This matter is being dealt
with by: Kate Kirton
Email: Kate.Kirton@sunderland.gov.uk
Your Ref:
Our Ref:
Date: 2 March 2022

Dear Councillor

You are summoned to attend the Meeting of the Authority to be held in the Main Conference Room, Fire and Rescue Headquarters, Barmston Mere on **Monday 14 March 2022** at **10.30am** when it is proposed to transact the business set out below.

Yours sincerely

Chris Lowther
Chief Fire Officer and Chief Executive
Clerk to the Authority

A G E N D A

PART I

ITEM		**PAGE**
1.	**Apologies for Absence**	**-**
2.	**Declarations of Interest**	**-**
3.	**Minutes** Minutes of the Meeting of the Authority held on 14 February 2022, Part I (copy to be printed separately) for confirmation.	**-**
4.	**Members' Allowances Scheme for the Financial Year 2022/2023** Joint report of the Deputy Clerk to the Authority and the Finance Director (copy attached).	**1**
5.	**Treasury Management Policy and Strategy 2022/2023, including Prudential 'Treasury Management' Indicators For 2022/2023 To 2025/2026** Report of the Finance Director (copy attached).	**7**
6.	**Pay Policy Statement 2022/2023** Joint report of the Chief Fire Officer/Chief Executive (the Clerk to the Authority), the Finance Director and the Personnel Advisor to the Authority (copy attached).	**45**

Local Government (Access to Information) (Variation) Order 2006

The report contained in Part II of the Agenda is not for publication as the Authority is considered likely to exclude the public during consideration thereof as it contains exempt information relating to consultations/negotiations in connection with any labour matter arising between the Authority and employees of the Authority (including the Authority holding that information (Local Government Act 1972, Schedule 12A, Part 1, Paragraph 4). The public interest in maintaining this exemption outweighs the public interest in disclosing the information.

PART II

Tyne and Wear Fire and Rescue Authority
Creating the Safest Community
www.twfire.gov.uk

TYNE AND WEAR FIRE AND RESCUE AUTHORITY **Item 4**

MEETING: 14 MARCH 2022

SUBJECT: MEMBERS' ALLOWANCES SCHEME FOR THE FINANCIAL YEAR 2022/2023

JOINT REPORT OF THE DEPUTY CLERK TO THE AUTHORITY AND FINANCE DIRECTOR

1 BACKGROUND

1.1 The Authority is required to adopt a Members' Allowances Scheme for each financial year. The practice of the Authority has been to use the Independent Remuneration Panel (IRP) appointed by Sunderland City Council, to make recommendations regarding its Scheme.

1.2 The Panel's report is attached. The Panel has recommended that the allowances scheme remains unchanged for 2022/2023 and that a detailed review be undertaken prior to adoption of the scheme for 2023/2024.

1.3 In setting its Scheme for the forthcoming year, the Authority should have regard to any recommendations of IRPs made to the constituent authorities. None of the schemes of the constituent authorities contain a special responsibility allowance for Members who sit on the Fire Authority. The current basic allowances paid by the authorities are Gateshead £11,279, Newcastle £9,200, North Tyneside £10,643, South Tyneside £7,667, Sunderland £8,369. From the information available on the websites of the authorities concerned, it appears that these amounts are in accordance with the recommendations of the relevant Independent Remuneration Panels, other than in respect of Newcastle and Sunderland, where the Panel recommended an increase, but this was rejected.

2 FINANCIAL IMPLICATIONS

2.1 The total cost of Allowances paid by the Authority to members of all of its various Committees, based on the existing scheme, will be £80,637. Of this sum £72,397 is paid to elected members and £8,240 to the three independent persons co-opted onto the Governance Committee.

2.2 The budget for 2022/2023 of £85,617 in addition includes provision for all expenses reasonably incurred by its members whilst attending meetings and carrying out the Authority's business. The Authority reports all of these costs as required in its Statement of Accounts and separately on its website.

3 RECOMMENDATION

3.1 Members are requested to consider whether to apply the terms of the current Scheme for the financial year 2022/2023.

Independent Remuneration Panel

Review of Members' Allowances Scheme for Tyne & Wear Fire and Rescue Authority for the financial year 2022/2023

Introduction

1. The Tyne and Wear Fire and Rescue Authority (the Authority) uses the Independent Remuneration Panel appointed by Sunderland City Council, to make recommendations to the Authority about the allowances to be paid to elected members in the following financial year.

Review of Allowances

2. On this occasion, only one written representation was received from a member of the Fire Authority. The Panel also met with the Chair of the Authority via Teams and in addition, was provided with benchmarking information regarding the allowances paid at other fire and rescue authorities.

3. The written representation received related to the position of Vice Chairs of Standing Committees of the Fire Authority. Whilst the Panel did not consider it appropriate to recommend any changes to the allowances for committee roles on this occasion, it was mindful that prior to the Covid-19 pandemic, it had hoped to be in a position to undertake a more detailed review of Fire Authority roles and responsibilities. As part of a future detailed review, the Panel would welcome the opportunity to interview one or more vice-chairs, as well as the holders of other roles within the Authority. Having had the benefit of meeting with the Chair of the Authority, the Panel considered this to be a reasonable approach at this time. The Panel noted the Chair's concern regarding proposing any changes to the Scheme when residents were facing challenging times, and considered that if it held a detailed review, ideally before the end of this year, that would enable it to ensure that it had an up to date understanding of the demands associated with the various positions within the Authority, which could be taken into account when making recommendations for the 2023/2024 Scheme.

Recommendation

4. The Panel recommends that no changes be made at this time to the Scheme of Allowances for 2022/2023, the main provisions of which are summarised in the Appendix.

John Anderson CBE
Karen Straughair
Stuart Green

February 2022

APPENDIX – SUMMARY OF MEMBERS' ALLOWANCES FOR 2022/23

<u>Summary of Members' Allowances</u>	**£**
Basic Allowance	2,500
Special Responsibility Allowances:	
Chairman	12,798
Vice Chairman (to include Chairing the Policy and Performance Committee)	10,000
Chairman – Human Resources Committee	6,399
Leader of Majority Party in Opposition	3,200
Co-optees' Allowances:	
Governance Committee	
Chair of Governance Committee	3,296
Independent Member	1,648

Where there is no single majority party in opposition and there is equal representation of any opposition parties on the Joint Authority, the allowance payable to the Leader of the Majority Party in Opposition shall be shared equally between the Leaders of the Parties who are so represented.

Carer's Allowances:

Actual expenditure up to a maximum of the equivalent of the current National Living Wage or National Minimum Wage hourly rate, as appropriate, dependent upon the age of the worker. The rate applicable shall be subject to automatic increases in line with uprating of the Adult National Living Wage and National Minimum Wage.

Travel Allowances:

Motor Cycle Allowance	24p per mile
Bicycle Allowance	20p per mile

Car Allowance:

45p per mile for first 10,000 miles and 25p thereafter
Passenger Supplement 5p per mile for the Passenger
(not exceeding 4)

The rates for travel and car allowances are to be Her Majesty's Revenues and Customs Rates. Allowances to be updated as and when HMRC publishes revised allowances.

Accommodation and Subsistence Allowances:

Overnight Accommodation - the allowance will not be claimable as an allowance as such, rather reasonable costs of an overnight stay (including breakfast) will be met for business class accommodation (3 star or 4 star) within and outside of London. Unless there are exceptional circumstances, officers will book the accommodation direct selecting the most economic option available and utilising the established procurement arrangements in place. Where exceptional circumstances exist, these will be approved in advance by the Finance Officer and reasonable costs will be reimbursed subject to submission of receipts.

The above approach is proposed for dealing with overnight stays (including breakfast). The subsistence rates for other meals, where necessary, are still considered appropriate and would be in addition.

In the case of absence from the usual place of residence for a continuous period which exceeds 4 hours but does not involve an overnight absence, subsistence is payable as per the table set out below:

Breakfast Allowance	£6.15
Lunch Allowance	£8.46
Tea Allowance	£3.33
Evening Meal Allowance	£10.48

Reduction of Subsistence Allowance for Meals Provided Free of Charge:

Reduction for Breakfast provided	£6.15
Lunch provided	£8.46
Tea provided	£3.33
Dinner provided	£10.48

A contribution in excess of the above amounts can be made in exceptional extenuating circumstances. Such circumstances must be approved in advance by the Finance Officer.

TYNE & WEAR FIRE AND RESCUE AUTHORITY

MEETING: 14TH MARCH 2022

SUBJECT: TREASURY MANAGEMENT POLICY AND STRATEGY 2022/2023, INCLUDING PRUDENTIAL 'TREASURY MANAGEMENT' INDICATORS FOR 2022/2023 TO 2025/2026

REPORT OF THE FINANCE DIRECTOR

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1. Purpose of the Report

1.1 Members to approve the proposed Treasury Management Policy and Strategy (including both borrowing and investment strategies) for 2022/2023 and also to approve the Prudential 'Treasury Management' Indicators for 2022/2023 to 2025/2026 taking into account any feedback or comments provided by the Governance Committee who scrutinised the Treasury Management Policy and Strategy at their meeting held on 7th March 2022.

2. Treasury Management

2.1 Treasury Management is defined as "the management of the Authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 The Treasury Management function is a specialist service that is carried out by Sunderland City Council on behalf of the Authority as part of a Service Level Agreement.

3. Statutory requirements

3.1 The Local Government Act 2003 (the Act) requires the Authority to:

- 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential Indicators including specific Treasury Management Indicators) for a minimum period of three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable. These are detailed at Appendix 1.
- adopt a Treasury Management Policy Statement (detailed in Appendix 2), and
- to set out its Treasury Management Strategy Statement comprising the Authority's strategy for borrowing and the Authority's policies for managing its investments and giving priority to the security and liquidity of those investments (set out in Appendix 3)

3.2 The DLUHC 'Statutory Guidance on Local Government Investments' was updated in February 2018 and CIPFA updated its Treasury Management in the Public Services Code of Practice in December 2021. The Authority is statutorily required to have regard to this advice when setting its Treasury Management Policy Statement and Treasury Management Strategy.

3.3 Changes to the DLUHC investment guidance focused particularly on non-treasury commercial investments which are reported within the Commercial Activity – Investment Strategy section of the Capital Strategy rather than in the Treasury Management Strategy. This ensures the separation of the core treasury function where investments are made under security, liquidity and yield principles, and non-treasury commercial and strategic investments.

4. CIPFA requirements

4.1 The Authority continues to fully adopt and to re-affirm annually its adherence to the updated CIPFA Code of Practice on Treasury Management.

The primary requirements of the Code include that:

1. The Authority will create and maintain, as the cornerstones for effective treasury management:

   - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
   - suitable Treasury Management Practices (TMP's), setting out the way the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
   - investment management practices (IMPs) for investments that are not for treasury management purposes.

   The content of the treasury management policy statement is detailed in Appendix 2 and the TMP's follow the recommendations contained in Sections 6 and 7 of the Code, subject only to minor variations where necessary to reflect the particular circumstances of the Authority, and these do not result in the Authority materially deviating from the Code's key principles.

2. The Authority will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan, in advance of the year ahead, a mid-year review and an annual report after its close, in the form prescribed in its TMP's.

3. The Authority delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to this Committee, and for the execution and administration of treasury management decisions to the Finance Director, who acts in accordance with the organisation's Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

4. The Authority has previously nominated the Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

5 Treasury Management Strategy Statement for 2022/2023

5.1 The Treasury Management Strategy Statement comprises a Borrowing and an Investment Strategy. These set out the Authority's policies for managing its borrowing and investments in 2022/2023.

5.2 There are no major changes being proposed to the overall Treasury Management Strategy in 2022/2023, which maintains the careful and prudent approach adopted by the Authority in previous years. Areas that inform the strategy include the extent of potential borrowing included in the Authority's Capital Programme, the availability of borrowing and the current and forecast world and UK economic positions, in particular forecasts relating to interest rates and security of investments.

5.3 The proposed Treasury Management Strategy Statement for 2022/2023 is set out in Appendix 3 and is based upon the views of the Finance Director, supplemented with market data, market information and leading market forecasts and views provided by the Authority's treasury adviser, Link Asset Services.

5.4 The Authority's Treasury Management Practices are subject to regular review to ensure compliance to the agreed treasury management strategy and that the strategy adapts to changing financial markets as appropriate so that the Lead Authority, on behalf of this Authority, can take a view on the optimum time to carry out further borrowing or debt rescheduling.

6. Recommendation

6.1 Authority is requested to approve the:

- Annual Treasury Management Policy and Strategy for 2022/2023 (including specifically the Annual Borrowing and Investment Strategies) and,
- The Prudential 'Treasury Management' Indicators 2022/2023 to 2025/2026.

Appendix 1

Prudential 'Treasury Management' Indicators 2022/2023 to 2025/2026

The indicators below relate to Treasury Management (all indicators relating to capital financing have been removed for clarity and can be found in the Capital Programme 2022/2023 including Prudential Indicators for 2022/2023 to 2025/2026 report presented to the Authority on 14th February 2022).

P5 In respect of its external debt, it is recommended that the Authority approves the following authorised limits for its total external debt (gross of investments) for the next four financial years. These limits must separately identify borrowing from other long-term liabilities such as PFI schemes and finance leases. The Authority is asked to approve these limits and to delegate authority to the Finance Director, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities, in accordance with option appraisal and best value for the Authority. Any such changes made will be reported to the Authority at the next meeting following the change.

Authorised Limit for External Debt

	2021/2022 £'000	**2022/2023 £'000**	**2023/2024 £'000**	**2024/2025 £'000**	**2025/2026 £'000**
Borrowing	27,650	**38,359**	38,758	40,535	43,244
Other long-term liabilities	15,818	**14,457**	13,032	11,297	9,468
Total	43,468	**52,816**	51,790	51,832	52,712

The above authorised limits are consistent with the Authority's current commitments, existing plans within the recently approved Capital Programme 2022/2023 to 2025/2026 which set out its agreed capital expenditure and financing, and with its proposed treasury management policy statement and practices. The Finance Director also confirms they are based on the estimate of most likely, prudent, but not worst-case scenario, with, in addition, sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes.

In taking its decisions on the Revenue Budget and Capital Programme for 2022/2023, the Authority has already agreed the authorised limit determined for 2022/2023 (see P5 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

P6 The Authority has also agreed to the following operational boundary for external debt for the same time period as part of the Capital programme 2022/2023 to 2025/2026 report. The operational boundary for external debt is based on the same estimates as the authorised limit, but reflects directly the estimate of the most likely, prudent but not worst-case scenario level, without the additional headroom included within the authorised limit to allow, for example, for unusual cash flow movements. It equates to the projected maximum external debt and represents a key management tool for in-year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

The Authority is also requested to delegate authority to the Finance Director, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long-term liabilities, similar to the authorised limit set out in P5.

The operational boundary limit will be closely monitored and a report will be made to the Authority if it is exceeded at any point in the financial year ahead. It is generally only expected that the actual debt outstanding will approach the operational boundary when all of the long-term borrowing has been undertaken for that particular year and will only be exceeded temporarily as a result of the timing of debt rescheduling.

Operational Boundary for External Debt

	2021/2022 £'000	**2022/2023 £'000**	**2023/2024 £'000**	**2024/2025 £'000**	**2025/2026 £'000**
Borrowing	22,650	**33,359**	33,758	35,535	38,244
Other long term liabilities	15,818	**14,457**	13,032	11,297	9,468
Total	38,468	**47,816**	46,790	46,832	47,712

P7 The Authority's actual external debt at 31st March 2021 was £28.167 million (calculated on the basis that all Authority debt is classed as external) and was made up of actual borrowing of £11.227 million and £16.940 million in respect of other long-term liabilities.

The Authority includes an element for long-term liabilities relating to PFI schemes and leases in its calculation of the operational and authorised boundaries to allow further flexibility over future financing. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at any one point in time and allowance needs to be made for borrowing and cash flow variations.

P8 Sunderland City Council, on the Authority's behalf, is no longer required to formally indicate if it has adopted the CIPFA Code of Practice on Treasury Management. However, the revised Code was adopted on 3rd March 2010 and is re-affirmed annually.

The objective of the Prudential Code is to provide a clear framework for local authority capital finance that will ensure for individual local authorities that:

(a) capital expenditure plans are <u>affordable;</u>
(b) all external borrowing and other long-term liabilities are within <u>prudent and sustainable levels</u>;
(c) treasury management and investment decisions are taken in accordance with professional good practice and in full understanding of the risks involved;

and that in taking decisions in relation to (a) to (c) above the local authority is: <u>accountable</u>, by providing a clear and transparent framework.

Further, the framework established by the Code should be consistent with and support:

(a) local strategic planning;
(b) local asset management planning;
(c) proper options appraisal.

In exceptional circumstances the objective of the Code is to provide a framework that will demonstrate that where there is a danger of not ensuring the above, the Authority can take timely remedial action.

CIPFA Treasury Management in the Public Services Code of Practice - Indicators 2022/2023 to 2025/2026

P9 It is recommended that the Authority sets upper and lower limits for the maturity structure of its borrowings, consistent with Sunderland City Council's policy, as follows:

Amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate at the start of the period:

	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	60%	0%
24 months and within 5 years	80%	0%
5 years and within 10 years	100%	0%
10 years and over	100%	0%

P10 A maximum maturity limit of £75 million is set for each financial year (2022/2023, 2023/2024, 2024/2025 and 2025/2026) for long-term investments (those over 365 days). This gives additional flexibility to the Authority in undertaking its Treasury Management function. It is proposed that Authority funds may be invested within the limits set by Sunderland City Council as set out in the Annual Investment Strategy (Appendix 3).

Appendix 2

1. Treasury Management Policy Statement

1.1 In line with CIPFA recommendations, the Authority adopted the following Treasury Management Policy Statement, which defines the policies and objectives of its treasury management activities:

- The Authority defines its treasury management activities as: "The management of the Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.2 These principles are intended to provide a working document that forms a detailed framework for treasury management activities. The policy fully encompasses CIPFA's Code of Practice. In addition, the policy fully takes account of the requirements of the Prudential Code for Capital Finance in Local Authorities and the guidance issue by the DLUHC supporting Part 1 of the Local Government Act 2003 in respect of local authority investments.

1.3 The Authority re-affirms its commitment to the Treasury Management Policy and Strategy Statement in 2022/2023 as it does every year.

Appendix 3

1. **Treasury Management Strategy Statement for 2022/2023**

1.1 **Introduction**

1.2 The Local Government Act 2003 and subsequent guidance requires the Authority to set out its Treasury Management Strategy for Borrowing and to prepare an Annual Investment Strategy. This sets out the Authority's policies for managing both its borrowing and its investments, which gives priority to the security and liquidity of those investments over yield.

1.3 The suggested strategy for 2022/2023 is set out below and is based upon the Finance Director's views on interest rates, supplemented with leading market forecasts and other financial data available and advice provided by the Authority's treasury adviser, Link Asset Services.

1.4 In December 2017, and more recently in December 2021 CIPFA issued a revised Treasury Management Code of Practice and Cross-Sectoral Guidance Notes, and a revised Prudential Code. In February 2018 DLUHC revised their Guidance on Local Government Investments and also their Statutory Guidance on Minimum Revenue Provision. A particular focus of these revised codes is how to deal with local authority investments which are non-treasury type investments e.g. by investing in a property portfolio in order to generate income for the authority at a higher level than can be attained by vanilla treasury investments. This report deals solely with financial investments managed by the lead authority's Treasury Management function as this Authority has no such investments. Non-treasury investments are therefore covered separately in the lead authority's Capital Strategy which was approved by Council in November 2021. This ensures the separation of the core treasury function where investments are made under security, liquidity and yield principles, and non-treasury commercial and strategic investments.

1.5 The treasury management strategy covers the:

- current treasury management position;
- treasury indicators and limits;
- prospects for interest rates;
- borrowing strategy;
- policy on borrowing in advance of need;
- policy on debt rescheduling;
- investment policy and management of risk;
- creditworthiness policy;
- outlook and proposed treasury investment strategy;
- policy on the use of external service providers; and
- non-treasury investments.

1.6 As noted, CIPFA published revised codes for Treasury Management and Prudential Borrowing on 20th December 2021. The changes made to the Prudential Code apply with immediate effect, except that the new revised reporting requirements do not need to be introduced until the 2023/2024 financial year. Unlike the Prudential Code, there is no effective date within the new edition of the Treasury Management Code, which is market guidance and has no statutory underpinning. The Authority has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and the Annual Investment Strategy. In summary, the revised codes have the following implications:

Prudential Code

- Strong reinforcement that local authorities must not borrow to invest primarily for financial return, this applies with immediate effect;
- Objectives continue to focus on; Capital plans and investments plans must be affordable and proportionate, all borrowing / other long-term liabilities are within prudent and sustainable levels; risks associated with investments are proportionate to financial capacity and treasury management decisions are in accordance with good professional practice;
- Further strengthening on matters to be taken into account when setting and revising prudential indicators. In particular decision making on capital investment, determining a capital strategy, prudence and affordability;
- Expansion of Environmental, Social and Governance (ESG) within the Capital Strategy, addressing environmental sustainability in a manner which is consistent with the Authority's policies on the issue. This will be addressed when the Capital Strategy is refreshed later in 2022;
- Investment in commercial properties, the code makes clear that any historical asset base is not impacted by the restrictions now in place and any plans to divest should be part of an annual review.
- CIPFA leaves any decision to maintain long term Treasury Investments to each local authority to justify and any longer term Treasury Investment to be linked to the Business Model; and
- The gross debt and the capital financing requirement remain key indicators with a small change which means the inclusion of Heritage Assets. It has been noted that the CFR can be a negative figure.

Treasury Management Code

- Investment Management Practices (IMPs) have now been introduced for Non-Treasury Investment and are expected to follow the same format used for Treasury Management Practices (TMPs);
- The requirement for TMP10 has been strengthened and a requirement to retain an aims and objectives schedule included;
- Reporting should set out Service and Commercial investment risks especially where this is supported by borrowing / leverage, with a proportionate level of any borrowing which is a decision for the S151 Officer. Emphasis also placed on "Local Authorities" so that they must not borrow to invest primarily for the purpose of financial return;
- Treasury Management reports to be produced annually before the financial year, mid-year and after the year-end; and
- The introduction of a Liability Benchmark, which will be included in updated reporting for 2023/2024.

1.7 In addition, all investments and investment income must be attributed to one of the following three purposes:

Treasury Management
Arising from the organisations cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service Delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial Return
Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The Authority already currently adheres to the majority of the above amendments, and will comply with the remaining new reporting standards by the prescribed date of 2023/2024.

2. Treasury Management Strategy

Borrowing

2.1 Current Treasury Management Position

The treasury portfolio position at 31st December 2021 for Sunderland City Council, which the Fire and Rescue Authority forms part of, is set out in the table overleaf. For information the Authority held £11.227 million of borrowing and investments totalling £27.514 million.

		Principal (£m)	Total (£m)	Average Rate (%)
Treasury external borrowing				
Fixed Rate Funding	PWLB	434.6		
	Market	39.6		
	Other	11.3	485.5	2.68
Variable Rate Funding	Temporary / Other		27.6	0.72
Total Borrowing			**513.1**	**2.54**
Total Investments				
	In house – short term		**294.3**	**0.16**
Net treasury borrowing			**218.8**	

Currently there is a net deficit of £218.8m which represents the difference between gross debt and total investments and is significantly lower than the lead authority's capital financing requirement (capital borrowing need).

2.2 Treasury Indicators and Limits

2.2.1 Prudential and Treasury Indicators (as set out in Appendix 1) are a requirement of the CIPFA Prudential Code and are relevant for the purposes of setting an integrated treasury management strategy and to ensure that treasury management decisions are taken in accordance with good professional practice. It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Authority to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

2.2.2 The Authority must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax is 'acceptable'.

2.2.3 The "Affordable Borrowing Limit" comprises of the capital plans to be considered for inclusion in corporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is set, on a rolling basis, for the forthcoming financial year and three successive financial years and details can be found in Appendix 1 (P5) of this report. The Authority is requested to note these already agreed limits and to delegate authority to the Finance Director, within the total limit for any individual year, to action movement between the separately agreed limits for borrowing and other long-term liabilities where this would be appropriate. Any such changes made will be reported to the Authority at their next meeting following the change.

2.2.4 Also, the Authority is requested to note the already agreed Operational Boundary Limit (P6) which is included in the Prudential Indicators set out in Appendix 1. This operational boundary represents a key management tool for in-year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified and the Authority is also asked to delegate authority to the Finance Director, within the total operational boundary for any individual year, to action movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the authorised limit.

2.2.5 The requirement for the Authority to indicate it has adopted the CIPFA Code of Practice on Treasury Management was removed in the revised 2017 edition of the code. However, this is still considered to be good practice. The original 2001 Code was adopted on 20th November 2002. The Authority re-affirms its full adherence to the latest 2017 edition of the Code and will continue to do so annually (as set out in Appendix 2). The additional reporting elements of the December 2021 code which aren't required until 2023/2024 will be adhered to in that financial year.

2.3 **Prospects for Interest Rates**

2.3.1 Over the last two years, the coronavirus outbreak has resulted in significant economic damage to the UK and to economies around the world. After the Bank of England's Monetary Policy Committee (MPC) took emergency action in March 2020 to cut the Bank Rate to 0.10%, it left the 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 on 2nd February 2022. This was primarily in response to rising inflation which the BoE now expects to peak at 7.25% in April 2022, well above its 2% target.

2.3.2 As for the timing of the next increase in Bank Rate, the Authority's treasury advisor believes the MPC will announce a further 0.25% increase in March, followed by a similar rise in May and then rising to 1.25% in November 2022. The impact of the Omicron variant is expected to result in GDP remaining flat in Quarter 1 of 2022 and the hit to household income from higher inflation has led the BoE to revise down it GDP growth forecast for 2022 from 3.75% to 3.25%.

2.3.3 Since the start of 2021, there has been significant volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates below shows, there is forecast to be a steady, but slow, rise in rates during the forecast period to March 2025, though there will doubtless be unpredictable volatility during this forecast period.

2.3.4 The following table shows the average PWLB rates for Quarters 1, 2 and 3 and the figures for Quarter 4 to 16th February 2022.

2021/2022	**Qtr 1 (Apr - Jun) %**	**Qtr 2 (Jul - Sep) %**	**Qtr 3 (Oct – Dec) %**	**Qtr 4 (Jan – 16th Feb) %**
7 days notice	-0.08	-0.08	-0.06	0.20#
1 year	0.81*	0.87*	1.11*	1.59*
5 year	1.18*	1.15*	1.47*	1.90*
10 year	1.68*	1.52*	1.75*	2.08*
25 year	2.14*	1.90*	1.99*	2.25*
50 year	1.94*	1.68*	1.68*	1.93*

*rates take account of the 0.2% discount to the PWLB rates available to eligible authorities that came into effect on 1st November 2012.

#Figures for the 7-Day LIBID rate, used by the Authority to benchmark its performance, ceased being published at the end of 2021. From January 2022, the over-night SONIA (Sterling Over Night Indexed Average) is now used for comparison purposes. For Q4, the rate shown reflects the average to the end of January 2022.

2.3.5 The Link Asset Services forecast in respect of interest rates for loans charged by the PWLB was updated on 7th February 2022 as follows:-

Date	**Bank Rate %**	**PWLB Borrowing Rates (including certainty rate adjustment) %**		
		5 year	**25 year**	**50 year**
March 2022	0.75	2.20	2.40	2.20
June 2022	1.00	2.30	2.50	2.30
Sept 2022	1.00	2.30	2.50	2.30

Date	Bank Rate %	PWLB Borrowing Rates (including certainty rate adjustment) %		
		5 year	25 year	50 year
Dec 2022	1.25	2.30	2.60	2.40
March 2023	1.25	2.30	2.60	2.40
June 2023	1.25	2.30	2.60	2.40
Sept 2023	1.25	2.30	2.60	2.40
Dec 2023	1.25	2.30	2.60	2.40
March 2024	1.25	2.30	2.60	2.40
June 2024	1.25	2.30	2.60	2.40
Sept 2024	1.25	2.30	2.60	2.40
Dec 2024	1.25	2.30	2.60	2.40
March 2025	1.25	2.30	2.60	2.40

2.3.6 The main sensitivities of the forecast are likely to be, if it were felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the US and UK, then the portfolio position will be re-appraised with the likely action that fixed rate borrowing will be undertaken whilst interest rates are still lower than they will be in the next few years.

2.4 **Borrowing Strategy**

2.4.1 The Authority's strategy for 2021/2022 was to adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow and to respond to any changing circumstances to seek to secure benefit for the Authority. A benchmark financing rate of 2.60% for long-term borrowing was set considering the views prevalent at the time the Treasury Management policy was set in March 2021.

2.4.2 The basis of the agreed Borrowing Strategy for 2022/23 is to:

- continuously monitor prevailing interest rates and forecasts;
- secure long-term funds to meet the Authority's future borrowing requirement when market conditions are considered favourable;
- current (January 2021) long term PWLB rates (50 years) are around 1.80%. It is forecast that this will rise over the financial year 2022/23 with target rates being, 1.80% Q1, 1.90% Q2, 1.90% Q3 and 2.00% Q4. Should interest rates fall below these targets borrowing should be considered, with preference given to terms which ensure a balanced profile of debt maturity. The current average interest rates forecast across this financial year for various borrowing periods are as follows:

  10 years – 1.85%
  25 years – 2.10%
  50 years – 1.90%

2.4.3 As announced by the Chancellor in November 2020, a prohibition was introduced that denies access to any new borrowing from the PWLB for a local authority that has plans to purchase investment assets "primarily for yield". When applying for PWLB borrowing authorities must now submit a high-level description of their capital spending and financing plans for the following three years. In addition, the lead authority's Section 151 Officer (Executive Director of Corporate Services) must confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment will be based on the Section 151 Officer's professional interpretation of guidance issued along with PWLB lending terms.

2.4.4 Due to the overall financial position and the underlying need to borrow for capital purposes (the Capital Financing Requirement – CFR), new borrowing of £100m was undertaken in December from the PWLB at a historically low rate of 1.4%. Borrowing at this low rate has reduced the average cost of borrowing across the portfolio.

2.4.5 The low PWLB interest rates are likely to make this the cheapest option available to the Council to fund the large borrowing requirement needed to support the capital programme and it will benefit the Authority's revenue budget over the longer term. The Treasury Management team continues to closely monitor interest rates to assess the value of possible further new borrowing in line with Capital Programme requirements. Consideration will also be given to various other funding options, including taking out shorter term borrowing, utilising investment balances and use of other financial institutions to provide borrowing facilities.

2.4.6 There are currently seven market Lender's Option / Borrower's Option (LOBO) loans totalling £39.5 million. The lender has the option to alter the rate on these loans at set intervals and theses can either be accepted at the new rate or repaid without penalty. The following table shows the four LOBOs that were subject to a potential rollover in 2021/2022. No changes to loan rates have been received and so these arrangements will continue.

Roll Over Dates	**Lender**	**Amount £m**	**Rate %**	**Roll Over Periods**
21/04/2021 and 21/10/2021	Barclays	5.0	4.37	Every 6 months
29/09/2021	Dexia Credit Local	5.0	4.45	Every 3 years
03/02/2022	Dexia Credit Local	5.0	4.37	Every 3 years
22/02/2022	Dexia Credit Local	5.0	4.38	Every 3 years
Total		**20.0**		

2.4.7 The potential borrowing requirement for Sunderland City Council, which the Fire and Rescue Authority forms part of, is as follows:

		2022/23 £m	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
1.	Capital Programme Borrowing	**183.6**	**176.2**	**86.6**	**11.8**
2.	Replacement borrowing (PWLB)	**5.0**	**0.0**	**0.0**	**0.0**
3.	Replacement LOBO	**10.0**	**19.5**	**20.0**	**10.0**
TOTAL:		**198.6**	**195.7**	**106.6**	**21.8**

2.4.8 Currently there is a deficit of £218.8m which represents the difference between gross debt and total investments. This means that the capital borrowing need (the capital financing requirement) has not been fully funded with loan debt, as cash supporting the lead authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and it also reduces counterparty risk. Consideration will be given by the lead authority to continue utilising some investment balances to fund the borrowing requirement in 2022/2023. This position will be carefully reviewed to avoid incurring higher borrowing costs over the long-term whilst ensuring that financing is available to support capital expenditure plans.

2.4.9 There are a number of risks and benefits associated with having both a large amount of debt whilst at the same time having a considerable number of investments.

2.4.10 Benefits of having a high level of investments are;

- liquidity risk – having a large amount of investments means that the Authority is at less of a risk should money markets become restricted or borrowing less generally available, this mitigates against liquidity risk;
- interest is received on investments which helps support the Authority's overall budget position; and
- of more importance, the Authority has greater freedom in the timing of its borrowing as it can afford to wait until the timing is right rather than be subject to the need to borrow at a time when interest rates are not advantageous.

2.4.11 Risks associated with holding a high level of investments are;

- the counterparty risk – institutions cannot repay the Authority investments placed with them; and
- interest rate risk – the rate of interest earned on the investments will be less than that paid on debt, thus causing a loss to the Authority.

2.4.12 The Authority has mitigated these risks by having a risk averse Treasury Management Investment Strategy and by detailed monitoring of counterparties through its borrowing and investment strategies and treasury management working practices and procedures.

2.4.13 A Municipal Bonds Agency, set up by the Local Government Association, has begun to offer bonds to local authorities. The rates offered by the Agency will be assessed and use made of this, and any other new sources of funding that may become available, where it is considered advantageous.

2.4.14 The need to adapt to changing circumstances and revisions to profiling of capital expenditure is required when considering borrowing opportunities, and flexibility needs to be retained to adapt to any changes that may occur.

2.4.15 The Authority, taking advice from its treasury advisers, will continue to monitor rates closely, and whilst implementing the borrowing strategy, will adopt a pragmatic approach in identifying the low points in the interest rate cycle at which to borrow, wherever possible.

2.4.16 Taking into account potential market volatility and the advice of the Authority's treasury adviser, alongside potential Bank of England base rate increases, a benchmark financing rate of 3.00% for any further long-term borrowing for 2022/2023 is considered to be appropriate.

2.5 Policy on Borrowing in Advance of Need

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

2.5.2 Risks associated with any borrowing in advance of activity will be subject to appraisal and any borrowing undertaken will be reported to the Authority as part of the agreed treasury management reporting arrangements.

2.6 Policy on Debt Rescheduling

2.6.1 The reasons for any rescheduling of debt will include:

- the generation of cash savings at minimum risk;
- in order to help fulfil the Treasury Management Strategy; and
- in order to enhance the balance of the long-term portfolio (by amending the maturity profile and/or the balance of volatility).

2.6.2 In previous years, debt rescheduling has achieved significant savings in interest charges and discounts and these interest savings have been secured for many years to come. However, the very low underlying rate of long-term borrowing together with the current spread between the rates applied to new PWLB borrowing and repayment of PWLB debt means that PWLB debt restructuring is much less attractive. Consideration will also be given to other options where interest savings may be achievable by using LOBO (Lenders Option Borrowers Option) loans, and / or other market loans, in rescheduling exercises rather than solely using PWLB borrowing as the source of replacement financing but this would only be the case where this would represent best value to the Authority.

2.6.3 Following consultation and advice from the Authority’s treasury advisors the Authority has taken the decision to borrow over longer-term periods and much of the existing borrowing is for periods over 40 years and on a fixed interest rate basis. This borrowing has been taken out where it offers good value and to allow for the potential to benefit from refinancing debt in the future. A further benefit is that it reduces risk by giving certainty of borrowing rates over the long-term.

2.6.4 The Authority is keeping a watching brief on market conditions in order to secure further debt rescheduling when, and if, appropriate opportunities arise. The timing of all borrowing and investment decisions inevitably includes an element of risk, as those decisions are based upon expectations of future interest rates. The policy to date has been very firmly one of risk spread and this prudent approach will be continued.

2.6.5 Any rescheduling undertaken will be reported to the Authority, as part of the agreed treasury management reporting arrangements.

Annual Investment Policy and Strategy

2.7 Investment Policy and Management of Risk

2.7.1 When considering its investment policy and objectives, the Authority has regard to the DLUHC Guidance on Local Government Investments ("the Guidance"), CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). Consideration has also been given to the refreshed Code published in December 2021, with full adoption required by 2023/2024.

2.7.2 The DLUHC and CIPFA have extended the meaning of investments to include both financial and non-financial investments. This report deals solely with financial investments (as managed by the lead authority's Treasury Management function).

2.7.3 The Authority's investment objectives are: -

(a) the security of capital, and
(b) the liquidity of its investments.

2.7.4 The Authority also aims to achieve the optimum return on its investments, but this is commensurate with proper levels of security and liquidity.

2.7.5 In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate the Authority will also consider the value available in placing investments for longer periods with high credit rated financial institutions, as well as wider range fund options.

2.7.6 The guidance from the DLUHC and CIPFA places a high priority on the management of risk. The Authority has adopted a prudent approach to managing risk and in order to minimise the risk to investments, the Authority will;

- apply minimum acceptable credit criteria (detailed in Appendix 5) in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of risk. The risk appetite of the Authority is regarded as low in order to give priority to security of its investments.
- monitor credit ratings daily. The Authority has access to all three credit ratings agencies and is alerted to changes through its use of Link Asset Services counterparty service. If a counterparty's rating is downgraded with the result that it no longer meets the Authority's minimum criteria, the Authority will cease to place funds with that counterparty. If a counterparty's rating is downgraded with the result that their rating is still sufficient for the counterparty to remain on the Approved Lending List, then the counterparty's authorised investment limit will be reviewed accordingly. A downgraded credit rating may result in the lowering of the counterparty's investment limit and vice versa;
- not use ratings as the sole determinant of the quality of an institution. The Authority will continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Authority will engage with its advisors to monitor market pricing such as "credit default swaps" and overlay that information on top of the credit ratings provided.

- use other information sources including 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.

- define the type of investment instrument that the treasury management team are authorised to use. The Authority is allowed to invest in two types of investment, namely Specified Investments and Non-specified investments:

    - Specified Investments are sterling investments that are for a period of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. These are placed with high rated counterparties and are considered low risk assets where the possibility of loss of principal or investment income is small. Within these bodies and in accordance with the Code, the Authority has set additional criteria to limit the time and amount of monies that will be invested with these bodies
    - Non-Specified Investments are any investments which are not classified as specified investments. As the Authority only uses investment grade high credit rated counterparties for treasury management investments this means in effect that any investments placed with those counterparties for a period over one year will be classed as Non-specified Investments. A limit on the amount of investments which can be invested for longer than 365 days is set in the Authority's creditworthiness policy.

- the type of investments to be used by the in-house treasury management team will be limited to Certificates of Deposit, variable term deposits, fixed term deposits, interest bearing accounts, Money Market Funds, Government debt instruments, floating rate notes, corporate bonds, municipal / local authority bonds, bond funds, gilt funds, and gilt-edged securities and will follow the criteria as set out in Appendix 5.

- assess the risk of default and if any of the Authority's investments appear at risk of loss due to default, (i.e. a credit-related loss, and not one resulting from a fall in price due to movements in interest rates), then the lead authority will make revenue provision of an appropriate amount in accordance with proper accounting practice or any prevailing government regulations, if applicable. The lead authority mitigates this risk with its prudent investment policy;

- set an approved lending list which shows lending limits and the maximum duration of any investment for each counterparty (detailed in Appendix 6). These are set using the agreed lending list criteria (detailed in Appendix 5).

- only place investments with counterparties from countries with a specified minimum sovereign rating as set out in the agreed lending list criteria (detailed in Appendix 5). Should the UK Government AA- sovereign rating be withdrawn the Authority's Investment Strategy and Lending List criteria will be reviewed and any changes necessary will be reported to the Authority; and

- engage external consultants to provide expect 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.

2.7.7 In accordance with accounting standard IFRS9**,** the authority considers the implications of investment instruments which could result in an adverse movement in the value of the amount invested and lead to resultant charges at the end of the year to the General Fund. In November 2018 DLUHC 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 for five years ending 31st March 2023.

2.7.8 The prudential code states that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

2.8 **Creditworthiness Policy**

2.8.1 The creditworthiness policy adopted by the Authority takes into account the credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's). Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the Authority's counterparty criteria.

2.8.2 Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to future outlooks for counterparties. However, as economies are beginning to reopen, there have been some instances of previous lowering of future outlooks being reversed.

2.8.3 Although bank Credit Default Swap (CDS) prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

2.8.4 While the Authority understands changes that have taken place to reduce ratings, it will specify a minimum sovereign rating of AA-. This is due to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution. It is important to stress the ongoing regulatory changes made in the UK and the rest of Europe are designed to make the financial system sounder. Banks are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now

2.8.5 In keeping with the agencies' new methodologies, the rating element of the Authority's credit assessment process now focuses solely on the Short and Long Term ratings of an institution.

2.8.6 One of the recommendations of the Code is that local authorities should set limits for the amounts of investments that can be placed with institutions by country, sector and group. These limits are applied in the lead authority's Counterparty criteria set out in Appendix 5. Given the need for increased PWLB borrowing to fund the Capital Financing Requirement and the associated cash holding requirement, the Money Market Funds limit within Appendix 5 has been increased from £120m to £250m.

2.8.7 Set out in Appendix 6 is the detailed criteria that will be used, subject to approval, in determining the level of investments that can be invested with each counterparty or institution. Where a counterparty is rated differently by any of the 3 rating agencies, the lowest rating will be used to determine the level of investment. If the lead authority's own banker, National Westminster Bank plc, should fail to meet the minimum credit criteria to allow investments from the Authority then balances will be minimized as far as possible.

2.8.8 The Finance Director will monitor long-term investment rates and identify any investment opportunities if market conditions change. It is proposed that delegated authority continues for the Finance Director to vary the Lending List Criteria and Lending List itself should circumstances dictate, on the basis that changes be reported to the Authority retrospectively, in accordance with normal treasury management reporting procedures.

2.9 **Outlook and Proposed Treasury Investment Strategy**

2.9.1 Based on its cash flow forecasts, the Authority together with the City Council anticipates its fund balances in 2022/2023 are likely to range between £50 million and £250 million. This represents a cautious approach and provides for funding being received in excess of the level budgeted for, and also for unexpected and unplanned levels of capital underspending in the year or reprofiling of spend into future years. In 2021/2022 short-term interest rates have been materially below long-term rates and some investment balances have been used to fund some long-term borrowing requirements. It is likely that this will continue into 2022/2023 with investment balances being used to fund some long-term borrowing or used for debt rescheduling. Such funding is wholly dependent upon market conditions and will be assessed and reported to the Authority if and when the appropriate conditions arise.

2.9.2 Activities likely to have a significant effect on investment balances are):

- Capital expenditure during the financial year, (dependent upon timing) will affect cash flow and short-term investment balances;
- Any reprofiling of capital expenditure from, and to, other financial years will also affect cash flow (no reprofiling has been taken into account in current estimates);
- Any unexpected capital receipts or other income;
- Timing of new long-term borrowing to fund capital expenditure;
- Possible funding of long-term borrowing from investment balances (dependent upon appropriate market conditions).

2.9.3 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). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

2.9.4 The minimum amount of overall investments that will be held in short-term investments (less than one year) is £50 million. As the lead authority has decided to restrict most of its investments to term deposits, it will maintain liquidity by having a minimum of 30% of the total value of short-term investments maturing within 6 months.

2.9.5 A maximum limit of £75 million is to be set for in-house Non-Specified Investments over 365 days up to a maximum period of 2 years (excluding non-treasury management investments and all other investments defined as capital expenditure). This amount has been calculated by reference to the lead authority's cash flows, including the potential use of earmarked reserves.

2.9.6 The Authority is not committed to any investments which are due to commence in 2022/2023 (i.e. it has not agreed any forward deals).

2.9.7 The Finance Director, in conjunction with the Authority's treasury adviser Link Asset Services, and taking into account the minimum amount to be maintained in short-term investments, will continue to monitor investment rates closely and to identify any appropriate investment opportunities that may arise.

2.9.8 During 2021/2022 the Authority did not employ any external fund managers; all funds being managed by the lead authority's in-house team. The performance of the fund is shown below and compares favourably with the relevant benchmarks:

Return	**2020/21 Benchmark %**	**2020/21 Return %**	**To date 2021/22 Benchmark %**	**To date 2021/22 %**
Performance	-0.07	0.13	-0.07*	0.01

* the Benchmark rate is set at 0.125% less than the corresponding 7-Day LIBOR rate which due to the fall in gilts means the benchmark rate in 2020/21 has become negative.

Investment returns are likely to remain low during 2022/2023 despite the increases to the Bank Base Rate in December 2021 and February 2022.

2.9.9 During 2022/2023 the Authority will continue to review the optimum arrangements for the investment of its funds whilst fully observing the investment strategy in place. The Authority uses the 7-day London Interbank Bid (LIBID) rate as a benchmark for its investments. Performance is significantly above the benchmark rate, whilst still adhering to the prudent policy agreed by the Authority, in what remains a very challenging market. The Authority's treasury management advisor reports the rate of return achieved compares favourably with their other local authority clients.

2.10 Policy on the Use of External Service Providers

2.10.1 At present the Authority does not employ any external fund managers.

2.10.2 Should the Authority appoint any external fund managers in the future, they will have to agree to strict investment limits and investment criteria. These will be reported to the Authority prior to any fund manager being appointed.

2.10.3 The Authority uses Link Asset Services as its external treasury management advisors. The Authority recognises that responsibility for treasury management decisions remain with the Authority at all times and will ensure that undue reliance is not placed upon our external service providers.

2.10.4 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 subject to regular review.

2.11 Non-Treasury Investments

2.11.1 The Authority may make other type of investments (usually defined by regulation as capital expenditure) that are not part of treasury management activity. Treasury management investment activity covers those investments which arise from the Authority's cash flows and debt management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business.

2.11.2 Investments that may be made for policy reasons outside of normal treasury management activities may include Investments that may be made for policy reasons outside of normal treasury management activities may include: service investments held clearly and explicitly in the course of the provision, and for the purposes, of operational services, including regeneration. This may include loans to local enterprises as part of a wider strategy for local economic growth.

2.11.3 The Finance Director will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Authority's risk exposure.

2.11.4 Investment objectives in relation to these types of investments will still be primarily security and liquidity but with the understanding that the liquidity for these types of investments may be less than those for treasury management activities and that these may be subject to higher levels of risk. When non-treasury management investments are considered due diligence will take place with all proposed investments being subjected to a detailed financial appraisal that will include financial sustainability of the investment and the identification of risk to both capital and returns. An assessment against loss will be carried out periodically and if the value of non-financial investments is no longer sufficient to provide security against loss mitigating actions will be taken. Decisions relating to non-treasury management investments will follow appropriate governance arrangements.

2.11.5 Non-treasury investments are covered within the Capital Strategy.

3. Scheme of Delegation

3.1 The Treasury Management Strategy Statement has been prepared in accordance with the revised Code. Accordingly, the Authority's Treasury Management Strategy (TMS) is approved annually by the Authority. In addition, the Governance Committee receives, as a minimum, a mid-year TMS report and an annual Treasury Management outturn report for the previous year by no later than the 30th September of the following year. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

3.2 The Authority has the following reporting arrangements in place in accordance with the requirements of the Code:

Area of Responsibility	Council/ Committee/ Officer	Frequency
Treasury Management Policy Statement	Full Authority	Reaffirmed annually and updated as appropriate
Treasury Management Strategy / Annual Investment Strategy	Full Authority	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy –mid-year report	Full Authority	Mid-year
Treasury Management Strategy / Annual Investment Strategy – updates or revisions at other times	Full Authority	As appropriate
Treasury Management Practices	Finance Director	Annually
Scrutiny of Treasury Management Strategy	Governance Committee	Annually before Full Authority
Scrutiny of Treasury Management Performance	Governance Committee	Quarterly
Annual Treasury Management Outturn Report	Full Authority	Annually by 30/9 after the end of the financial year

4. The Treasury Management Role of the Section 151 Officer

4.1 The Finance Director is the Authority's Section 151 Officer and has specific delegated responsibility in the Authority's Constitution to manage the borrowing, financing, and investment requirements of the Authority in accordance with the Treasury Management Policy agreed by the Authority. This includes:

- 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;
- preparing 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;
- ensuring that the Authority has the 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;
- providing to members 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 the Authority; and
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above.

Appendix 4

1. Interest Rate Forecasts

1.1 The data set out overleaf shows a variety of forecasts published by Link Asset Services and Capital Economics (an independent forecasting consultancy). PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012. There are no changes to these forecasts as at 17th Febuary 2022.

1.2 The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

Link Group Interest Rate View as at 7.2.22						Capital Economics forecasts as at 10.2.22							
	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
Bank Rate													
Link	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
Capital Economics	0.75	1.00	1.25	1.25	1.50	1.75	2.00	2.00	-	-	-	-	-
5yr PWLB Rate													
Link	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
Capital Economics	2.20	2.30	2.40	2.50	2.60	2.80	2.90	3.00	-	-	-	-	-
10yr PWLB Rate													
Link	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
Capital Economics	2.30	2.40	2.50	2.60	2.70	2.80	3.00	3.10	-	-	-	-	-
25yr PWLB Rate													
Link	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
Capital Economics	2.50	2.60	2.70	2.80	2.90	3.10	3.20	3.30	-	-	-	-	-
50yr PWLB Rate													
Link	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
Capital Economics	2.20	2.30	2.50	2.60	2.80	2.90	3.10	3.20	-	-	-	-	-
Capital Economics forecast for Bank of England QE stock													
£bn	895	870	845	805	770	740	705	635	585	-	-	-	-

2. Survey of Economic Forecasts

2.1 HM Treasury February 2022

The current 2022 base rate forecasts are based on samples of both City and non-City forecasters included in the HM Treasury February 2022 report.

BANK RATE FORECASTS	Annual Average Bank Rate				
	Ave. 2022	**Ave. 2023**	**Ave. 2024**	**Ave. 2025**	**Ave. 2026**
Average	0.73%	1.04%	1.20%	1.37%	1.45%
Highest	1.25%	1.75%	2.00%	2.00%	2.25%
Lowest	0.10%	0.16%	0.50%	0.75%	0.75%

Source: HM Treasury: Forecasts for the UK Economy Feb. 2022 (No.415, Table M4)

Appendix 5

Lending List Criteria

1. Counterparty Criteria

1.1 The lead authority takes into account not only the individual institution's credit ratings issued by all three credit rating agencies (Fitch, Moody's and Standard & Poor's), but also all available market data and intelligence, the level of government support and advice from its Treasury Management advisers.

1.2 Set out below are the criteria to be used in determining the level of funds that can be invested with each institution. Where an institution is rated differently by the rating agencies, the lowest rating will determine the level of investment.

Fitch Long-Term Rating	**Fitch Short-Term Rating**	**Moody's Long-Term Rating**	**Moody's Short-Term Rating**	**S&P's Long-Term Rating**	**S&P's Short-Term Rating**	**Maximum Deposit £m**	**Maximum Duration**
AAA	F1+	Aaa	P-1	AAA	A-1+	120	2 Years
AA+	F1+	Aa1	P-1	AA+	A-1+	100	2 Years
AA	F1+	Aa2	P-1	AA	A-1+	80	2 Years
AA-	F1+	Aa3	P-1	AA-	A-1+	75	2 Years
A+	F1+	A1	P-1	A+	A-1	70	365 days
A+	F1	A1	P-1	A+	A-1	70	365 days
A	F1	A2	P-1	A	A-1	65	365 days
A-	F1	A3	P-1	A-	A-1	50	365 days
A-	F2	A3	P-2	A-	A-2	50	365 days
Local Authorities (limit for each local authority)						30	2 years
UK Government (including debt management office, gilts and treasury bills)						300	2 years
Money Market Funds (CNAV, LVNAV and VNAV) Maximum amount to be invested in Money Market Funds is £250m with a maximum of £50m in any one fund.						250	Liquid Deposits
Local Authority controlled companies						40	20 years

1.3 Where the UK Government holds a shareholding in an institution the UK Government's credit rating of AA- will be applied to that institution to determine the amount the lead authority can place with that institution for a maximum period of 2 years.

1.4 The Code of Practice for Treasury Management in the Public Services recommends that consideration should also be given to country, sector, and group limits in addition to the individual limits set out above. These limits are as follows:

2. Country Limit

2.1 It is proposed that only non-UK countries with a minimum sovereign credit rating of AA+ by all three rating agencies will be considered for inclusion on the Approved Lending List.

2.2 It is also proposed to set a total limit of £50m which can be invested in other countries provided they meet the above criteria. A separate limit (excluding money market funds) of £300m will be applied to the United Kingdom and is based on the fact that the government has done and is willing to take action to protect the UK banking system.

Country	Limit £m
UK	300
Non-UK	50

3. Sector Limit

3.1 The Code recommends a limit be set for each sector in which the Council can place investments. These limits are set out below:

Sector	Limit £m
Central Government	300
Local Government	300
UK Banks	300
Money Market Funds	250
UK Building Societies	100
Foreign Banks	50

4. Group Limit

4.1 Where institutions are part of a group of companies e.g. Lloyds Banking Group, Santander and RBS, the total limit of investments that can be placed with that group of companies will be determined by the highest credit rating of a counterparty within that group, unless the government rating has been applied. This will apply provided that:

- the UK continues to have a sovereign credit rating of AA-; and
- that market intelligence and professional advice is taken into account.

4.2 Proposed group limits are set out in Appendix 6:

Approved Lending List

Appendix 6

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
UK	AA-		Aa3		AA		300	
Lloyds Banking Group							Group Limit 70	
Lloyds Bank Plc (RFB)	A+	F1	A1	P-1	A+	A-1	70	365 days
Lloyds Bank Corporate Markets plc (NRFB)	A+	F1	A1	P-1	A	A-1	70	365 days
Bank of Scotland Plc (RFB)	A+	F1	A1	P-1	A+	A-1	70	365 days
Royal Bank of Scotland Group (See Note 1)							Group Limit 75	
The Royal Bank of Scotland Plc (RFB)	A+	F1	A1	P-1	A	A-1	75	2 years
National Westminster Bank Plc (RFB)	A+	F1	A1	P-1	A	A-1	75	2 years
NatWest Markets plc (NRFB)	A+	F1	A2	P-1	A-	A-2	75	2 years
Santander UK plc	A+	F1	A1	P-1	A	A-1	65	365 days
Barclays Bank plc (NRFB)	A+	F1	A1	P-1	A	A-1	65	365 days
Barclays Bank plc (RFB)	A+	F1	A1	P-1	A	A-1	65	365 days
Clydesdale Bank */**	A-	F2	Baa1	P-2	A-	A-2	0	
Co-Operative Bank Plc **	B+	B	Ba3	NP	-	-	0	
Goldman Sachs International Bank	A+	F1	A1	P-1	A+	A-1	70	365 days
HSBC Bank plc (NRFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
HSBC UK Bank plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	70	365 days
Nationwide BS	A	F1	A1	P-1	A+	A-1	65	365 days
Standard Chartered Bank	A+	F1	A1	P-1	A+	A-1	70	365 days
Close Brothers Ltd	A-	F2	Aa3	P-1	-	-	50	365 days
SMBC Bank International Ltd	A	F1	A1	P-1	A	A-1	65	365 days
Top Building Societies (by asset value)								

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Nationwide BS (see above)								
Coventry BS	A-	F1	A2	P-1	-	-	50	365 days
Leeds BS	A-	F1	A3	P-2	-	-	50	365 days
Nottingham BS **			Baa3	P-3	-	-	0	
Principality BS **	BBB+	F2	Baa2	P-2	-	-	0	
Skipton BS	A-	F1	A2	P-1	-	-	50	365 days
West Bromwich BS **			Ba3	NP	-	-	0	
Yorkshire BS	A-	F1	A3	P-2	-	-	50	365 days
Money Market Funds							120	Liquid
Prime Rate Stirling Liquidity	AAA				AAA		50	Liquid
Insight Liquidity Fund	AAA		-		AAA		50	Liquid
Aberdeen Liquidity Fund (Lux)	AAA		AAA		AAA		50	Liquid
Deutsche Managed Sterling Fund	AAA		Aaa		AAA		50	Liquid
Foreign Banks have a combined total limit of £50m								
Australia	AAA		Aaa		AAA		50	
Australia and New Zealand Banking Group Ltd	A+	F1	Aa3	P-1	AA-	A-1+	50	365 days
Commonwealth Bank of Australia	A+	F1	Aa3	P-1	AA-	A-1+	50	365 days
National Australia Bank	A+	F1	Aa3	P-1	AA-	A-1+	50	365 days
Westpac Banking Corporation	A+	F1	Aa3	P-1	AA-	A-1+	50	365 days
Canada	AA+		Aaa		AAA		50	
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
Royal Bank of Canada	AA-	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Toronto Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Denmark	AAA		Aaa		AAA		50	
Danske A/S	A	F1	A2	P-1	A+	A-1	50	365 days
Finland	AA+		Aa1		AA+		50	
OP Corporate Bank plc	WD	WD	Aa3	P-1	AA-	A-1+	50	2 years
Germany	AAA		Aaa		AAA		50	
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days

	Fitch		Moody's		Standard & Poor's			
	L Term	S Term	L Term	S Term	L Term	S Term	Limit £m	Max Deposit Period
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	50	2 years
NRW Bank	AAA	F1+	Aa1	P-1	AA	A-1+	50	2 years
Netherlands	AAA		Aaa		AAA		50	
Bank Nederlandse Gemeenten	AAA	F1+	Aaa	P-1	AAA	A-1+	50	2 years
Cooperatieve Rabobank U.A.	A+	F1	Aa2	P-1	A+	A-1	50	365 days
Nederlandse Waterschapsbank NV			Aaa	P-1	AAA	A-1+	50	2 years
Singapore	AAA		Aaa		AAA		50	
DBS Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Oversea Chinese Banking Corporation Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
United Overseas Bank Ltd	AA-	F1+	Aa1	P-1	AA-	A-1+	50	2 years
Sweden	AAA		Aaa		AAA		50	
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	50	2 years
Switzerland	AAA		Aaa		AAA		50	
Credit Suisse AG	A	F1	A1	P-1	A+	A-1	50	365 days
UBS AG	AA-	F1+	Aa2	P-1	A+	A-1	50	365 days
USA	AAA		Aaa		AA+		50	
Bank of New York Mellon	AA	F1+	Aa1	P-1	AA-	A-1+	50	2 years
JP Morgan Chase Bank NA	AA	F1+	Aa1	P-1	A+	A-1	50	365 days
Wells Fargo Bank NA	AA-	F1+	Aa1	P-1	A+	A-1	50	365 days

Notes

Note 1 **Nationalised / Part Nationalised**
The counterparties in this section will have the UK Government's AA- rating applied to them thus giving them a credit limit of £75m.

* The Clydesdale Bank (under the UK section) is owned by National Australia Bank

** These will be revisited and used only if they meet the minimum criteria (ratings of A- and above)

Any bank which is incorporated in the United Kingdom and controlled by the Prudential Regulation Authority (PRA) is classed as a UK bank for the purposes of the Approved Lending List.

TYNE AND WEAR FIRE AND RESCUE AUTHORITY **Item No 6**

MEETING: 14 MARCH 2022

SUBJECT: PAY POLICY STATEMENT 2022/2023

JOINT REPORT OF THE CHIEF FIRE OFFICER AND CHIEF EXECUTIVE (CLERK TO THE AUTHORITY), THE FINANCE DIRECTOR AND PERSONNEL ADVISOR TO THE AUTHORITY

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1 PURPOSE OF REPORT

1.1 The purpose of this report is to inform members of the Pay Policy Statement for 2022/2023 of the Authority and to seek approval to publish this information in accordance with the statutory requirements.

2 BACKGROUND

2.1 The provisions of the Localism Act 2011 came into force on 15th January 2012, bringing together the strands of increasing accountability, transparency and fairness in the setting of local pay. Section 38 of the Act requires English and Welsh local authorities and fire and rescue authorities to produce an annual pay policy statement, setting out authorities' policies for the financial year in relation to the remuneration of their senior staff/chief officers, the remuneration of their lowest-paid employees, and the relationship between the pay of chief officers and that of other employees.

2.2 The statutory guidance emphasises that local authorities and fire and rescue authorities are individual employers with autonomy to make decisions on pay which are appropriate to local circumstances and which deliver value for money for local taxpayers. The provisions in the Act do not seek to change this or to determine policies or decisions on pay – but they do require that authorities are open about their own local policies and how local decisions are made.

2.3 Required elements:

The statutory pay policy statement needs to cover the Authority's policies relating to:

- The level and elements of remuneration for each chief officer (including salary, bonuses and benefits in kind);
- The remuneration of its lowest-paid employees (together with its definition of "lowest paid employees" and its reasons for adopting that definition);
- The relationship between the remuneration of its chief officers and other officers;

- Other specific aspects of chief officers' remuneration: remuneration on recruitment, increases and additions to remuneration, the use of performance-related pay and bonuses, termination payments, and transparency (i.e. publication of and access to information relating to their remuneration).

2.4 While pay is important as a whole, it is fairness which is of most importance. The current pay multiples for the Chief Fire Officer and lowest paid employee is 8.60:1. This ratio is well within the Government's expectation that the pay multiple relationship should be below 20:1 in local government. In addition, this is below the national average of 15:1 in the wider public sector. Unfortunately there is no data to compare this with the private sector, which is significantly a much higher ratio.

2.5 The Department for Communities and Local Government (DCLG), which is now the Ministry for Housing, Communities and Local Government (MHCLG), issued the Local Government Transparency Code 2015 which included the requirement to produce annual data regarding trade union facility time. This annual report includes this information.

2.6 The wording of the Act and the related guidance is primarily tailored to local authorities, and has needed to be interpreted appropriately to apply it to the circumstances and structure of the Fire and Rescue service.

3 PROPOSAL

3.1 The Pay Policy Statement is appended to this report and has not changed from that previously approved by members. It draws from current guidance and references or incorporates the Authority's related policies as appropriate. It also reflects the Authority's practice and position in aiming to be an employer of choice within the context of managing limited public resources. The Pay Policy Statement 2022/23 must be published by 31st March 2022 as this is the deadline set out by the 2011 Act, however this still requires formal approval by the Authority before publication.

4 EQUALITY AND DIVERSITY IMPLICATIONS

4.1 The Pay Policy Statement reflects the Authority's obligations and commitment to equality objectives in pay and reward.

5 FINANCIAL IMPLICATIONS

5.1 The Pay Policy Statement does not in itself, have any financial implications.

6 HEALTH AND SAFETY IMPLICATIONS

6.1 There are no health and safety implications in respect of this report.

7 RECOMMENDATIONS

7.1 Members are recommended to:

a) Approve the Pay Policy Statement for 2022/2023.

b) Receive further reports as necessary.

BACKGROUND PAPERS

The under mentioned Background Papers refer to the subject matter of the above report:

- The Localism Act 2011
- Local Government Transparency Code 2015

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

PAY POLICY STATEMENT 2022/2023

1 AIM OF POLICY

1.1 The aim of this document is to set out the pay policy for employees of Tyne and Wear Fire and Rescue Authority.

2 BACKGROUND

2.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for each financial year.

2.2 A Pay Policy Statement is expected to comply with the following:

- A Pay Policy Statement for a financial year must set out the Authority's policies for the financial year relating to the remuneration of its Chief Officers;

- The statement must include the Authority's policies relating to:

    - the level and elements of remuneration for each Chief Officer;
    - remuneration of each Chief Officer on recruitment;
    - increases and additions to remuneration for each Chief Officer;
    - the use of performance related pay for Chief Officers;
    - the use of bonuses for Chief Officers;
    - the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority; and
    - the publication of and access to information relating to the remuneration of Chief Officers.

2.3 A pay policy statement for a financial year may also set out the Authority's policies for the financial year relating to the other terms and conditions applying to the Authority's Chief Officers.

3 DEFINITIONS OF CHIEF OFFICERS

3.1 The strict definition of "Chief Officers" within the legislation is limited to:

- Head of paid service designated under section 4(1) of the Local Government and Housing Act 1989;
- The monitoring officer designated under section 5(1) of that Act;
- The statutory chief officer mentioned in section 2(6) of that Act;
- The non-statutory chief officer mentioned in section 2(7) of that Act;

- Deputy Chief Officer mentioned in section 2(8) of that Act.

3.2 The following posts have been identified as matching the definitions of "Chief Officer" in the Local Government and Housing Act 1989;

- Head of Paid service designated under section 4(1) is interpreted as the Chief Fire Officer and Chief Executive / (Clerk to the Authority)

- Monitoring Officer designated under section 5(1) is interpreted as the Assistant Director of Law and Governance at Sunderland City Council, who also acts as Deputy Clerk to the Authority.

- Statutory Chief Officer mentioned in section 2(6) is interpreted as the Chief Fire Officer and additionally the Finance Director.

- There are no roles that meet the criteria of non-statutory chief officer as mentioned in section 2(7).

- Deputy Chief Officer mentioned in section 2(8) of that Act is interpreted as the Deputy Chief Fire Officer and Assistant Chief Officer roles, of which there are one of each.

3.3 The Authority employs two tiers of senior management, the most senior being Brigade Managers, consisting of one Chief Fire Officer, one Deputy Chief Fire Officer and one Assistant Chief Fire Officer. As well as performing organisational management functions these officers provide the most senior operational command for the Service. All three officers are employed on the terms defined by the National Joint Council (NJC) for Brigade Managers of Local Authority Fire and Rescue Services (known as the 'Gold Book').

3.4 The Authority also employs its own Section 151 Officer (Finance Director) who is employed on the terms defined by the NJC for Local Government Services – National Agreement on Pay and Conditions of Service ('Green Book').

4 BASIC PAY

4.1 The following officers are covered within this pay policy statement:

- Chief Fire Officer and Chief Executive (Clerk to the Authority)
- Deputy Chief Fire Officer
- Assistant Chief Fire Officer
- Finance Director

4.2 The Authority has, over a number of years, operated within a Lead Authority arrangement and the Monitoring Officer and Deputy Clerk role is provided through a Service Level Agreement. As the individual, who fulfils these roles for the Fire and Rescue Authority, is not employed by the Authority, their pay is not covered within this Policy document but may be found in the Policy of their employer (Sunderland City Council).

4.3 The basic pay details of all Brigade Managers and the Finance Director are available on the Tyne and Wear Fire and Rescue Service website.

4.4 The Chief Fire Officer's pay is reviewed taking into consideration market factors, the NJC relevant minimum salary levels for the population band covered, and relevant benchmark data. This figure is uplifted for any annual pay increases published by the NJC.

4.5 The Chief Fire Officer, Deputy Chief Fire Officer and Assistant Chief Fire Officer were awarded a 1.5% pay award with effect from 1 January 2020. This was the last pay award agreed and implemented in respect of the salary related to these roles.

4.6 The Finance Director received a pay award of 1.5% effective from 1 April 2021. This was the last pay award agreed and implemented in respect of the salary related to this role.

4.7 The levels of pay are determined by both national and local review following, in relation to Deputy Chief Fire Officer and Assistant Chief Fire Officer, the guidance set out in the National Joint Council (NJC) for Brigade Managers of Local Authority Fire and Rescue Services ('Gold Book') Terms of Conditions and, in relation to Finance Director, the NJC for Local Government Services – National Agreement on Pay and Conditions of Service ('Green Book')

4.8 All other payments are determined by the Authority and contained within the Authority's statement of accounts which is also published on the Tyne and Wear Fire and Rescue Service website.

4.9 Other Brigade Managers' pay is set in relation to the percentages of the Chief Fire Officer's salary, i.e. Deputy Chief Fire Officer and Assistant Chief Fire Officer, where the officers provide Strategic and Tactical Command, is 85% and 80% of Chief Fire Officer's salary respectively.

4.10 There is no defined relationship between the Finance Director and the other Chief Officers as identified in the Local Government and Housing Act 1989

4.11 There is no defined relationship between Brigade Managers' pay and other Authority employees.

4.12 Brigade Managers are provided with a car.

5 REMUNERATION OF BRIGADE MANAGERS ON RECRUITMENT

5.1 On recruitment the Fire and Rescue Authority will consider and agree the conditions of employment and salary of the Chief Fire Officer, Deputy Chief Fire Officer and the Assistant Chief Fire Officer. Consideration will be given to market forces, national Government policy, local indicators and NJC guidance.

6 REMUNERATION OF ALL OTHER EMPLOYEES OF THE TYNE AND WEAR FIRE AND RESCUE SERVICE

6.1 National Joint Council for Local Government Services – National Agreement on Pay and Conditions of Service (‘Green Book’)

6.1.1 Salaries of ‘Green Book’ employees in the Service are set using nationally agreed pay scales and the nationally agreed Job Evaluation Scheme.

6.2 National Joint Council for Local Authority Fire and Rescue Services – Scheme of Conditions of Service (Current Edition) (‘Grey Book’)

6.2.1 Salaries of ‘Grey Book’ employees in the Service are set using nationally agreed pay levels.

7 PAY AWARDS

7.1 Where National Pay Awards are agreed, changes are made to pay scales on an annual basis and these updated pay scales are applied to all employees. This annual award is normally applicable in April for Green Book Employees, July for Grey Book Employees and January for Gold Book employees.

8 THE USE OF PERFORMANCE RELATED PAY FOR BRIGADE MANAGERS

8.1 Tyne and Wear Fire and Rescue Authority does not use performance related pay for Brigade Managers.

9 THE USE OF BONUSES AND TERMINATION PAYMENTS FOR BRIGADE MANAGERS

9.1 Tyne and Wear Fire and Rescue Authority do not award bonuses to Brigade Managers. Termination payments are also not payable.

10 THE APPROACH TO THE PAYMENT OF BRIGADE MANAGERS ON THEIR CEASING TO HOLD OFFICE OR TO BE EMPLOYED BY THE AUTHORITY

10.1 The payment to Brigade Managers on the ceasing of their employment is in line with the benefits accrued through meeting the qualifying requirements of the relevant Pension Scheme, assuming they are a Member of a relevant Scheme.

10.2 In the case of any redundancy payments to be made to Brigade Managers these payments will be set using the existing regulations for 'Gold Book' employees. Redundancy payments will be calculated based on the statutory maximum weekly pay.

10.3 Any other payments will be subject to the approval of the Authority on a case by case basis.

11 THE APPROACH TO THE PAYMENT OF ALL OTHER EMPLOYEES ON THEIR CEASING TO HOLD OFFICE OR TO BE EMPLOYED BY THE AUTHORITY

11.1 'Green Book' Employees - The payment to Green Book Employees on the ceasing of their employment will be in line with the benefits accrued through meeting the qualifying requirements of the relevant Pension Scheme, assuming they are a Member of a relevant pension scheme.

11.2 In the case of any redundancy payments to be made to Green Book Employees these payments will be set using the existing regulations for Green Book employees. Redundancy payments will be calculated based on the actual weekly pay.

11.3 If the affected employee is a member of the Local Government Pension Scheme, in the case of redundancy the guidance contained within the pension policy statement will apply under the existing conditions of the Local Government Pension Scheme. (The Pension Policy Statement can be found at Appendix A of the Pay Policy Statement).

11.4 'Grey Book' Employees - The payment to Grey Book Employees on the ceasing of their employment will be in line with the benefits accrued through meeting the qualifying requirements of the relevant pension scheme, assuming they are a Member of a relevant pension scheme.

11.5 In the case of any redundancy payments to be made to Grey Book Employees these payments will be set using the existing Redundancy Policy regulations for Grey Book employees. Redundancy payments will be calculated based on the actual weekly pay.

12 MAXIMUM PAY MULTIPLE DEFINITION

12.1 One of the requirements of the Localism Act 2011 is that the Authority has a policy on pay multiples for senior staff.

12.2 The definition of lowest paid employees is those staff who are employed in jobs which are paid at Scale 1 level (spinal column point 1)

(£17,842 per annum for a full time 37 hour week with effect from 1 April 2021), this being the lowest salary paid to employees other than apprentices. The salaries attributable to apprentices depend on age and are those set out within the National Minimum Wage legislation. Given the specific nature of these appointments, the Authority does not include apprentices within the definition of lowest paid employees for the purposes of this policy statement.

12.3 While pay is important as a whole, it is fairness which is of most importance. The current pay multiples for the Chief Fire Officer and lowest paid employee is 8.60:1. This is well within the Government expectation that the pay multiple relationship should be below 20:1 in local government. In addition, this is also well below the national average of 15:1 in the wider public sector.

12.4 In addition, the 'Hutton Review of Fair Pay' which provided the genesis of the legislation, identified that most top to bottom pay multiples in the public sector are in the region of 8:1 to 12:1. Therefore when reviewing salary the following multiples are also worthy of note:

- Between the Chief Fire Officer and the lowest paid operational Fire-fighter the multiple is 6.26:1;
- Between the Chief Fire Officer and the median earnings the multiple is 4.88:1

12.5 The ratio in the Authority, between the Chief Fire Officer and Fire-fighters at 6.26:1 is at the bottom end of the scale contained within the 'Hutton Review of Fair Pay' report. The report also advocated using median earnings as a ratio since this would be less sensitive to changes in the structure. Here again, the ratio is small at under five times the median.

12.6 Pay is reviewed annually by different pay review bodies and, therefore, the decisions are different for each group of staff (Gold, Grey and Green Book terms and conditions) and different awards may be made each year therefore the maximum may be variable.

12.7 After a period of sustained public sector pay freezes, the last few years have seen modest pay awards for local authority staff ranging from 1% to 2.75%. The government indicated in the Comprehensive Spending Review in November 2021 that public sector pay would no longer be constrained from 1st April 2022. It will be interesting to see what impact this will have on pay demands in the public sector and how affordable they are especially in a potential period of forecasted higher inflation.

12.8 Corporate staff (Green Book) received a 2.75% pay award on 1 April 2020, and a 1.75% pay award on 1 April 2021 in line with other public sector bodies.

12.9 Operational staff (Grey Book), received a 2% pay award on 1 July 2020, and a 1.5% pay award on 1 July 2021.

12.10 To date there has been no pay award agreed for gold, grey, or green book conditioned employees for 2022. These will be applied as appropriate once they have been agreed.

13 THE PUBLICATION OF AND ACCESS TO INFORMATION RELATING TO THE REMUNERATION OF BRIGADE MANAGERS AND THE STRATEGIC FINANCE MANAGER

13.1 Details of Brigade Managers and the Finance Director's salaries and remuneration including any expenses are available on the Tyne and Wear Fire and Rescue Service website. This information is also contained within the Statement of Accounts. This approach ensures that fully audited figures are available to the public at all times.

14 RESPONSIBILITY FOR POLICY

14.1 The Fire and Rescue Authority holds responsibility for setting and agreeing this policy. This policy will be monitored and reviewed annually by the Fire and Rescue Authority.

15 ADDITIONAL INFORMATION

15.1 Policies on such items as Early Retirement, Augmentation, Shared Cost AVC, Internal Dispute resolution Procedures and Flexible Retirement are available on request from the Chief Fire Officer.

15.2 This policy links to Strategic Goal 4 - To deliver a modern, effective service, ensuring value for money, with staff who reflect the communities we serve.

15.3 An equality impact assessment has been carried out on this policy and is available on request from the Chief Fire Officer.

16 TRADE UNION FACILITIES TIME

16.1 The Local Government Transparency Code 2015 provides for the following data to be produced annually:

- Total number (absolute number and full time equivalent) of staff who are union representatives (including general, learning and health and safety representatives).
- Employee's percentage of time spent on facility time
- Names of all trade unions represented in the local authority.
- A basic estimate of spending on unions (calculated as the number of full time equivalent days spent on union duties multiplied by the average salary).

- A basic estimate of spending on unions as a percentage of the total pay bill (calculated as the number of full time equivalent days spent on union duties multiplied by the average salary divided by the total pay bill).

16.2 The data for the above is as follows:

Number and FTE of staff who are Union Representatives.	FBU • 2 FTE's • 28 Representatives UNISON • 2 Representatives
Percentage of time spent on facility time. 0% 1 – 50% 51% to 99% 100%	 0 30 0 1
Trade Union Represented.	Fire Brigades' Union (FBU) Fire Officers' Association (FOA) UNISON General Municipal Boilermakers (GMB)
Basic Estimate of Spending on Unions.	£81,302
Basic Estimate of Spending on Unions as Percentage of Total Pay Bill.	0.30%

APPENDIX A

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Statement of Policy on Discretions relating to:

The Local Government Pension Scheme Regulations 1997 (as amended)

and

The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006

and

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007

and

The Local Government Pension Scheme (Administration) Regulations 2008

and

The Local Government Pension Scheme Regulations 2013

and

The Local Government (Transitional Provisions, Savings and Amendment) Regulations 2014

1 Introduction

1.1 This document sets out the Authority's policy in relation to its powers to exercise discretions under the following regulations:

- The Local Government Pension Scheme Regulations 1997 (as amended) (herein referred to as the LGPS Regulations 1997)
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (herein referred to as the Discretionary Compensation Regulations 2006)
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- The Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme Regulations 2013
- The Local Government (Transitional Provisions, Savings and Amendment) Regulations 2014

2 Policy Statement

2.1 Relevant Regulations appertaining to the Local Government Pension Scheme, as amended and updated from time to time, require the Authority to formulate publish and keep under review the policy which it maintains in the exercise of its discretionary powers.

2.2 This document sets out how the Authority will exercise its discretions under these regulations with effect from 1st April 2007 as amended from time to time.

2.3 The Authority will continue to review and monitor the way in which it exercises its discretions with regard to:

- The extent to which the exercise of its discretionary powers (in accordance with the policy), unless properly limited, could lead to a serious loss of confidence in the public service; and
- The policy being workable, affordable and having reasonable regard to the foreseeable costs

2.4 Should the Authority decide to change this policy a statement of the amended policy will be published and any changes will take effect one month after the date of publication.

3 Eligibility

3.1 The Authority may exercise the discretions outlined in the policy in respect of all Tyne and Wear Fire and Rescue Authority employees who are eligible to be a member of the LGPS (whether or not he or she is such a member) or would be so eligible but for the giving of notification under regulation 8 of the Pension Regulations, and

3.2 Whose employment is terminated by reason of redundancy, in the interests of the efficient exercise of the Authority's functions, or in the case of a joint appointment, because the other holder of the appointment has left.

4 Discretions

4.1 **Power to pay compensatory payment on employees actual weekly pay** (Regulation 5 - Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2007)

Entitlement to a redundancy payment under the Employment Rights Act 1996 is subject to a ceiling on the weekly pay element of the calculation. Under this policy the Authority will exercise its discretion to calculate any redundancy payment based on an employee's actual weekly pay.

4.2 **Power to pay compensatory payment of up to 104 weeks pay where employment terminated on grounds of redundancy or business efficiency**. (Regulation 6 - Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2007) Discretionary Compensation Regulations 2006)

The regulations allow the Authority to award compensation of up to 104 weeks pay to employees who have their employment terminated due to redundancy, or efficiency, or where a joint appointment ends because one of the holders leaves.

The Authority will exercise its discretions as follows:

4.2.1 **Redundancy**

An employee, who volunteers for redundancy in accordance with the Authority's scheme, shall be awarded a redundancy payment calculated by reference to the redundancy payment matrix under the Employment Rights Act 1996. This provides for a payment based on a maximum of up to 30 weeks' pay. The voluntary redundancy payment will include the statutory redundancy payment.

In circumstances where sufficient volunteers for redundancy cannot be obtained following an offer of voluntary redundancy, or where there are reasonable grounds for concluding that such an offer is not likely to be effective or cannot be made, discretionary compensation for redundancy may be awarded as a compensation payment of up to 60 weeks pay, which shall include any statutory redundancy payment. This payment will be calculated by reference to the redundancy payment matrix enhanced by a multiplier of 2.

In all circumstances payments will be made to all employees who have 2 years completed service.

4.2.2 Efficiency of the Service and Ending of Joint Appointments

An employee who leaves on efficiency grounds may be awarded a compensation payment of up to 60 weeks payment, based upon actual weeks pay. Each case will be considered individually and a decision made upon the merits of its case. Normally they will only be approved where it can be demonstrated to be in the employer's interest to do so unless there are special factors which justify a departure from such a policy.

These arrangements will also apply to situations where a joint appointment ends because one of the holders leaves.

In all circumstances payments will be made to all employees who have 2 years completed service.

5 Reduction of Annual Compensation and Effect of Cessation of New Employment (Regulations 17 and 19 - The Local Government (Early Termination of Employment) (Discretionary Compensation)(England and Wales) Regulations 2006)

5.1.1 Regulation 17 - On re-employment, the employing authority must ensure that the annual rate of new pay plus the financial benefits under the pension regulations are no greater than the annual rate of pay had the person remained in the terminated post.

5.1.2 Regulation 19 - Where a person who has been awarded a credited period has ceased to hold a new employment in which they were a Scheme member or an assumed member, and the total membership for the purpose of calculating under the Pension Regulations exceeds the total membership which would have been used for the purpose of that calculation if the person had held the terminated employment until their 65th birthday, the employing authority must reduce their annual compensation by such amount as they consider appropriate.

5.1.3 A reduction in pension or full abatement as appropriate will occur, the operation of which is delegated to the Chief Fire Officer.

6 Early Payment of Pension Benefits and Waive Any Reduction to Early Retirement Benefits (Regulation 31 of the LGPS 1997 as amended by Regulation 30(2) and 30(5) of the LGPS Benefits, Membership and Contributions Regulations 2007).

6.1 Under this regulation a member of the LGPS can apply for voluntary early retirement if they are 55 years of age or over.

6.2 All applications in accordance with these Regulations for the Authority's consent to an election for immediate payment of retirement benefits and/or for the Authority's agreement, including the agreement to waive any benefit reductions, will be considered individually and a decision made on the merits of each case. Normally, applications will be refused unless approval can be demonstrated to be in the employer's interests (financial or otherwise) and there are exceptional circumstances by reason of which approval can be objectively justified. Where applications for release are made on compassionate grounds, retirement benefits will not be reduced.

7 Regulation 52 of the LGPS 1997

7.2 This regulation allows the Authority to award up to a maximum of 6 2/3rds added years to members of the LGPS, known as augmentation.

7.3 This discretion will not be exercised.

8 Contributions Payable by Active Members (Regulation 3 - The LGPS (Benefits, Membership and Contributions) Regulations 2007)

8.1 Each active member shall make contributions to the Scheme at the contribution rate from their pensionable pay in each employment in which they are an active member. The appropriate administering authority may decide the intervals at which the contributions are made. Contributions are currently payable in accordance with the timing and frequency of salary or ad-hoc payments.

9 Power of Employing Authority to Increase Total Membership of Active Members (Augmentation) (Regulation 12 - The LGPS (Benefits, Membership and Contributions) Regulations 2007)

9.1 This Discretion will not be exercised.

10 Power of Employing Authority to Award Additional Pension (Regulation 13 - The LGPS (Benefits, Membership and Contributions) Regulations 2007)

10.1 This Discretion will not be exercised.

11 Discretion to Extend the Time Limit to Combine Previous Local Government Pension Scheme (LGPS) Service (LGPS Administration Regulations 2008 Regulation 16)

11.1 This discretion with evidence allows the Authority to extend the 12 month time limit for members to aggregate two periods of LGPS membership, beginning with the date he/she became an active member, in circumstances beyond the member's control, or where it is in the employer's interest to do so.

12 Discretion to Extend the Time Limit to Combine Previous Pension Scheme Service (Non LGPS Service) (LGPS Administration Regulations 2008 Regulation 83)

12.1 The discretion to extend the 12 month time limit for members to aggregate periods of service which are in respect of transfers of service from non LGPS Pension Funds, be delegated to the Chief Fire Officer in consultation with the Finance Officer.

13 Establishment of Shared Additional Voluntary Contributions (AVCs) Scheme (Regulation 15 - The LGPS (Administration) Regulations 2008)

13.1 This Discretion will not be exercised.

14 Deduction and Recovery of Members Contributions (Regulation 45 - The LGPS (Administration) Regulations 2008)

14.1 An employing authority may deduct from a person's pay any contributions payable by them under these Regulations or the Benefits Regulations.

15 Election to Pay Optional Contributions (Regulation 22 - The LGPS (Administration) Regulations 2008)

15.1 A scheme member may elect to pay optional contributions to cover a period of authorised absence from duty providing the option is made within 30 days of return to work/cessation of employment or such longer period as the employer allows. This Discretion is delegated to the Chief Fire Officer.

16 Refund of Pensions Contributions (Regulation 45 The LGPS (Administration) Regulations 2008)

16.1 Where a scheme member is paid a refund of pension contributions, the employer must pay a Contributions Equivalent Premium (CEP). An element of this is recovered from the refund paid to the scheme member. The balance may be recovered from the fund. This Discretion is delegated to the Chief Fire Officer.

17 Exclusion of Rights to Return of Contributions (Regulation 47 The LGPS (Administration) Regulations 2008)

17.1 A person is not entitled to a repayment of contributions under Regulation 46 (Rights to return of contributions) if they left employment because of an offence of a fraudulent character, or because of grave misconduct, in connection with the employment. Where this applies, the employing authority may direct the payment out of the appropriate fund to the person, or in the case of a fraudulent character, to the person or their spouse, civil partner, nominated co-habiting partner or any dependant of them, of a sum equal to all or part of their contributions. This Discretion is delegated to the Chief Fire Officer.

18 Forfeiture of pension rights after conviction of employment-related offences (Regulation 72 The LGPS (Administration) Regulations 2008)

18.1 If a scheme member is convicted of, and ceases employment as a result of an offence in connection with their employment which was gravely injurious to the State or is liable to lead to a serious loss of confidence in the public service, the employer can apply to the Secretary of State for the issue of a forfeiture certificate. If the Secretary of State issues a certificate the employer may direct that any of the person's rights be forfeited. This Discretion is delegated to the Chief Fire Officer.

19 Interim Payment Directions (Regulation 73 The LGPS (Administration) Regulations 2008)

19.1 Where the Secretary of State has issued a forfeiture certificate but the employer has not applied the certificate nor notified the scheme member of an award of benefits under the LGPS the employer may direct that interim payments are made out of the Pension Fund until such time as it decides to apply the forfeiture certificate or to make an award of benefits. This Discretion is delegated to the Chief Fire Officer.

20 Recovery or retention where former member has misconduct obligation (Regulation 74 The LGPS (Administration) Regulations 2008)

20.1 Where a member ceases employment in consequence of a criminal, negligent or fraudulent act or omission in connection with that employment and has incurred a monetary obligation arising out of that omission to the employing authority and is entitled to pension benefits under the LGPS, the employer may recover the amount of monetary obligation or the value of the members pension rights, if less (other than transferred in pension rights) from the Pension Fund and reduce the members benefits accordingly. This Discretion is delegated to the Chief Fire Officer.

21 Transfer of sums from the pension fund to compensate for former member's misconduct (Regulation 76 The LGPS (Administration) Regulations 2008)

21.1 Where a member ceases employment in consequence of an offence involving fraud or due to grave misconduct in connection with that employment, and the employer has suffered a direct financial loss arising from the offence or misconduct, and the member is entitled to benefits under the LGPS and a forfeiture certificate has been applied, or the pension member is entitled to a refund of contributions, the employer may direct that the direct financial loss (or the refund of contributions, if less) be recovered from the pension fund. This Discretion is delegated to the Chief Fire Officer.

22 Power of employing Authority to grant additional pension of up to £6,500 annual pension (Regulation 31The Local Government Pension Scheme Regulations 2013)

22.1 An employer may resolve to grant extra pension of up to £6,500 (figure at 1 April 2014) to an active Scheme member or within 6 months of leaving to a member whose employment was terminated on the grounds of redundancy or business efficiency. This discretion will not be exercised.

23 Discretion of employing Authority to decide to pay towards the cost of Additional Pension Contributions (APCs) (Regulation 16(2)(e) and 16(4)(d) The Local Government Pension Scheme Regulations 2013)

23.1 Where an active scheme member wishes to purchase extra annual pension of up to £6,500 per annum (figure at 1 April 2014) by making Additional Pension Contributions (APCs), the employer can resolve to voluntarily contribute towards the cost of this via a Shared Cost Additional Pension Contribution (SCAPC). This discretion will not be exercised.

24 Flexible Retirement (Regulation 30(6) The Local Government Pension Scheme Regulations 2013)

24.1 Whether to permit Flexible Retirement for staff aged 55 or over who, with the agreement of the employer, reduce their working hours or grade and, if so, as part of the agreement to permit Flexible Retirement. The permitting of Flexible Retirement will only be approved where it can be demonstrated to be in the employer's interest to do so, unless there are special factors which justify a departure from such a policy.

25 Power of the employing Authority to apply the 85 year rule protections to members who choose to voluntarily draw their benefits on or after age 55 and before age 60 (Regulation 1(1) Schedule 2 The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014).

25.1 The employer has the discretion to 'switch' back on the 85 year rule for employees leaving between 55 and 60. If the employer does agree to 'switch' back on the rule of 85, the cost of any strain on the fund resulting from the payment of benefits before age 60 would have to be met by the employer. This discretion will not be exercised.

26 Power of employer to waive actuarial reductions (Regulation 30(8) & Paragraph 2(1) of Schedule 2 The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014).

26.1 The waiving of a reduction will only be approved where it can be demonstrated to be in the employers interests to do so, unless there are special factors which justify a departure from such a policy.
An employer has the discretion, under a number of retirement scenarios, to waive actuarial reductions on compassionate grounds. The cost of which would fall upon the employer.

27 Reporting and Approval Arrangements

27.1 In order to demonstrate 'prudence and propriety' it is important to have in place a robust reporting mechanism to ensure that fully informed decisions are taken. The following sets out the procedures to be followed.

27.2 To ensure a fair and consistent application of discretionary award across the Authority, in all cases where redundancies are proposed or exit or retirements on the grounds of efficiency, proposals will be referred to the Chief Fire Officer who will consult with the Finance Officer and Personnel Advisor in the first instance. The following arrangements will then apply:

27.3 In cases of early retirement on the grounds of efficiency and the exercising of the Discretionary Elements for all 'Green book' employees, the Human Resources Committee will be requested to consider the full circumstances of each case. All such requests should be submitted to the Chief Fire Officer in the first instance.

27.4 In cases of early retirement on the grounds of redundancy, the Human Resources Committee will be requested to consider the full circumstances of each case. All such requests should be submitted to the Chief Fire Officer in the first instance.