improved data in order to understand the makeup of its workforce in comparison to local demographics and other fire and rescue services; (d) that the Service improve its exit interview process to understand why employees leave the Service, and (e) that the Committee be updated about to the Service's progress in relation to the revision of its workforce plan and the recommendations of the associated internal audit report.	Temporary Director of People and Development	

14 June 2021	Annual Statement of Accounts (Unaudited)	51/21	Resolved - (b) that the Annual Statement of Accounts for 2020/21 be updated in response to the Committee's recommended amendments.	Head of Finance	The Annual Statement of Accounts for 2020/21 was updated prior to its receipt by the Fire Authority.
14 June 2021	Draft GAS Committee Scrutiny Programme 2021/22	55/21	Resolved - (a) That the Programme be approved subject to the addition of a reference to feedback on promotion processes received through exit-interviews on the scope of the item due to be heard on 6 September 2021.	Committee Manager	The scope was updated and received at the meeting held on 5 July 2021
5 July 2021	Anti-Bullying Campaign	70/21	Resolved - (a) That the Service use its exit interviews and appraisals process to develop a clearer understanding bullying and changes to its organisational culture; (b) that initial feedback on the progress of recommendation (a) be reported during the follow-up anti-bullying campaign item due to be heard on 11 April 2022; (c) that the Service obtain high-quality data through a survey of staff in order to develop a clearer understanding of bullying and organisational culture than that afforded by the HMICFRS surveys of 2018 and 2020, and (d) that the report for the follow-up anti-bullying campaign item contain feedback from the relevant unions.	Temporary Director of People and Development	
5 July 2021	GAS Committee Scrutiny Programme 2021/22	71/21	Resolved - (a) That the Programme be updated in accordance with Minute 70/21.	Committee Manager	The Programme was updated and received at the meeting held on 6 September 2021.
6 September 2021	Internal Audit Reports	79/21	Resolved - (b) That TIAA report on the progress made in relation to the Risk-Based Inspection Programme in spring 2022.	TIAA	

6 September 2021	Promotion within Uniformed Roles	84/21	<p>Resolved -</p> <p>(a) That the Committee be provided with details of the number of applications to the talent pipeline process for each role, the number of successful promotions, and the number of applicants who had needed to reapply, and</p> <p>(b) that the Committee reconsider promotion within uniformed roles as part of a future scrutiny programme.</p>	<p>(a) Temporary Director of People and Development</p> <p>(b) Committee Manager</p>	(a) The Committee was provided with the update prior to the meeting held on 15 November 2021
15 November 2021	Treasury Management Mid-Year Report 2021/22	95/21	<p>Resolved -</p> <p>that an update session in relation to treasury management be scheduled for the Committee in April 2022.</p>	Head of Finance	
15 November 2021	Implementation of the NFCC Core Code of Ethics	97/21	<p>Resolved -</p> <p>(a) That the Committee be updated on the Service's progress on the implementation of the Core Code of Ethics in six months, including comparative data and feedback from staff;</p> <p>(b) that the criterion relating to the Chief Fire Officer in the Gap Analysis for the implementation of the Code be moved to the top of the list of criteria, and</p> <p>(c) that regular update reports detailing the Service's progress in implementing the Code, and the effectiveness of the Code, be submitted to the Fire Authority every six months.</p>	Executive Director of Human Resources	
7 February 2022	Management of Risk at On-Call Fire Stations	12/22	<p>Resolved -</p> <p>(a) That the Committee be provided with further details on the number of high and very high risk site-specific risk information records;</p> <p>(b) that the Committee be updated on progress made against the internal audit report, and</p>	Director of Service Delivery	

			(c) that the Committee be updated concerning the procurement of software.		
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Humberside Fire and Rescue Service

Internal Audit Annual Plan 2022/23

2022/23

FEBRUARY 2022

DRAFT



OVERVIEW

Introduction

The Audit Plan for 2022/23 has been informed by a risk assessment carried out across our fire service clients and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Emerging Themes

This year will continue to be another challenging year for the fire service in terms of funding, managing additional recruitment and technological advancement. There are a number of operational issues that have also come to prominence; we have identified a number of key areas which require consideration when planning internal audit coverage.

Equality, Diversity and Inclusion: Increased focus on Police and Fire Services to ensure that a diverse workforce representative of their communities is in place to allow effective communication and service delivery to all sectors of the community.

Health and Well-being: Increased attacks on Police and Fire Service personnel along with the effects of the prolonged pandemic restrictions and ways of working may incur additional and excessive staff absence with a degradation of service to the community.

Fire Safety Act 2021: The requirements of the introduction of the Act are not embedded into service planning and persons who live and work in high rise buildings may be at greater risk of being affected by fire.

Cyber-crime: A continuing theme and fire and rescue services need to take steps to assure themselves over the robustness of their overall arrangements. Cyber-crime has continued to increase in complexity and scale with fraudulent activity seeing a significant increase during the Covid-19 pandemic.

Providing Assurance during the COVID-19 pandemic

From the outset, we successfully transitioned to new and remote ways of working without any diminution of the service and we recognise that many if not all of our clients have had to implement changes in the way that they work. We continue to consider any gaps in control or exposures that have arisen as a result of this. Whilst many measures have largely been relaxed, it is not inconceivable that further measures might be implemented to stem any increases in cases. We continue to adopt a hybrid approach with a mix of remote and on-site working and tailor this approach to client requirements and the nature of each assignment.

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2022/23 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the Fire Service's framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

INTERNAL AUDIT PLAN

Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. For 2022/23, we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing the Fire Service and those within the sector and has been developed with senior management. Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS).

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing the Fire Service. We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately focused. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Internal Audit Plan

The Annual Plan (Appendix A) sets out the reviews that will be carried out, the planned times and the high-level scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Governance, Audit and Scrutiny Committee (GAS) mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and the Fire Service. This number of days is fixed and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where the Fire Service agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Executive Director of Service Support and S151 Officer and will be clearly set out in the terms of reference for the additional review(s).

Release of Report

The table below sets out the history of this plan.

Date plan issued:

23rd February 2021

APPENDIX A: ANNUAL PLAN – 2022/23

Quarter	Review	Type	Days	High-level Scope
1	Community Fire Risk Management Information System (CFRMIS)	Assurance	6	The review considers the management, recording and information governance of operational risk information within CFRMIS. The review also considers the programme in place to deliver the required upgrades to CFRMIS that have not been undertaken in the previous 24 months.
1	Rota Availability System (RAS)	Assurance	6	The review considers the arrangements in place for the operation of the Rota Availability System including: utilisation of the system, user training, accuracy and effectiveness of the numbers produced and the understanding of the system and code availability.
1	Quality Assurance – Prevention and Protection	Assurance	6	The review considers the process for the recording of data for prevention and protection activities undertaken by the Service to include: how and by whom the data is recorded, what initial quality assurance checks, monitoring and how data is updated and/or removed.
2	GDPR	Assurance	5	The review assesses information governance, policy and process and compliance with the key GDPR elements of: <ul style="list-style-type: none"> • Privacy Impact Assessments; • Data Subject rights (e.g. Right to be forgotten); • Data Classification and Asset management; • Data Security & Breach Management; • Governance & Consent; • Data Controllers & Processors.
2	TBC following HMICFRS Inspection publication	Assurance	6	A review of the plan will be undertaken following publication of the HMICFRS Inspection report to identify areas that require inclusion in the plan.
2	Follow-up (Mid-year)	Follow up	2	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Fire Service are implementing recommendations, and providing reports to the GAS.
3	TBC following HMICFRS Inspection publication	Assurance	6	A review of the plan will be undertaken following publication of the HMICFRS Inspection report to identify areas that require inclusion in the plan.
3	TBC following HMICFRS Inspection publication	Assurance	6	A review of the plan will be undertaken following publication of the HMICFRS Inspection report to identify areas that require inclusion in the plan.
4	ICT Management Controls	Assurance	4	The review considers the arrangements for: access security; back up retention periods; email/ internet policy and enforcement; licence monitoring, upgrade controls and protocols for communicating with third parties. The scope of the review does not include consideration of the training needs; or the appropriateness of file sharing.

Quarter	Review	Type	Days	High-level Scope
4	Key Financial Controls	Assurance	7	<p>The review assesses the adequacy and effectiveness of the internal controls in place for managing the following key financial systems.</p> <ul style="list-style-type: none"> • Creditor Payments; • Payroll; • Treasury Management; • Debtors; • General Ledger; and • Pensions.
4	Follow-up	Follow up	2	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Fire Service are implementing recommendations, and providing reports to the GAS.
1	Annual Planning	Management	2	Assessing the Fire Service's annual audit needs.
4	Annual Report	Management	1	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
1 – 4	Audit Management	Management	6	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the GAS, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
Total days			65	

APPENDIX B: INTERNAL AUDIT CHARTER

The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within Humberside Fire and Rescue Service and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the GAS Committee.

The Role of Internal Audit

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to Humberside Fire and Rescue Service's governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

Scope

All Humberside Fire and Rescue Service activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that Humberside Fire and Rescue Service management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions; however, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, GAS Committee or the nominated officer (being the post responsible for the day-to-day liaison with TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of Humberside Fire and Rescue Service and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems; however, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to-day administrative purposes only, TIAA reports to a nominated officer within Humberside Fire and Rescue Service and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the GAS Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with Humberside Fire and Rescue Service management.

Conflict of Interest

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the PSIAS/IIA standards and Humberside Fire and Rescue Service's requirements.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of Humberside Fire and Rescue Service and additional time will be required to carry out such testing. Humberside Fire and Rescue Service is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

Liaison with the External Auditor

We will liaise with Humberside Fire and Rescue Service's External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

Reporting

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and PSIAS/IIA standards.

Progress Reports: Progress reports will be prepared for each GAS Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Follow-Up Reports: We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of Humberside Fire and Rescue Service's governance, risk management and operational control processes based on the work completed during the year.

Other Briefings: During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has ISO 9001:2015 accreditation.

GAS Committee Responsibility

It is the responsibility of Humberside Fire and Rescue Service to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

By approving this document, the GAS Committee is also approving the Internal Audit Charter.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA's audit charter and PSIAS/IIA Standards.	100%

Audit Progress Report

Humberside Fire Authority

February 2022



1. Audit progress
2. National publications

01

Section 01: **Audit progress**

Audit progress

Purpose of this report

This report provides the Governance, Audit and Scrutiny Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

2020/21 audit

As members of the Governance, Audit and Scrutiny Committee will recall, we presented our Auditor's Annual Report for 2020/21 to the meeting on 7 February 2022. As explained in that report we have not yet issued the Audit Certificate for 2020/21, which formally closes the audit. We expect the National Audit Office to confirm their requirements for Whole Government Accounts shortly and we will close the audit once we have received their instructions and completed the required procedures.

2021/22 audit

We have now commenced our planning work for the 2021/22 audit and met with senior management to discuss the audit risks and introduce a new team leader for the audit. Planning is a continuous process but our planning is now sufficiently advanced for us to share our 2021/22 Audit Strategy Memorandum with the Governance, Audit and Scrutiny Committee.

We include our 2021/22 Audit Strategy Memorandum as a separate agenda item and will report any changes to our initial risk assessment in audit progress reports to future meetings.

02

Section 02:

National publications

National Publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	CIPFA launches value for money toolkit with the University of Oxford's GO Lab	Based on the UK National Audit Office's standard definition of value for money, the toolkit offers a consistent approach to programme evaluation.
2.	New Prudential and Treasury Management Codes	These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate.
Department for Levelling Up, Housing and Communities		
3.	Measures to improve local audit delays and accounts and audit timetable confirmed	DLUHC have announced a new package of measures to support the improved timeliness of local audit. These include additional funds and an extension of the deadline for publishing accounts.
National Audit Office (NAO)		
4.	Climate change risk: A good practice guide for Audit and Assurance Committees	This guide helps Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.
5.	Cyber and Information Security: Good practice guide	Audit committees should be scrutinising cyber security arrangements. This guidance complements government advice by setting out high-level questions and issues for audit committees to consider.
6.	The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management	The report sets out central government's risk analysis, planning, and mitigation strategies prior to the arrival of the COVID-19 pandemic, with the aim of drawing out wider learning for the Government's overall approach.
7.	The Local Government finance system in England: Overview and Challenges	This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work.
8.	Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities	This provides a summary of the Department's spending in 2020-21, its major areas of activity and performance, and the challenges it is likely to face in the coming year.

National Publications

	Publication/update	Key points
Home Office		
9.	Fire safety in purpose built blocks of flats	This guidance provides practical advice on assessing risk and managing fire safety in purpose built blocks of flats.
10.	Detailed analysis of fires attended by fire and rescue services – England April 2020 to March 2021	This report presents detailed analysis of fire incidents in 2020/21, including the impact of COVID-19 restrictions.
11.	Fire statistics data tables	These tables provide detailed statistics to support the above analysis by Fire and Rescue Authority.
Financial Reporting Council (FRC)		
12.	Inspection findings into the quality of major local body audits	This report sets out the findings of FRC’s most recent quality inspection of major local audits, which indicate a significant improvement by Mazars LLP.

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA launches value for money toolkit with the University of Oxford's GO Lab, August 2021

CIPFA has partnered with the Government Outcomes Lab (GO Lab) from the University of Oxford's Blavatnik School of Government to develop the innovative GO Lab-CIPFA Value for Money (VfM) Toolkit.

Based on the UK National Audit Office's standard definition of value for money, the toolkit offers a consistent approach to programme evaluation and has been developed in response to recent trends towards the use of outcomes-based contracts (OBCs) and impact bonds.

The toolkit provides public managers with a framework to help assess the economic validity of public programmes, while also serving as a self-assessment instrument. The toolkit promotes thinking about the longer-term effects of interventions, such as outcomes and impacts, during the design and planning stage of public sector programmes.

The GO Lab-CIPFA VfM toolkit is available for free download on the CIPFA website.

<https://www.cipfa.org/services/go-lab-cipfa-value-for-money-toolkit>

2. CIPFA publishes new Prudential and Treasury Management Codes, December 2021

CIPFA has published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) following a consultation period. These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate. Local authorities are required by regulation to *'have regard to'* their provisions. Guidance notes will follow shortly.

The revised Prudential Code emphasises that any borrowing made solely for the purpose of financial return constitutes imprudent activity, while also taking into account the realities that accompany regeneration activities. Proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.

The new Treasury Management Code states that the purpose and objective of each category of investments should be described within the Treasury Management Strategy.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-issues-new-prudential-and-treasury-management-codes>

NATIONAL PUBLICATIONS

DLUHC

3. Measures to improve local audit delays

This publication sets out a range of measures agreed with key partners to support the timely completion of local government audits and the ongoing stability of the local audit market.

Challenges remain around the timeliness of local audit, one of the key issues highlighted by Sir Tony Redmond in his review. In 2017/18 the deadline for issuing audit opinions was brought forward from 30 September to 31 July. Since this point there has been a reduction in the number of local government audit opinions delivered on time, with significant reductions from 2018/19 onwards. This downward trend accelerated during the COVID-19 pandemic, with only 45% of 2019/20 audits completed by the extended deadline of 30 November 2020 and, most recently, only 9% of 2020/21 audits completed by the extended deadline of 30 September 2021. In addition, increasing workload and regulatory pressure on auditors have contributed to further delays.

The Government is continuing to prioritise measures to improve timeliness and support capacity as part of our response to the Redmond Review. An additional £15 million in funding has been made available to local bodies for 2021/22 to support with the implementation of recommendations following the Redmond Review and additional costs resulting from new audit requirements, including the new value for money reporting arrangements.

The report concludes that in the light of the extent of ongoing delays and capacity issues, a decision to revert to the previous deadline of 31 July would be both unrealistic and counterproductive, especially as the backlog of delayed 2020/21 audits will likely have knock-on effects for future years. Therefore, subject to consultation, secondary legislation will be introduced to set the following deadlines:

- The 2021/22 accounts to be audited and published by 30 November 2022;
- The 2022/23 accounts to be audited and published by 30 November 2023;
- The 2023/24 to 2027/28 accounts to be published by 30 September each year; and
- Draft accounts to be published by 31 May each year.

The full publication can be seen at this link: [Measures to improve local audit delays - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/measures-to-improve-local-audit-delays)

NATIONAL PUBLICATIONS

National Audit Office

4. Climate change risk: A good practice guide for Audit and Assurance Committees, August 2021

This guide is designed to help audit committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing these risks, the financial health of the sector before the pandemic and the financial impact of the pandemic in 2020/21.

The full report can be seen at this link: <https://www.nao.org.uk/report/climate-change-risk-a-good-practice-guide-for-audit-and-risk-assurance-committees/>

5. Cyber and Information Security: Good practice guide, October 2021

The guidance is based on NAO previous work and detailed systems audits, which have identified a high incidence of access-control weaknesses. NAO recommend that audit committees scrutinise cyber security arrangements in response to this increasing threat. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management;
- Capability needed to manage cyber security; and
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

The full report can be seen at this link: <https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

6. The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management, November 2021

The report concludes that this pandemic has exposed a vulnerability to whole-system emergencies – that is, emergencies that are so broad that they engage the entire system. Although the Government had plans for an influenza pandemic, it did not have detailed plans for many non-health consequences and some health consequences of a pandemic like COVID-19. There were lessons from previous simulation exercises that were not fully implemented and would have helped prepare for a pandemic like COVID-19. There was limited oversight and assurance of plans in place, and many pre-pandemic plans were not adequate. In addition, there is variation in capacity, capability and maturity of risk management across government departments.

NATIONAL PUBLICATIONS

National Audit Office

The pandemic also highlighted the need to strengthen the Government's end-to-end risk management process to ensure that it addresses all significant risks, including interdependent and systemic risks. This will require collaboration on risk identification and management not only across government departments and local authorities, but also with the private sector and internationally. For whole-system risks NAO states that the Government needs to define its risk appetite to make informed decisions and prepare appropriately so that value for money can be protected. NAO state that the pandemic has also highlighted the need to strengthen national resilience to prepare for any future events of this scale, and the challenges the Government faces in balancing the need to prepare for future events while dealing with day-to-day issues and current events.

The full report can be seen at this link: <https://www.nao.org.uk/report/the-governments-preparedness-for-the-covid-19-pandemic>

7. The Local Government finance system in England: Overview and Challenges, November 2021

This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work.

The overview aims to enhance financial transparency about local government in England. It covers:

- An introduction to local government funding;
- Government policy and actions since 2010; and
- Some results or consequences of these changes.

The report headlines include the following in respect of the impact of the changes implemented by government on local authorities:

- Rising social care spending has squeezed funds available for the remainder of local government, yet rising spend has not prevented concerns about social care, and projections suggest continued cost and demand pressures;
- Local authorities have made substantial spending reductions in some services and sought to maximise revenue funding from other sources. Some local authorities have sought to maximise revenue available for services in ways that may reduce financial resilience. Commercial property investment strategies have increased some local authorities' exposure to risk. Local authorities now rely more on sources of income that are dependent on local economic conditions;

NATIONAL PUBLICATIONS

National Audit Office

- A lack of short-term funding certainty hampers local authorities' ability to plan. Local authorities are also planning and delivering services amid medium-term financial uncertainty. Financial uncertainty does not support value-for-money decision-making; and
- The governance mechanisms that support decision-making about financial sustainability are under strain. The financial resilience of the local government sector was being tested, even before the COVID-19 pandemic.

The full report can be seen at this link: <https://www.nao.org.uk/report/the-local-government-finance-system-in-england-overview-and-challenges/>

8. Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities, November 2021

The Ministry of Housing, Communities and Local Government (MHCLG) was renamed the Department of Levelling Up, Housing and Communities in September 2021 in order to reflect a new ministerial appointment in the cabinet reshuffle and raise the profile of the Government's '*levelling-up*' agenda. This NAO report provides a summary of the new department's major areas of activity and performance, and the challenges it is likely to face in the coming year, based on the insights from NAO's financial audit and value for money work.

The full report can be seen at this link: <https://www.nao.org.uk/report/departmental-overview-2020-21-department-for-levelling-up-housing-and-communities> :

NATIONAL PUBLICATIONS

Home Office

9. Fire safety in purpose built blocks of flats, September 2021

This guide is intended to meet the needs of housing providers and enforcing authorities for guidance tailored to purpose-built blocks of flats. It is designed to assist responsible persons to comply with the Fire Safety Order and the Housing Act 2004. The Home Office state that enforcing authorities are often unfamiliar with the particular issues that can be found in blocks of flats and confusion over the scope of legislation leads to variations in approaches to fire risk assessments. The Grenfell Fire tragedy emphasised the importance of a clear understanding of building regulations, risk assessments and evacuation policies in respect of high rise flats.

The detailed guidance can be seen at this link: <https://www.gov.uk/government/publications/fire-safety-in-purpose-built-blocks-of-flats>

10. Detailed analysis of fires attended by fire and rescue services – England April 2020 to March 2021, September 2021

The Home Office reported a 7% reduction in fires attended by fire and rescue authorities in 2020/21. This compares to a 10% reduction in Humberside. The analysis indicated that the reduction was greatest at times when national lockdown restrictions were in place and this was especially true of cooking fires.

The analysis also found that the fire-related fatality rate was significantly higher for men and older people. For those aged 80 and over, the rate for men was 27.5 per million and for women was 10.1 per million.

The full report can be seen at this link: <https://www.gov.uk/government/statistics/detailed-analysis-of-fires-attended-by-fire-and-rescue-services-england-april-2020-to-march-2021/detailed-analysis-of-fires-attended-by-fire-and-rescue-services-england-april-2020-to-march-2021>

NATIONAL PUBLICATIONS

Home Office (continued)

11. Fire statistics data tables, January 2022

This information covers fires, false alarms and other incidents attended by fire crews, and the statistics include the numbers of incidents, fires, fatalities and casualties as well as information on fire response times.

The Home Office found that response times in 2020/21 were very similar to those reported in 2019/20. Humberside Fire Authority’s average response time to primary fires was 8 minutes and 41 seconds, which was very close to the national average of 8 minutes 39 seconds.

The data tables can be found at this link: <https://www.gov.uk/government/statistical-data-sets/fire-statistics-data-tables>

NATIONAL PUBLICATIONS

FRC

12. Inspection findings into the quality of major local body audits, October 2021

The Financial Reporting Council (FRC) published in October 2021 its [inspection findings into the quality of major local body audits](#) in England (which includes large health and local government bodies) for the financial year ended 31 March 2020.

The FRC reviewed 20 major local audits performed by six of the largest audit firms and found 6 (30%) required improvements. This is an improvement on the prior year inspection results where 60% of audits inspected required either improvements or significant improvements. FRC found that all Value for Money arrangement conclusions inspected by the FRC required no more than limited improvements.

The FRC found that the firms have taken action in response to previous findings, however, the timeliness of auditor reporting was disappointing.

The key areas requiring action by some of the audit firms included:

- strengthening the audit testing of expenditure;
- improving the evaluation and challenge of assumptions used in concluding over investment property valuations;
- improving the evaluation of assumptions used in property, plant and equipment valuations; and
- providing improved rationale supporting a modified audit opinion.

In respect of Mazars, the FRC concluded that “*the audit quality results for our inspection of the four audits showed significant improvement compared to the prior years, with all audits assessed as requiring no more than limited improvements*”. The table below shows how Mazars compared to the other firms reviewed:

Proportion of files reviewed graded ‘good’ or ‘limited improvements required’						
Mazars	EY	GT	KPMG	Deloitte	BDO	PWC
100%	75%	67%	33% average over the 3 other suppliers			Not assessed

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Governance, Audit and Scrutiny Committee
7 March 2022

Report by the Deputy S.151
Officer/Joint Deputy Chief Finance
Officer

TREASURY MANAGEMENT AND CAPITAL EXPENDITURE PRUDENTIAL INDICATORS, TREASURY MANAGEMENT POLICY STATEMENT 2022/23 AND MINIMUM REVENUE PROVISION (MRP) FOR 2022/23

REPORT EXECUTIVE SUMMARY

This report sets out the Prudential Indicators for Treasury Management and Capital and the Treasury Management Policy Statement proposed for adoption for the financial year 2022/23. The Authority's Constitution requires that the Policy Statement is approved by the full Fire Authority and this responsibility cannot be delegated.

This report also outlines the recommended policy to be adopted in respect of creating the Minimum Revenue Provision (MRP) for 2022/23, in line with the statutory requirements set out in The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 and 2017.

RECOMMENDATIONS

1. Members note and make any recommendations to the Fire Authority as required on the attached Treasury Management Strategy Statement for 2022/23 onwards.

BACKGROUND

2. Treasury Management, as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice 2017 is:

‘The management of the organisation’s investments and cash-flows, its banking and 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’.

3. An updated version of the Code was published in December 2017; this strategy statement has been prepared in accordance with the requirements of the new Code.

TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS

4. The Local Government Act 2003 and supporting regulations require the Authority to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set, on an annual basis, a range of Prudential and Treasury Indicators for the next three years to ensure that its capital investment plans are affordable, prudent and sustainable. This report details the proposed indicators relating to the Authority’s Treasury Management activities, capital expenditure and external debt for 2022/23 for Members’ consideration and approval.

5. The suggested strategy for 2022/23 in respect of the following aspects of the treasury management function is based upon the S.151 Officer’s views on interest rates, supplemented with leading market forecasts provided by the Authority’s treasury management advisors and support from the treasury management team within Hull City Council. The strategy covers:

- limits in force which will limit the treasury risk and activities of the Authority;
- the Treasury Management and Prudential Indicators;
- the current treasury position;
- prospects for interest rates;
- the borrowing requirement and strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy;
- the MRP strategy;
- policy on use of external service providers

6. The 2003 Act, revised Investment Guidance issued 2010 and the updated CIPFA Code also require that Members give consideration to the Authority’s Annual Investment Strategy, setting out how investments will be managed and the priorities for security and liquidity of those investments as well as the Annual Borrowing Strategy; these have also been incorporated into this report.

7. In addition, it is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Authority to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital decisions. This therefore means,

that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- a. increased interest charges from additional borrowing and;
- b. increased running costs from new capital projects

are limited to a level that is affordable within the projected income of the Authority.

STRATEGIC PLAN COMPATIBILITY

8. Treasury Management is an integral part of the financial management of the Authority with Prudential Indicators providing a framework for the Authority to monitor key elements of its financial position. Utilising approved Borrowing and Investment Strategies, the Executive Director of Corporate Services/S.151 Officer will seek to minimise borrowing costs and maximise investment income whilst adopting a prudent approach to the Authority's exposure to market risks, especially given the current economic situation.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

9. The approach outlined within the report is aimed at achieving effective and efficient management of the Authority's financial resources and reflects a prudent approach to the management of financial risk for the Authority.

LEGAL IMPLICATIONS

10. The Authority must comply with the requirements of the CIPFA Code of Practice on Treasury Management 2017 and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017. This report ensures such compliance.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

11. No direct issues arising from this report.

CORPORATE RISK MANAGEMENT IMPLICATIONS

12. The formulation and application of a prudent Treasury Management Policy and MRP provision ensures that the Authority effectively manages financial risks such as exposure to interest rate changes and liquidity risk whilst minimising borrowing costs and maximising investment income. It further ensures that sufficient levels of resource are set aside for the repayment of debt. Effective treasury management is key to making the best use of the Authority's financial resources and thus the successful delivery of its Strategic Plan.

HEALTH AND SAFETY IMPLICATIONS

13. No direct issues arising.

COMMUNICATIONS ACTIONS ARISING

14. No direct issues arising.

DETAILS OF CONSULTATION AND/OR COLLABORATION

15. No direct issues arising.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

16. Medium Term Resource Strategy 2022/23 to 2025/26 – Report to Fire Authority 11 February 2022
Treasury Management Mid-year Update Report 2021/22 – Report to Fire Authority December 2021
CIPFA Prudential Code (Revised 2011) and November 2012 and 2017 update
The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 and 2017.

RECOMMENDATIONS RESTATED

17. Members note and make any recommendations to the Fire Authority as required on the attached Treasury Management Strategy Statement for 2022/23 onwards.

M RANSOM

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Joint Deputy S.151 Officer/Joint Deputy Chief Finance Officer

Humberside Fire & Rescue Service
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Kingston upon Hull

KWMR/SE
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Treasury Management Strategy Statement Minimum Revenue Provision Policy Statement and Annual Investment Strategy Humberside Fire Authority 2022/23



HUMBERSIDE
Fire & Rescue Service

INTRODUCTION

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 or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

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 to meet a risk or cost objectives.

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 borrowing, investments and cash flows, including 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."

Reporting requirements

Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report 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 this capital strategy is to ensure that all elected members on the full Authority fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

Treasury Management Reporting

The Authority is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first and most important report is forward looking and 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 based on period ending 30th September – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, the Authority will receive quarterly update of Prudential Indicators as part of the Management Accounts based on periods ending 30th June and 31st December.

An annual treasury report – This is a backward-looking document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Authority. This role is undertaken by the Governance, Audit and Scrutiny Committee.

Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which 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, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. Training will be arranged as required.

Treasury management consultants

The Authority uses Link Group, 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 the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our 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. The Authority 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.

THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2025/26

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

Capital expenditure – Indicator 1

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Total	4.175	5.011	3.157	2.863	3.127

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements, which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital receipts	-	-	-	-	-
Capital grants	-	-	-	-	-
Capital reserves	-	-	-	-	-
Revenue	1.700	1.000	1.000	1.000	1.000
Net financing need for the year	2.475	4.011	2.157	1.863	2.127

The Authority's borrowing need (the Capital Financing Requirement) – Indicator 2

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 above, which has not immediately been paid for, will increase the CFR.

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

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Authority is not required to separately borrow for these schemes. The Authority had £0.951m of such schemes within the CFR as at 31st March 2021.

The Authority is asked to approve the CFR projections below:

£m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Financing Requirement					
Underlying CFR	20.259	23.316	24.331	24.866	25.557
Other LT Liabilities*	0.936	0.919	0.900	0.880	0.858
Total CFR	21.195	24.235	25.231	25.746	26.415
CFR as a % of BR	46.93%	50.85%	52.10%	51.89%	51.96%
Movement in CFR	1.687	3.040	0.996	0.515	0.669

Movement in CFR represented by					
Net financing need for the year (above)	2.475	4.011	2.157	1.863	2.127
Less MRP/VRP and other financing movements	(0.788)	(0.971)	(1.161)	(1.348)	(1.458)
Movement in CFR	1.687	3.040	0.996	0.515	0.669

This table shows CFR increasing to circa 52% of our Budget Requirement (BR).

*IFRS16 Leases comes into effect from 2022/23. The impact of this is yet to be established and will be reviewed throughout the year.

Core funds and expected investment balances – Indicator 3

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Fund balances / reserves	13.854	13.184	11.250	11.010	10.788
Capital receipts	0.030	0.030	0.030	0.030	0.030
Total core funds	13.884	13.214	11.280	11.040	10.818
Working capital*	(2.500)	(2.500)	(2.500)	(2.500)	(2.500)
(Under)/over borrowing	(1.191)	(4.147)	(5.661)	(6.038)	(6.557)
Expected investments	10.193	6.567	3.119	2.502	1.761

*Working capital balances shown are estimated year-end; these may be higher mid-year

TREASURY MANAGEMENT PRUDENTIAL INDICATORS 2022/23 – 2025/26

The capital expenditure plans set out in this section provide details of the service 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 service activity and the Authority's capital strategy. 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.

Current portfolio position

The Authority's estimated treasury portfolio position at 31 March 2022, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt					
Debt at 1 April	16.896	19.069	19.169	18.669	18.828
Expected change in Debt	2.173	0.100	(0.500)	0.159	0.172
Other long-term liabilities (OLTL)	0.951	0.936	0.919	0.900	0.880
Expected change in OLTL	(0.016)	(0.017)	(0.018)	(0.020)	(0.022)
Actual gross debt at 31 March	20.004	20.088	19.570	19.708	19.858
The Capital Financing Requirement	21.195	24.235	25.231	25.746	26.415
Under / (over) borrowing	1.191	4.147	5.661	6.038	6.557

Within the range of 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 2022/23 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 Executive Director of Corporate Services & S.151 Officer reports that 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 budget report.

Treasury Indicators: limits to borrowing activity

The operational boundary – Indicator 4

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.

Operational boundary £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	25.000	25.000	25.000	25.000
Other long term liabilities	3.500	3.500	3.500	3.500
Total	28.500	28.500	28.500	28.500

The authorised limit for external debt – Indicator 5

This is a key prudential indicator and 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 authorities' 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 limit:

Authorised limit £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	31.000	31.000	31.000	31.000
Other long term liabilities	3.500	3.500	3.500	3.500
Total	34.500	34.500	34.500	34.500

Prospects for interest rates

The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 7th February 2022. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 7.2.22													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates ceased at the end of 2021. In a continuation of our previous forecasts, our money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021 and then to 0.50% at its meeting of 4th February 2022.

As shown in the forecast table above, the forecast for Bank Rate now includes a further three increases of 0.25% in March, May and November 2022 to end at 1.25%.

Significant risks to the forecasts

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- **Geopolitical risks**, for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows. If Russia were to invade Ukraine, this would be likely to cause short term volatility in financial markets, but it would not be expected to have a significant impact beyond that.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

The Monetary Policy Committee is now very concerned at the way that forecasts for inflation have had to be repeatedly increased within a matter of just a few months. Combating this rising tide of inflation is now its number one priority and the 5-4 vote marginally approving only a 0.25% increase on 4th February rather than a 0.50% increase, indicates it is now determined to push up Bank Rate quickly. A further increase of 0.25% is therefore probable for March, and again in May, followed possibly by a final one in November. However, data between now and November could shift these timings or add to or subtract from the number of increases. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know whether there will be further mutations of Covid and how severe they may be, nor how rapidly scientific advances may be made in combating them.
- The economy was running out of steam during the second half of 2021 and Omicron will mean that economic growth in quarter 1 of 2022 is likely to be flat, though on the rise towards the end of the quarter as the economy recovers. However, 54% energy cap cost increases from April, together with 1.25% extra employee national insurance, food inflation around 5% and council tax likely to rise in the region of 5% too - these increases are going to hit lower income families hard despite some limited assistance from the Chancellor to postpone the full impact of rising energy costs.
- Consumers are estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above increases. But most of those holdings are held by more affluent people whereas poorer people already spend nearly all their income before these increases hit and have few financial reserves.
- These increases are already highly disinflationary; inflation will also be on a gradual path down after April so that raises a question as to whether the MPC may shift into protecting economic growth by November, i.e., it is more debatable as to whether they will deliver another increase then.
- The BIG ISSUE – will the current spike in inflation lead to a second-round effect in terms of labour demanding higher wages, (and/or lots of people getting higher wages by changing job)?
- If the labour market remains very tight during 2022, then wage inflation poses a greater threat to overall inflation being higher for longer, and the MPC may then feel it needs to take more action.
- If the UK were to invoke article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this would have the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

Gilt yields / PWLB rates

Gilt yields. Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. Our forecasts show little overall increase in gilt yields during the forecast period to March 2025 but there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on gilt yields.

As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for medium to longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. This was in addition to the \$900bn support package previously passed in December 2020. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme roll-out had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its recent December meeting with an aggressive response to damp inflation down during 2022 and 2023.

- **At its 3rd November Fed meeting**, the Fed decided to make a start on tapering its \$120bn per month of quantitative easing (QE) purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that treasury yields will rise over the taper period, all other things being equal.
- It also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024. This would take rates back above 2% to a neutral level for monetary policy. It also gave up on calling the sharp rise in inflation as being 'transitory'.
- At its **26th January meeting**, the Fed became even more hawkish following inflation rising sharply even further. It indicated that rates would begin to rise very soon, i.e., it implied at its March meeting it would increase rates and start to run down its holdings of QE purchases. It also appears likely that the Fed could take action to **force longer term treasury yields up** by prioritising selling holdings of its longer bonds as yields at this end have been stubbornly low despite rising inflation risks. The low level of longer dated yields is a particular concern for the Fed because it is a key channel through which tighter monetary policy is meant to transmit to broader financial conditions, particularly in the US where long rates are a key driver of household and corporate borrowing costs.

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. **Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields.** However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising higher in the US than in the UK; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong and enduring will inflationary pressures turn out to be in both the US and the UK, and so impact treasury and gilt yields?
- **Will the major western central banks implement their previously stated new average or sustainable level inflation monetary policies when inflation has now burst through all previous forecasts and far exceeded their target levels? Or are they going to effectively revert to their previous approach of prioritising focusing on pushing inflation back down and accepting that economic growth will be very much a secondary priority - until inflation is back down to target levels or below?**
- How well will central banks manage the running down of their stock of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?
- If Russia were to invade Ukraine, this would be likely to cause short term volatility in financial markets, but it would not be expected to have a significant impact beyond that.

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia, China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era for local authority investing

– a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures once economies recover from the various disruptions caused by the pandemic.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment and borrowing rates

- **Investment returns** started improving in the second half of 21/22 and are expected to improve further during 22/23 as the MPC progressively increases Bank Rate.
- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows:
-
 - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- **Borrowing for capital expenditure.** Our long-term (beyond 10 years) forecast for Bank Rate is 2.00%. As nearly all PWLB certainty rates are now above this level, borrowing strategy will need to be reviewed, especially as the maturity curve has flattened out

considerably. Better value can be obtained at the very short and at the longer end of the curve and longer-term rates are still at historically low levels. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if a client is seeking to avoid a “cost of carry” but also wishes to mitigate future re-financing risk.

- While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

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 2022/23 treasury operations. The Executive Director of Corporate Services & S.151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the Authority in the next Treasury Management report.

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.

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.

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.

All rescheduling will be reported to the Authority, at the earliest meeting following its action.

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 both HRA and non-HRA 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 out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

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

Approved Sources of Long and Short-Term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

ANNUAL INVESTMENT STRATEGY

Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

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

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

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

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. 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.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; 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 achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
3. **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.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 4 under the categories of 'specified' and 'non-specified' investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified investments limit.** The Authority has determined that it will limit the maximum total exposure to non-specified investments as being 10% of the total investment portfolio.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in the creditworthiness policy.
7. **Transaction limits** are set for each type of investment in the creditworthiness policy.
8. This authority will set a limit for its investments which are invested for **longer than 365 days**.
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.
10. This authority has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2022/23 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23).

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.

The Executive Director of Corporate Services & S.151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Authority for approval as necessary. 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 Group, our treasury advisors, 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 the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to

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 credit ratings (where rated):
 - i. Short Term – F1;
- Banks 2 – Part nationalised UK bank – 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;
- Building societies - The Authority will use all societies which:
 - i. Meet the ratings for banks outlined above;
- Money Market Funds – £1m limit (each). Subject to £3m maximum;
- Local authorities, Police and Fire and Crime Commissioners - £2m limit (each);
- Debt Management Office (DMO) - £no limit.

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 rely 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 opportunities.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Authority's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long-term Rating (or equivalent)	Money Limit	Transaction Limit	Time Limit
Individual Banks 1&2 higher quality	F1+	£3m	£3m	364 days
Individual Banks 1&2 medium Quality	F1	£2m	£2m	364 days
Individual UK Building societies	F1+	£3m	£3m	364 days
Individual UK Building societies	F1	£2m	£2m	364 days
Local authorities/Police, Fire and Crime Commissioners		£2m	£2m	364 days
Money Market Funds	AAA	£1m (each)	£1m (each)	liquid

The proposed criteria for specified and non-specified investments are shown in the appendices for approval.

Country and sector limits

Due care will be taken to consider the country, group and sector exposure of the Authority's investments.

The Authority has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in the appendices. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

In addition:

- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

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 current forecasts are for the Bank Rate to reach 1.25% in November 2022.

The 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	Now	Previously
2022/23	1.00%	0.50%
2023/24	1.25%	0.75%
2024/25	1.25%	1.00%
2025/26	1.25%	1.25%
Years 6 to 10	1.50%	-
Years 10+	2.00%	2.00%

Investment treasury indicator and limit - total principal funds invested for greater than 365 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 following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days is £nil			
£m	2022/23	2023/24	2024/25
Principal sums invested for longer than 365 days	£m	£m	£m
Current investments as at 31.03.23 in excess of 1 year maturing in each year	Nil	Nil	Nil

Investment risk benchmarking

This Authority will use an investment benchmark to assess the investment performance of its investment portfolio of 3 month LIBID uncompounded.

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.

Day to day Treasury Management

Kingston Upon Hull City Council manage the Authority's treasury management functions under the terms of a service level agreement in accordance with the approved Annual Treasury Management Strategy.

APPENDICES

1. Prudential and treasury indicators and MRP statement
2. Interest rate forecasts
3. Economic background
4. Treasury management practice 1 – credit and counterparty risk management
5. Approved countries for investments
6. Treasury management scheme of delegation
7. The treasury management role of the section 151 officer
8. Capital Strategy

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2025/26 AND MRP STATEMENT

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

Capital expenditure

Capital expenditure £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Total	4.175	5.011	3.157	2.863	3.127

Minimum revenue provision (MRP) policy 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).

DLUHC regulations have been issued which require the 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 capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former DLUHC regulations (option 1);
- **Based on CFR** – MRP will be based on the CFR (option 2).

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction). There are 2 options available under this method which are as follows:
 - Equal Instalment Method (option 3a)
 - Annuity Method (option 3b)
- **Depreciation method** – MRP will follow standard depreciation accounting procedures (option 4).

These options provide for a reduction in the borrowing need over approximately the asset's life.

As a result of guidance that was recently issued a review was undertaken during 2020/21 to move to the annuity method (option 3b).

Repayments included in annual PFI or finance leases are applied as MRP. The Authority has historically made Voluntary Revenue Provisions (VRP) of £772k.

Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Authority is asked to approve the following indicators:

Ratio of financing costs to net revenue stream – Indicator 6

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

%	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Ratios	3.06%	3.35%	3.62%	3.91%	4.00%

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

Maturity structure of borrowing

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:

Maturity structure of fixed interest rate borrowing 2022/23 – Indicator 7		
	Lower	Upper
Under 12 months	0	15%
12 months to 2 years	0	15%
2 years to 5 years	0	30%
5 years to 10 years	0	60%
10 years and above	0	80%

Interest rate forecasts

Link Group Interest Rate View 20.12.21													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate													
Link	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.50	0.75	1.00	1.25	1.25	1.25	1.25	1.25	-	-	-	-	-
5yr PWLB Rate													
Link	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.80	1.90	2.10	2.20	2.20	2.30	2.40	2.40	-	-	-	-	-
10yr PWLB Rate													
Link	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	2.00	2.10	2.20	2.30	2.30	2.40	2.50	2.50	-	-	-	-	-
25yr PWLB Rate													
Link	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	2.20	2.30	2.50	2.70	2.70	2.70	2.80	2.90	-	-	-	-	-
50yr PWLB Rate													
Link	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.70	2.90	-	-	-	-	-

Appendix 3

ECONOMIC BACKGROUND

COVID-19 and vaccines.

Vaccines were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This dashed such hopes and raised major concerns that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that although this mutation is very fast spreading, it does not cause severe illness in fully vaccinated people. Rather than go for a full lockdown which would have heavily damaged the economy, the government strategy this time focused on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection., It also placed restrictions on large indoor gatherings and hospitality venues over Christmas and into January and requested workers to work from home. This hit sectors like restaurants, travel, tourism and hotels hard which had already been hit hard during 2021. Economic growth will also have been lower due to people being ill and not working. The economy, therefore, faces significant headwinds in early 2022 although some sectors have learned how to cope well with Covid. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them, and enhanced testing programmes be implemented to contain their spread, until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- The threat from Omicron was a wild card causing huge national concern at the time of December's MPC meeting; now it is seen as a vanquished foe disappearing in the rear-view mirror.
- The MPC shifted up a gear last week in raising Bank Rate by another 0.25% and narrowly avoiding making it a 0.50% increase by a 5-4 voting margin.
- Our forecast now expects the MPC to deliver another 0.25% increase in March; their position appears to be to go for sharp increases to get the job done and dusted.
- The expected March increase is likely to be followed by another increase to 1.0% in May and then to 1.25% in November.
- The MPC is currently much more heavily focused on combating inflation than on protecting economic growth.
- However, 54% energy cap cost increases from April, together with 1.25% extra employee national insurance, food inflation around 5% and council tax likely to rise in the region of 5% too - these increases are going to hit lower income families hard despite some limited assistance from the Chancellor to postpone the full impact of rising energy costs.
- Consumers are estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above increases. But most of those holdings are held by more affluent people whereas poorer people already spend nearly all their income before these increases hit and have few financial reserves.
- These increases are going to be highly disinflationary; inflation will also be on a gradual path down after April so that raises a question as to whether the MPC may shift into protecting economic growth by November, i.e., it is more debatable as to whether they will deliver another increase then.

- The BIG ISSUE – will the current spike in inflation lead to a second-round effect in terms of labour demanding higher wages, (and/or lots of people getting higher wages by changing job)?
- If the labour market remains very tight during 2022, then wage inflation poses a greater threat to overall inflation being higher for longer, and the MPC may then feel it needs to take more action.

PWLB RATES

- The yield curve has flattened out considerably in the first two months of 2022.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate in 2022.
- It is difficult to say currently what effect the Bank of England starting to sell gilts will have on gilt yields once Bank Rate rises to 1%: it is likely to act cautiously as it has already started on not refinancing maturing debt. A passive process of not refinancing maturing debt could begin in March when the 4% 2022 gilt matures; the Bank owns £25bn of this issuance. A pure roll-off of the £875bn gilt portfolio by not refinancing bonds as they mature, would see the holdings fall to about £415bn by 2031, which would be about equal to the Bank's pre-pandemic holding. Last August, the Bank said it would not actively sell gilts until the *"Bank Rate had risen to at least 1%"* and, *"depending on economic circumstances at the time."*
- It is possible that Bank Rate will not rise above 1% as the MPC could shift to relying on quantitative tightening (QT) to do the further work of taking steam out of the economy and reducing inflationary pressures.
- Increases in US treasury yields over the next few years could add upside pressure on gilt yields though, more recently, gilts have been much more correlated to movements in bund yields than treasury yields.

MPC meeting 4th February 2022

- After the Bank of England became the first major western central bank to put interest rates up in this upswing of the economic cycle in December, it has quickly followed up its first 0.15% rise by another 0.25% rise to 0.50%, in the second of what is very likely to be a series of increases during 2022.
- The Monetary Policy Committee voted by a majority of 5-4 to increase Bank Rate by 25bps to 0.5% with the minority preferring to increase Bank Rate by 50bps to 0.75%. The Committee also voted unanimously for the following: -
 - to reduce the £875n stock of UK government bond purchases, financed by the issuance of central bank reserves, by ceasing to reinvest maturing assets.
 - to begin to reduce the £20bn stock of sterling non-financial investment-grade corporate bond purchases by ceasing to reinvest maturing assets and by a programme of corporate bond sales to be completed no earlier than towards the end of 2023.
- The Bank again sharply increased its forecast for inflation – to now reach a peak of 7.25% in April, well above its 2% target.
- The Bank estimated that UK GDP rose by 1.1% in quarter 4 of 2021 but, because of the effect of Omicron, GDP would be flat in quarter 1, but with the economy recovering during February and March. Due to the hit to households' disposable incomes from higher inflation, it revised down its GDP growth forecast for 2022 from 3.75% to 3.25%.
- The Bank is concerned at how tight the labour market is with vacancies at near record levels and a general shortage of workers - who are in a very favourable position to increase earnings by changing job.
- As in the December 2021 MPC meeting, the MPC was more concerned with combating inflation over the medium term than supporting economic growth in the short term. However, what was notable was the Bank's forecast for inflation: based on

the markets' expectations that Bank Rate will rise to 1.50% by mid-2023, it forecast inflation to be only 1.6% in three years' time. In addition, if energy prices beyond the next six months fell as the futures market suggests, the Bank said CPI inflation in three years' time would be even lower at 1.25%. With calculations of inflation, the key point to keep in mind is that it is the rate of change in prices – not the level – that matters. Accordingly, even if oil and natural gas prices remain flat at their current elevated level, energy's contribution to headline inflation will drop back over the course of this year. That means the current energy contribution to CPI inflation, of 2% to 3%, will gradually fade over the next year.

- So, the message to take away from the Bank's forecast is that they do not expect Bank Rate to rise to 1.5% in order to hit their target of CPI inflation of 2%. The immediate issue is with four members having voted for a 0.50% increase in February, it would only take one member more for there to be another 0.25% increase at the March meeting.
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative tightening) holdings of bonds is as follows: -
 1. Raising Bank Rate as "the active instrument in most circumstances".
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

OUR FORECASTS

a. Bank Rate

- Covid remains a major potential downside threat as we are most likely to get further mutations. However, their severity and impact could vary widely, depending on vaccine effectiveness and how broadly it is administered.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

b. PWLB rates and gilt and treasury yields

Gilt yields. Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. After sharp increase in most gilt yields in the first two months of 2022, our forecasts show little overall increase in gilt yields during the forecast period to March 2025; but there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for medium to longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. This was in addition to the \$900bn support package previously passed in December 2020. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme roll-out had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its recent December meeting with an aggressive response to damp inflation down during 2022 and 2023.

- **At its 3rd November Fed meeting**, the Fed decided to make a start on tapering its \$120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that treasury yields will rise over the taper period, all other things being equal.
- It also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024. This would take rates back above 2% to a neutral level for monetary policy. It also gave up on calling the sharp rise in inflation as being 'transitory'.
- At its **26th January meeting**, the Fed became even more hawkish following inflation rising sharply even further. It indicated that rates would begin to rise very soon, i.e., it implied at its March meeting it would increase rates and start to run down its holdings of QE purchases. It also appears likely that the Fed could take action to force longer term treasury yields up by prioritising selling holdings of its longer bonds as yields at this end have been stubbornly low despite rising inflation risks. The low level of longer dated yields is a particular concern for the Fed because it is a key channel through which tighter monetary policy is meant to transmit to broader financial conditions, particularly in the US where long rates are a key driver of household and corporate borrowing costs.

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

Globally, our views are as follows: -

- **EU.** The ECB joined with the Fed by announcing on **16th December** that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases during the first half of 2022. The ECB did not change its rate at its **3rd February** meeting, but it was clearly shocked by the increase in inflation to 5.1% in January. The President of the ECB, Christine Lagarde, hinted in the press conference after the meeting that the ECB may accelerate monetary

tightening before long and she hinted that asset purchases could be reduced more quickly than implied by the previous guidance. She also refused to reaffirm officials' previous assessment that interest rate hikes in 2022 are "very unlikely". It, therefore, now looks likely that all three major western central banks will be raising rates this year in the face of sharp increases in inflation - which is looking increasingly likely to be stubbornly high and for much longer than the previous oft repeated 'transitory' descriptions implied.

- **China.** The pace of economic growth has now fallen back after the initial surge of recovery from the pandemic and China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. However, with Omicron having now spread to China, and being much more easily transmissible, lockdown strategies may not prove so successful in future. To boost flagging economic growth, The People's Bank of China cut its key interest rate in December 2021.
- **Japan.** 2021 was a patchy year in combating Covid. However, recent business surveys indicate that the economy is rebounding rapidly now that the bulk of the population is fully vaccinated, and new virus cases have plunged. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back towards its target of 2% any time soon.
- **World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.
- **Supply shortages.** The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed or unable to be administered fast enough to stop the NHS being overwhelmed.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **Bank of England** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **The Government** acts too quickly to increase taxes and/or cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, Iran, China, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows. If Russia were to invade Ukraine, this would be likely to cause short term volatility in financial markets, but it would not be expected to have a significant impact beyond that.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- Longer term US treasury yields rise strongly and pull gilt yields up higher than forecast.

Appendix 4**TREASURY MANAGEMENT PRACTICE – CREDIT AND COUNTERPARTY RISK MANAGEMENT****SPECIFIED INVESTMENTS:**

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum ‘high’ rating criteria where applicable)

	Minimum ‘High’ Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	F1	In-house

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
UK part nationalised banks	UK sovereign rating or Short-term F1, Sovereign rating AA-	In-house	50%	364 days
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	Sovereign rating or Short-term F1, Sovereign rating AA-	In-house	50%	364 days

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -

1. Money Market Funds	AAA rated	In-house
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Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Authority. To ensure that the Authority is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

NON-SPECIFIED INVESTMENTS: The Authority will not make investments longer than 1 year

TREASURY MANAGEMENT PRACTICE – 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 adopted the Code on 15/02/2010 and will apply its principles to all investment activity. In accordance with the Code, the Executive Director of Corporate Services and S.151 Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), 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. 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, housing association, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and / or Fitch rating agencies.
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 F1 (or the equivalent) as rated by Standard and Poor's, Moody's and / 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.

Non-specified investments –are any other type of investment (i.e. not defined as specified above). The Authority will not use these types of investments.

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 Executive Director of Corporate Services & S.151 Officer, and if required new counterparties which meet the criteria will be added to the list.

Appendix 5

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- U.K.

Appendix 6**TREASURY MANAGEMENT SCHEME OF DELEGATION****Fire Authority**

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy;
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment;
- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above;
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:-
 - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*

CAPITAL STRATEGY

1. Introduction

- 1.1 There is a new requirement on local authorities (including fire authorities) to prepare a capital strategy each year, which sets out our approach to capital expenditure and financing at a high level. The requirement to prepare a strategy arises from Government concerns about a small number of authorities borrowing substantial sums (relative to their budget) to invest in commercial property, often outside the area of the authority concerned.
- 1.2 There is also a new requirement on local authorities to prepare an investment strategy, which specifies our approach to making investments other than day to day treasury management investments (the latter is included in our treasury management strategy, as in previous years). Given that HFA makes no such investments, a strategy has not been prepared.
- 1.3 This Appendix sets out the proposed capital strategy for approval.

2. Capital Expenditure

- 2.1 The Authority's capital expenditure plans are approved by the HFA, as part of the budget report each year.
- 2.2 The capital programme is usually restricted to:-
 - (a) Investment in operational buildings – e.g. fire stations and administrative offices;
 - (b) Renewal of operational fleet;
 - (c) New and replacement firefighting equipment;
 - (d) Investment in ICT.
- 2.3 The Authority's Constitution sets out the delegations to the Chief Fire Officer & Chief Executive on the delivery of the capital programme.
- 2.4 Capital expenditure on **buildings**, where funded from the capital programme, is principally directed to maintaining the fitness of the operational estate. Major property investments are considered as part of the overall estates strategy and are approved annually at the December HFA meeting.
- 2.5 Expenditure on the **renewal of the operational fleet** is directed by the replacement programme approved by the HFA. This is considered and approved each year at the December HFA meeting.
- 2.6 Capital expenditure on **firefighting equipment** ensures equipment is replaced when it has reached the end of its useful life or has become technologically obsolescent. It also enables the Service to invest in new technology.
- 2.7 Capital expenditure on **ICT** is determined by the ICT replacement programme which is approved annually at the December HFA meeting.
- 2.8 Monitoring of capital expenditure is carried out by the Strategic Leadership Team; Governance, Audit and Scrutiny Committee and the HFA. Reports are presented on four occasions during the year and at outturn.
- 2.9 HFA does not capitalise expenditure, except where it can do so in compliance with proper practices: it does not apply for directions to capitalise revenue expenditure.

2.10 Forecast capital expenditure is:-

End of:	£000
21/22	4,175
22/23	5,011
23/24	3,157
24/25	2,863
25/26	3,127

3. Financing of Capital Expenditure

- 3.1 HFA funds capital expenditure from the revenue budget, capital receipts and prudential borrowing.
- 3.2 Prudential borrowing is used to fund capital expenditure, within the limits prescribed within the Annual Treasury Management Strategy Statement. This is reviewed annually for affordability.
- 3.3 HFA measures its capital financial requirement, which shows our underlying need to borrow for a capital purpose. This is shown in the table below:-

End of:	Underlying CFR	Other LTL	Total CFR
	£000	£000	£000
22/23	23,316	919	24,235
23/24	24,331	900	25,231
24/25	24,866	880	25,746
25/26	25,557	858	26,415

- 3.4 Projections of actual debt are part of the treasury management indicators in the Annual Treasury Management Strategy Statement.

4. Debt Repayment

- 4.1 HFA makes charges to the budget each year to repay debt incurred for previous years' capital spending. This is known as "Minimum Revenue Provision" (MRP). The general principle is that HFA seeks to repay debt over the period for which taxpayers enjoy the benefit of the spending it financed. MRP is calculated as:

- a) 4% of the CFR at the end of the preceding financial year; and
- b) Based on the useful asset life using the annuity method

5. Commercial Activity

- 5.1 Government guidance now requires us to specify our policy towards non-financial investments.
- 5.2 HFA makes no such investments.

REPORT EXECUTIVE SUMMARY

Workforce Monitoring and Planning (Revision of Workforce Plan)

This paper responds to the following questions\requests as part of the GAS Committee Scrutiny Programme.

1. What changes has the Service made to its Workforce Plan?
2. To what extent has the Service's strategy on positive action affected both the Plan and its workforce?
3. Update in relation to the Committee's recommendations of 12 April 2021:
 - a) That the Service's future Positive Action Strategy and Framework be applied consistently.
 - b) that the Service ensure that its employees fully understand its Positive Action Strategy and Framework.
 - c) that the Service gather improved data in order to understand the makeup of its workforce in comparison to local demographics and other fire and rescue services.
 - d) that the Service improve its exit interview process to understand why employees leave the Service, and
 - e) that the Committee be updated about to the Service's progress in relation to the revision of its workforce plan and the recommendations of the associated internal audit report: -
 - I. The Workforce Plan be reviewed and expanded to explicitly fulfil the expectations of HMICFRS, demonstrating a co-ordinated approach to workforce planning across the Service, including referencing the IRMP, links to training and development and the role of shift planning.
 - II. The shift model, including the new online management system, be reviewed to maximise the effective deployment of firefighters.
 - III. The actions in the Service Improvement Plan relating to Workforce Planning be consistently updated and reported to senior leadership, in line with process for other areas of the Plan.
 - IV. The ongoing interventions to address inconsistencies among staff in EDI awareness and leadership skills be regularly monitored to assess their effectiveness.
4. How does the Service balance external and internal recruitment?
5. How does this balance compare at different levels of seniority within the organisation?

RECOMMENDATIONS

1. The GAS committee take assurance of the work that has been undertaken to improve the service's approach to Workforce Monitoring and Planning.

REPORT DETAIL

What changes has the Service made to its Workforce Plan??

2. Following the HFA decision to introduce an Executive Director of People and Development the Service has continued to work to the principles of its existing 2020\22 Workforce plan whilst developing underpinning documents and systems to support the next iteration of its publicised Workforce Plan 2022\24. It was felt that the new Executive Director should have oversight and ownership of the development of the new Workforce Plan rather than being tied to an existing document developed without their input.
3. Work has been undertaken to develop supporting documents and systems linked to and referenced in the workforce plan. These include the following:
 - Station based competency levels – Power BI dashboard developed to identify skillsets and minimum numbers required to service the risk identified within the Service's IRMP
 - [Training Delivery Plan 2021/24](#) – identifies our plans to ensure we have the right people in the right place trained with the right skills to meet our Strategic Plan and IRMP.
 - PDR and Training Needs Analysis Report – developed from the outcomes of the Personal Development Review process to inform the Training Delivery Plan.
 - Recruitment and Talent Pipeline Planning – developed through analysis of retirement and leavers profiles to identify demand for new starters and processes to enter talent pipelines, links directly to the resources required to crew the stations and assets identified within the IRMP.
4. A regular workforce planning meeting has been established, chaired by the Interim Director of People and Development with representation from all Directorates and/or sections. Through this forum establishment data, salary budgets and recruitment needs have been refined to provide accurate and agreed baselines for workforce planning.
5. Updates on workforce planning are provided as a standard agenda item at the SLT Performance meeting chaired by the DCFO. Progress on Workforce Planning actions identified within the Service Improvement Plan are also scrutinised at the same meeting.

To what extent has the Service's strategy on positive action affected both the Plan and its workforce?

6. Table 1 below shows the change in diversity of the organisation from 2016 to 2021 in terms of gender and ethnicity. The gender and ethnicity balance has improved over the period at a broadly similar rate to that of the England FRS rate however we would like change to take place at a faster pace.

Table 1 - Diversity of HFRS in terms of Gender and Ethnicity 2016 to 2021

		Local Population	England all Staff	FRS	Humber side FRS All Staff	England Ops Staff	FRS	Humber side FRS Ops Staff		
	Census 2011	data	2016	2021	2016	2021	2016	2021	2016	2021
% Staff that are Women	51%		14.5%	18%	18.5%	21%	5%	7.5%	3.8%	6.4%
% Staff that are ethnic minority	4%		4.3%	5.3%	1.5%	2.1%	3.8%	4.7%	1.5%	2.0%

7. Our positive action strategy supports the Strategic aim of “We value and support the people we employ” in particular “we encourage, attract and retain a diverse range of people to help us provide the best service”. The strategy was launched in the spring of 2021 and was supported by an accompanying communications plan. Whilst it is too early to see the full benefit of the strategy, initial results are encouraging, evaluations from our communications plan show significant reach through our social media channels in terms of engagements (those who liked, commented, or shared) and impressions (those who viewed).
8. The strategy has led to several changes in the way we approach recruitment. Significant work has been undertaken on the recruitment area of our website, to make information more accessible and to enhance the Service as an employer of choice. Vacancies and promotion opportunities are now advertised across a range of sites including the Service website, NFCC jobs board, military jobs boards, the Women in the Fire Service (WFS) Website and the Asian Fire Service Association (AFSA) website.
9. As part of the improvements to our website we have created an expressions of interest area where individuals can register their interest in working for the service across a range of roles including On-Call Firefighter, Full-Time Firefighter, Control Operator, Support Staff and Resilience Firefighter. All individuals expressing an interest are contacted and provided links to information to support them in joining the service and to enable them to receive alerts about recruitment campaigns. In addition to the provision of information this has also enabled us to target under-represented groups with invites to positive action (attraction) events and programmes such as our ‘Rookie reds’. As at the end of January 2022 we had received 1917 expressions of interest and a breakdown by gender and ethnicity is provided in table 2 below.

Table 2 - Expressions of interest through website to Jan 2022

	Total	%Women	% Ethnic Minority
Expressions of Interest	1917	17.2% (331)	6.5% (124)

10. Positive action (attraction) events are undertaken in the community and on stations to support recruitment campaigns including taster sessions and awareness events. Community events have ranged from attendance at mosques, Humber All Nations Alliance (HANA) events and universities. Several opportunities to host joint events

with Humberside Police have also been undertaken benefitting both services, increasing footfall and interest. From October to December firefighters and officers have supported five 10 week 'Rookie Reds' programmes targeted at underrepresented groups which have seen 65 women and 4 men from ethnic minority groups receive support in accessing the Fire Service as a career choice.

11. Our support to the mobile vaccination programme, by operational and support staff, has also provided opportunities to engage and attract hard to reach communities in terms of positive action as well as community safety.
12. As mentioned previously, whilst it is too early to see the full benefit of the strategy, initial results are encouraging especially in terms of the diversity of applicants that are expressing an interest (table 2 above) or applying to work for the service. Table 3 below provides a breakdown in terms of gender and ethnicity for the recent Executive Director of People & Development and ongoing Full-Time Firefighter campaigns.

Table 3 - Diversity of Applicants in recruitment Campaigns

	Total Applicants	% Women	% Ethnic Minority
Full-Time Firefighter Recruitment 2021/22	1503	15.4% (232)	6.8% (102)
Executive Director of People & Development	32	57% (20)	44% (14)

13. Our Strategy also includes objectives to facilitate meaningful career and personal development and we have a range of staff groups, mentoring and coaching schemes in place. Recent appointments at a senior level have seen a positive shift in the gender balance at Head of Function level.

Update in relation to the Committee's recommendations of 12 April 2021:

11. An update for each of the Committee's recommendations (a) to (e) is provided below under each respective heading.
 - a) **That the Service's future Positive Action Strategy and Framework be applied consistently.**
12. The framework was launched in the spring of 2021 and has been applied to all recruitment campaigns and opportunities. Furthermore, the framework encompasses a wider range of activities beyond recruitment activities such as data analysis, staff retention and career development. The intention is that the Strategy is enduring and applied across the Service to exploit the maximum opportunity to diversify the organisation.
 - b) **that the Service ensure that its employees fully understand its Positive Action Strategy and Framework.**
13. The Service has focussed on education and engagement with staff to embed its

positive action (attraction) initiatives arising from the Positive Action Strategy and Framework.

14. Initiatives and resources to support staff has taken many forms including:
 - Explanation and overview of positive attraction and action within the EDI awareness e-learning module that is mandatory for all staff to undertake on an annual basis, the compliance rate for 2021 was 95.5%.
 - Siren staff newsletter articles promoting positive attraction and action
 - Issuing of key fobs for every member of staff that has a QR code to link any member of the public that asks about a career within HFRS enabling them to directly access the updated recruitment and vacancy sections on HFRS website.
 - EDI updates including positive attraction and positive action on the senior leaders Leadership Forum and the Supervisory Leadership Forums in 2021.
 - EDI has been included in talent management promotion processes that has encouraged self-directed learning and engagement from operational staff with OD colleagues
 - The OD SharePoint site EDI library has a range of resources to support staff development including the Core Code of Ethics, leadership and management development and positive action toolkits.
 - Positive attraction/action is included in other strategic documents such as IRMP and EDI annual report which are publicised and available on the Staff Portal.
15. Operational crews have engaged and supported positive action events on stations and targeted campaigns in the community enhancing their knowledge, understanding and 'buy in' of the Service's approach to positive action.
 - c) **that the Service gather improved data in order to understand the makeup of its workforce in comparison to local demographics and other fire and rescue services.**
16. The service is working hard to improve its use of data to inform workforce planning, this is a key aspect of our Positive Action Framework. A workforce planning dashboard has been developed drawing data from our Firewatch HR system. A data cleanse of Firewatch data is underway and recent restructures to support teams will ensure that the resources to administer the system are managed within the HR function.
17. Data from the dashboards is reviewed at monthly SLT Performance meetings and Workforce Planning meetings being used to inform recruitment and talent pipeline demand.
18. Fire statistics produced by the Home Office from service returns provide a comparator to the sector overall as well as individual services. This provides a useful benchmark but also demonstrates there is much work to do for the sector.

19. We have enhanced our use of data in recent pay gap reports, this year voluntarily opting to produce pay gap data in terms of ethnicity and disability as well as the public sector legislative requirement for gender.
20. The service is currently part way through a restructure of its Public Safety resources, as part of this restructure improvements have been made in the Risk and Intelligence function creating a section in itself and introducing a Head of Risk and Intelligence role and undertaking further investment in data science skillsets. Traditionally the focus of our analysts has been on Protection, Prevention and Response datasets however the investment in the risk and Intelligence function will now enable additional support to the HR Team in developing the skills within its team and refining the analysis of the associated data sets.

d) that the Service improve its exit interview process to understand why employees leave the Service.

21. A review of the process was undertaken by HR in mid-2021 and arrangements were made to transfer it under the control of the HR team. As part of this change, an electronic process was developed and implemented in August 2021 so that the individual could be contacted directly with a link to access the exit interview form, with a request for them to provide their feedback. There is still the scope for the leaver to meet and discuss their decision to leave with their manager if they wish, however it was hoped that by providing the option to complete the form and send it directly to HR, this would promote more feedback to the organisation. This process was publicised through the Siren so that all staff and managers were aware of this change.
22. The completed form links automatically to populate a spreadsheet, so that a running summary of returned exit interviews is maintained. Any exit interviews that are returned with any comments requiring further review and/or action are forwarded to the HR Service Partner in the first instance and may be escalated to the Head of HR depending upon the nature of the comments, e.g. If a leaver had made negative comments about their manager or colleagues that required further investigation. The data gathered through the exit interview process will be summarised within and utilised to inform the workforce plan.
23. At this point, since the implementation of the new process (August 2021 to February 2022) we have had 14 exit interviews completed out of 45 leavers; this represents a 30% return approximately. We will continue to encourage completion of the forms however it should be noted that the process is voluntary, and a large proportion of leavers are retirements who are often not inclined to undertake the process.

e) that the Committee be updated about to the Service's progress in relation to the revision of its workforce plan and the recommendations of the associated internal audit report.

24. A narrative in relation to each of the internal audit recommendations is provided below under bullet points (i) to (iv).
 - i. **The Workforce Plan be reviewed and expanded to explicitly fulfil the expectations of HMICFRS, demonstrating a co-ordinated approach to workforce planning across the Service, including referencing the IRMP, links to training and development and the role of shift planning.**

25. Work has been undertaken to develop supporting documents and systems linked to and referenced in the workforce plan. These include the following:
 - Station based competency levels – Power BI dashboard developed to identify skillsets and minimum numbers required to service the risk identified within the Service's IRMP
 - [Training Delivery Plan 2021/24](#) – identifies our plans to ensure we have the right people in the right place trained with the right skills to meet our Strategic Plan and IRMP.
 - PDR and Training Needs Analysis Report – developed from the outcomes of the Personal Development Review process to inform the Training Delivery Plan.
 - Recruitment and Talent Pipeline Planning – developed through analysis of retirement and leavers profiles to identify demand for new starters and processes to enter talent pipelines, links directly to the resources required to crew the stations and assets identified within the IRMP.

ii. The shift model, including the new online management system, be reviewed to maximise the effective deployment of firefighters.

26. The Locally Determined Shift System Working Group review the shift model and regularly meet to refine and improve the system. A TIAA audit has been recently undertaken and subsequently followed up reporting that the system is efficient and effective for our communities.
27. Improvements in the system have resulted in available staff identified for redeployment to a variety of roles including covering shortfalls in On-Call areas of the Service and undertaking Fire Protection work, particularly supporting the Risk Based Inspection Programme.
28. Crewing availability and redeployment activity is captured through updates on the daily strategic and tactical briefings.

iii. The actions in the Service Improvement Plan relating to Workforce Planning be consistently updated and reported to senior leadership, in line with process for other areas of the Plan.

29. Progress against the actions identified in the Service Improvement Plan are scrutinised through the monthly SLT performance meeting, chaired by the DCFO. The People actions under the Service Improvement Plan are also reviewed as a standard agenda item at the workforce planning meeting.

iv. The ongoing interventions to address inconsistencies among staff in EDI awareness and leadership skills be regularly monitored to assess their effectiveness.

30. The response to this recommendation is captured at paragraph 14.

How does the Service balance external and internal recruitment?

31. Following a decision agreed by SLT all vacancies and promotion opportunities are advertised internally and externally, the only exceptions to this would be those linked to restructures (where staff are at risk) or where vacancies are temporary.

32. Opportunities are posted on a range of platforms including the Service website, NFCC jobs board, military jobs boards, the Women in the Fire Service (WFS) Website and the Asian Fire Service Association (AFSA) website. Further reach is achieved using proprietary sites such as 'indeed' and recruitment adverts are purchased to support recruitment to specialist roles in relevant professional journals.

How does this balance compare at different levels of seniority within the organisation?

33. In line with the response to the previous question all vacancies and promotion opportunities, regardless of level, are advertised internally and externally.

STRATEGIC PLAN COMPATIBILITY

34. The report supports the delivery of our Strategic Plan 2021-2024 through pillar 3 'We value and support the people we employ.'

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

35. None directly, all initiatives within this report will be delivered within existing budgets.

LEGAL IMPLICATIONS

36. The report outlines several areas which contribute to the Service's compliance with the Equality Act 2010 and numerous other aspects of Employment Law.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

37. The contents of this report are directly related to improvements in the way that we select, develop, and support our workforce. These are important aspects in ensuring that our workforce feel safe and supported, in turn promoting our aspiration of being an Employer of choice within the Humberside area; a key aspect of our Positive Action Strategy.

CORPORATE RISK MANAGEMENT IMPLICATIONS

38. Many of the areas explored within this report feature as key items on the Services Risk Register and within Improvement Plans.

HEALTH AND SAFETY IMPLICATIONS

39. None arising directly.

COMMUNICATION ACTIONS ARISING

40. None arising directly.

DETAILS OF CONSULTATION AND/OR COLLABORATION

41. None arising directly.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

42. [Station based competency levels dashboard](#)

- 43. [Training Delivery Plan 2021\24](#)
- 44. PDR and Training Needs Analysis Report 2021\22
- 45. [Positive Action Framework](#)
- 46. Positive Action Comms Plan

RECOMMENDATIONS RESTATED

- 47. The GAS committee take assurance of the work that has been undertaken to improve the service's approach to Workforce Monitoring and Planning.

J. Kirby

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Humberside Fire & Rescue Service
Summergroves Way
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Governance, Audit and Scrutiny Committee 7 March 2022	Report by the Monitoring Officer/Secretary
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GAS COMMITTEE SCRUTINY PROGRAMME 2021/22

REPORT EXECUTIVE SUMMARY

This paper summarises the Governance, Audit and Scrutiny Committee's Scrutiny Programme 2021/22. Each year, the Committee will programme six specific, defined scrutiny items complete with scopes in order that relevant officers can focus their reports. Appendix 1 to this report will serve as a point of reference for report-writers and as a 'living document' during the year for the Committee as it considers the scopes for its scrutiny items.

RECOMMENDATIONS

1. That Members consider and approve the Scrutiny Programme 2021/22.

PUBLIC SCRUTINY PROCESS

2. Public scrutiny is a corporate process undertaken by the GAS Committee, appointed by the Fire Authority for its breadth of professional experience.
3. Six areas for scrutiny were identified by the Committee for its 2021/22 programme:
 - Anti-Bullying Campaign (Assessing the Issue)
 - Promotion Within Uniformed Roles
 - Implementation of the NFCC Code of Ethics
 - Management of Risk Information by On-Call Fire Stations
 - Workforce Monitoring and Planning (Revision of Workforce Plan)
 - Anti-Bullying Campaign (Progress Update)

STRATEGIC PLAN COMPATIBILITY

6. This paper supports the achievement of Strategic Plan 2021-24 through the provision of independent scrutiny of activity.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

7. Independent scrutiny contributes towards efficiency review activity.

LEGAL IMPLICATIONS

8. None directly arising.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

9. None directly arising.

CORPORATE RISK MANAGEMENT IMPLICATIONS

10. Scrutiny of performance provides an assurance that arising risks are being mitigated.

HEALTH AND SAFETY IMPLICATIONS

11. None directly arising.

COMMUNICATION ACTIONS ARISING

12. GAS Committee papers are publicly available via the HFRS Website.

DETAILS OF CONSULTATION AND/OR COLLABORATION

13. SLT regarding scrutiny topics.

RECOMMENDATIONS RESTATED

14. That Members consider and approve the Scrutiny Programme 2021/22.

**S CAMPBELL
M BUCKLEY**

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 Committee Manager

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SC
May 2021

GAS Committee Scrutiny Programme 2021/22		
Meeting Date	Responsible Officer	Item and Scope
5 July 2021	Director of People and Development	<p>Anti-Bullying Campaign (Assessing the Issue)</p> <ul style="list-style-type: none"> • How does the Service define bullying (what guidance has informed its policies etc)? • To what extent is bullying an issue within the Service? • How does the Service measure and understand its organisational culture and bullying in its workforce? • What have staff surveys shown with regard to bullying? • How many staff surveys have been conducted since the Service's last inspection by HMICFRS? • Is the Service confident that its anti-bullying campaign has/will improve its culture?
6 September 2021	Director of People and Development	<p>Promotion Within Uniformed Roles</p> <ul style="list-style-type: none"> • How does the Service manage promotions within uniformed roles? • How has this process changed across the last 20 years? • What regard has been given to public sector and sector-specific best practice/guidance? • Does the promotion process fit with the Workforce Plan and with the Service's strategy on positive action? • What reference have ex-staff members made to promotion processes in their exit interviews and surveys? • In the HMICFRS survey conducted in 2020, 50 percent of respondents disagreed with the statement, 'The promotion process within my service is fair'. How has the Service addressed this?
15 November 2021	Director of Service Improvement	<p>Implementation of the NFCC Code of Ethics</p> <ul style="list-style-type: none"> • How has the NFCC Code of Ethics changed the Service? • How has the Service approached its implementation?

7 February 2022	Director of Service Delivery	Management of Risk Information by On-Call Fire Stations <ul style="list-style-type: none"> • What processes are used to maintain accurate risk information by On-Call fire stations? • How is the Service assured that these processes are in line with best practice?
7 March 2022	Director of People and Development	Workforce Monitoring and Planning (Revision of Workforce Plan) <ul style="list-style-type: none"> • What changes has the Service made to its Workforce Plan? • To what extent has the Service's strategy on positive action affected both the Plan and its workforce? • Update in relation to the Committee's recommendations of 12 April 2021: <ul style="list-style-type: none"> (a) That the Service's future Positive Action Strategy and Framework be applied consistently; (b) that the Service ensure that its employees fully understand its Positive Action Strategy and Framework; (c) that the Service gather improved data in order to understand the makeup of its workforce in comparison to local demographics and other fire and rescue services; (d) that the Service improve its exit interview process to understand why employees leave the Service, and (e) that the Committee be updated about to the Service's progress in relation to the revision of its workforce plan and the recommendations of the associated internal audit report. • How does the Service balance external and internal recruitment? • How does this balance compare at different levels of seniority within the organisation?
11 April 2022	Director of People and Development	Anti-Bullying Campaign (Progress Update) <ul style="list-style-type: none"> • How has the Services anti-bullying campaign progressed? • How does the Service know progress has been made? • What have the Service's measures of organisational culture and bullying shown? • How has the Service responded to the recommendations made by the Committee at its meeting of 5 July 2021 (Minute 70/21 refers):

		<p>(a) That the Service use its exit interviews and appraisals process to develop a clearer understanding bullying and changes to its organisational culture;</p> <p>(b) that initial feedback on the progress of recommendation (a) be reported during the follow-up anti-bullying campaign item due to be heard on 11 April 2022;</p> <p>(c) that the Service obtain high-quality data through a survey of staff in order to develop a clearer understanding of bullying and organisational culture than that afforded by the HMICFRS surveys of 2018 and 2020, and</p> <p>(d) that the report for the follow-up anti-bullying campaign item contain feedback from the relevant unions.</p>
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