West Yorkshire
Fire & Rescue Authority

OFFICIAL

Annual Procurement Update

Finance & Resources Committee

Date: 3 February 2023

Agenda Item: **06**

Submitted By: Chief Finance and Procurement Officer

Purpose The report provides an annual procurement update to Members.

Recommendations That Members note the report.

Summary This report provides an annual update for Members on procurement activity.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Kim Larter, Head of Procurement kim.larter@westyorksfire.gov.uk Tel:01274 682311 ext.: 680002
Background papers open to inspection:	Procurement Strategy 2022-2025
Annexes:	Annex 1 Procurement Team Action Plan Annex 2 Savings and Efficiency Log Annex 3 Wilmott Dixon Social Value Report

1 Introduction

1.1 This report provides an annual update on procurement activity within the Authority, building on the report presented to Finance and Resources Committee on the 4th February 2022 and includes information aligning the Authority's procurement activity to the National Procurement Strategy Statement published by the Cabinet Office in June 2021.

2 Information

2.1 The procurement team is now fully staffed with the recent recruitment of an additional Procurement Officer. In November 2022, a third Procurement Officer was recruited following approval by the HR Committee on 5th August 2022. The new role is facilitating a dedicated (80% of the role) category manager for ICT procurement activity to deliver an ambitious 5 year ICT plan, improving service support and providing much needed contingency within the Procurement Team. This will release capacity for the Head of Procurement to concentrate on strategic procurement which includes; regional and national collaboration, policy review and implementation, further development and compliance of policy, legislative and regulatory requirements and development of effective procurement strategies including ethical, sustainable, environmental and social value.

2.2 A concentrated focus on improving knowledge and skills within the Procurement Team continues to facilitate enhanced service provision to internal customers in all matters relating to procurement activity with increased compliance evidenced throughout the Authority

2.3 Follow up procurement workshop sessions were undertaken in May 2022 for staff that could not attend the previous workshops in September and October 2021. Specific Contract Management workshops were delivered in March and April 2022 to forty six individuals. These workshops have increased and enhanced the skills of staff included in procurement activity.

2.4 Further improvements to the Contracts Register have been undertaken ensuring accurate contract information is available to aid improved planning of procurement activity. This includes bringing the updating and ongoing management of the register within the Procurement Team's remit enabling specific focus on Procurement's delivery plan and assisting departments with their procurement requirements in a timely manner. Two hundred and twenty six contract arrangements are listed within the Contracts Register with an annual value of £16.6m (£13m in Feb 2022). As required under Local Government Transparency Code 2015, the Contracts Register ~~is~~ published quarterly on the Authority's website.

2.5 Updated procedures, standards, guidance and template tender documents are now published on the Procurement SharePoint page and are used for all procurement projects. A recent review of the template documents included minor updates as part of the procurement team's continuous improvement process, e.g. a simplified RfQ (Request for Quote) template has been introduced and use of the e-procurement system which is called In-Tend is now required for RfQ processes, ITT (Invitation to Tender) updated with HQ development information. The PAD (Procurement Approval Document) is now mandatory for all tender processes (above £25,000 total contract value – previously only used for above £75,000 and reduced in June 2022 as part of the annual review of CPR [Contract Procedure Rules]).

The Procurement Delivery Plan continues to effectively manage workload within the Procurement Team and the Procurement Action Plan (please see Annex 1) is reviewed monthly with the Chief Finance and Procurement Officer.

Since the introduction of the new e-procurement portal (In-Tend) in October 2020, sixty seven formal tender processes have been compliantly published and awarded. Training has been undertaken to allow for RfQ processes to be undertaken on the In-Tend system by departments, further increasing compliance and procurement best practice. From September 2022, eleven RfQ processes have been successfully undertaken in In-Tend.

2.6 The Savings and Efficiencies Log provides ongoing and documented recording of savings and efficiencies achieved over the term of the implemented contract. Please refer to Annex 2 for the latest savings data. Examples of recent savings are £50,720 savings on purchase of new portable scene lighting units making savings of £317 per unit on current costs, £13,261 savings on current prices paid for uniform items with implementation of 1 garment replacing 4 current items – 3-in-1 jacket and £94,850 saving on site security enhancements quoted by the incumbent (cameras and access equipment). Non-monetary efficiencies continue with the regional procurement group working collaboratively, identifying and procuring commonly bought goods and services.

2.7 Exemptions to CPR (Contract Procedure Rules)

A formal exemption to CPR process is now embedded and managed by the Head of Procurement. To date, for this financial year, a total of four exemptions above £75,000 (Extension of Contract WYFRS2025 Odsal Fire Station Refurbishment, Provision of Gym Shoes, WestCo agency staff & Comms review, Administration duties West Yorkshire Pension Fund) have been approved by Management Board and are duly reported to Finance and Resources Committee Members.

2.8 Procurement KPI's

The table below provides the annual KPI update:

a) Total contracts (and annual value)	226 contracts totalling annual value of £16.6m are recorded on the Contracts Register. This equates to 87.68% of total third party spend.
b) No. of "renewable" contracts that expired without being timely relet	No. of "renewable" contracts that expired without being timely relet is 27 (previously 76 in Feb 2022). The Head of Procurement continues to monitor and address with Heads of Departments to further reduce this number.
c) Efficiencies (revenue budget savings, cost avoidance)	£417,188 (financial year 2021-2022 – Annex 2).
d) Number of FTS* and Sub-FTS tenders published and progressed (accumulative since Oct 2020)	19 FTS and 48 Sub-FTS (above £25,000) published (*FTS is 'Find a Tender Service' replacing 'OJEU (Official Journal of the European Union)' following Brexit.
e) Number of non-stock orders received by Procurement and target of being processed 95% within 2 working days	665 non-stock requisitions with 1048 lines in total 1st January to 31st December 2022 have been processed within 2 working days.

f) % regional spend	32.2% of purchase order spend in 2021-2022 was within the County of West Yorkshire and 30.4% within the County of Yorkshire.

2.9 Progress Statement on collaborative procurements

Collaboration between Yorkshire and Humberside fire and rescue services (FRSs) continues with the regional procurement group which reports to YHORG (Yorkshire and Humber Operational and Resilience Group) chaired by our Deputy Chief Fire Officer. The Authority is currently procurement lead for the regional procurement to purchase and maintain Breathing Apparatus.

Numerous FRS led framework agreements have been utilised including West Midlands FRS for maintenance of hose and smoke and hard of hearing alarms, Merseyside FRS for firefighting gloves and boots and Humberside FRS for polo shirts.

The regional procurement group continues to consider alignment of Contracts Registers to increase the number of regional procurement projects to be undertaken.

2.10 Statement on Supply Chain risk management

There are still consequences of the pandemic which caused specific issues in the ICT industry and smoke alarms supply. Almost one-third (30%) of businesses in manufacturing, and wholesale and retail trade reported global supply chain disruption. Lead times were extended and some ICT parts supplies were difficult to obtain (particularly from USA and China). The Authority worked well with NFCC during the pandemic assisting with data to ensure required stocks across the country were available and our Stores department were able to source adequate quantities and quality of required stock items, many from local suppliers e.g. cleaning and personal hygiene products.

Inflation, energy shortages and extreme weather have also affected our supply chain. A formal process is in place, as part of each contract, for suppliers to request prices increases due to fuel, energy and personnel wages (particularly the National Living Wage). The Authority has worked with numerous suppliers and service providers, obtaining comprehensive evidence prior to agreeing any price increases, mainly for service contracts. A small number of requests were declined but alternative ways to reduce supplier costs e.g. better scheduling of servicing and maintenance programmes have allowed the Authority to reject some increases. Others such as National Living Wage for the Authority's cleaning contract staff and small % increases on some machinery parts have been agreed.

The Authority's standard selection questionnaire (used for all tender processes) contains a statement in regard to supply chains that have any links to or involvement with persons or entities in Russia or Belarus. The Authority reserves the right to exclude any suppliers at selection questionnaire stage where the supplier confirms that it or an entity in its supply chain is not in compliance with any applicable Russia and Belarus sanctions regimes implemented by the UK.

The Authority now has a Modern Slavery Policy and Statement, both documents are published on its website.

2.11 Social Value

The Procurement Strategy 2022-2025 (linked with the procurement action plan) is now published on the Authority's website. This document was reviewed in conjunction with the updating of the previous strategy which both included reference to Social Value. Evaluation criteria involving social considerations are now a mandatory element of every tender process. This includes drafting the contract terms and evaluation methodologies when scoring tender responses to consider a broader view of value for money with mandatory inclusion of social value/welfare/wellbeing and delivering benefit to the communities the Authority serves.

In all contracts awarded, the Authority expects suppliers to commit to pay their employees at least the National Living Wage.

Working Examples

(a) FSHQ rebuild development – The awarded Contractor (Wilmott Dixon) is actively delivering social value outcomes via this project. Please refer to Annex 3 for the latest report from Wilmott Dixon. Some highlight examples are provided below:

- Close working with our Princes Trust team;
- Community engagement - local labour and supply, engaging with SMEs and social enterprises;
- Promotion of initiatives which retain, protect, enhance the natural environment for the benefit of local people and wildlife;
- Reducing energy and fuel consumption (carbon reduction - travel);
- Creating skills and training opportunities (e.g. apprenticeships or on-the-job training, engagement with hard to reach groups, 'have a go' days planned, taster sessions in trades such as bricklaying, plastering, targeted communications with schools and colleges to encourage females to consider construction as a career etc.).

(b) There is a standard question included in every tender process which asks, 'Please describe your company's approach to sustainability (Social, Economic and Environmental) and how you will apply to this contract.'

(c) Work is underway to implement recycling at source with trials currently ongoing. Improved performance reporting on the waste management portal provides data on carbon saving, zero waste to landfill and recycling.

(d) Analysis of spend data to report on increased SME (Small to Medium Enterprises) winning contracts. On the current Contracts Register, of the two hundred and fifty five contracts listed one hundred and sixty three identify themselves as an SME.

2.12 The Head of Procurement actively participates in the quarterly Environmental Working Group meetings and recent consideration of the United Nations Sustainability Goals have been discussed. There are seventeen goals in total and to ensure the Authority focuses on actual delivery as requested in the last Environmental Working Group meeting, the Head of Procurement has put forward a suggestion to concentrate on the following as these are intrinsically linked to the Authority's CRMP (Community Risk Management Plan):

Goal 3. Good health and wellbeing – our staff and communities we serve. Charitable work and lots of internal initiatives to look after our staff, new HQ, internal network groups, training.

Goal 10. Reduced inequalities – not specific to gender, our recruitment process, our work in diverse communities.

Goal 12. Responsible consumption and production – as an organisation looking at our infrastructure, fleet and utilities usage along with identifying and resolving issues with our activities.

Goal 11. Sustainable cities and communities – local, regional and national level

Goal 13. Climate action - local, regional and national level. Supporting neighbourhood businesses, contribute to improving public spaces, sustainable commuting (hybrid working and cycle scheme).

All suppliers responding to tender opportunities are strongly encouraged to consider the environment and sustainability as a provider of goods or services to the Authority and as a company.

3 Financial Implications

None to report

4 Legal Implications

The Monitoring Officer has considered this report and is satisfied it is presented in compliance with the Authority's Constitution.

5 Human Resource and Diversity Implications

None to report

6 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk)	No

7 Health, Safety and Wellbeing Implications

No implications to note.

8 Environmental Implications

Environmental implications are referenced in paragraph 2.12.

9 Your Fire and Rescue Service Priorities

Procurement practice, action plan and activity supports the service's priorities:

- Promote the health, safety and well-being of all employees;
- Provide training & development to maintain a skilled and flexible workforce;
- Provide buildings, vehicles, equipment and technology that is fit for purpose to maximise organisational effectiveness;
- Demonstrate transparent and accountable decision making throughout the organisation;

- Identify and implement strategic change to reflect the economic environment.

10 Conclusions

Compliant procurement continues to deliver benefits to WYFRS.

STRATEGIC CATEGORY	Objective	Activity Overview	STATUS (RAG)	START DATE	COMPLETION DATE	LEAD OFFICER	OPERATIONAL OFFICER	RISKS/DEPENDENCIES	PROGRESS/COMMENTS (red text most recent update)
Compliance	Promote, develop and ensure compliance with policy, legislative and regulatory requirements in regard to procurement and supply chain management	Internal CPR (and review), External Public Contract Regs, PAD, Committee reports, NFCC reports, Contractual disputes liaising with Legal (internal and external), implement white paper recommendations	In progress	May-22	May-23	KL	KL	Non-compliance from staff	Annual review of CPR provided for approval by Committee in June. White paper received - may be a procurement impact dependent on governance model for WYFRS. Awaiting new bill from government on procurement reform. Recent challenge to Foam tender contract award, advised Deputy Chief Fire officer and pulled procurement project. Exemption approved for purchase of WYFRS foam and DT arranging tests. Drafted procurement SLA V2 for Aw to review - targets being considered. COMPLETED and published on SharePoint. Drafted NFCC pipeline data return - completed and sent. Modern Slavery Statement now published on website. Induction session held with 2 ICT apprentices. KL drafting annual procurement report for F&R Feb 23
Procurement Process	Continue to develop and deliver effective, efficient and economic procurement arrangements across the organisation	Increase in Contracts Register recorded contracts	In progress	May-22	May-23	KL	Procurement Team	Non-compliance from staff	Training provided to various individuals on how to complete the register properly and guidance document sent to MT. Definite improvements seen as of end of year 2022 and regular reviews being undertaken. Current annual contract value £15.5m which represents circa 80% of annual spend, over a third is within County. Considering targetted training on completing register. Decision taken to bring updating of Contracts Register into Procurement Team to esnure accuracy and plan procurements projects effectively. Current annual value is £14.2m (excluded HQ redevelopment).
		Increased use of regional and national contracts/framework agreements	In progress	May-22	May-23	KL	Procurement Team	Specifications not applicable to WYFRS	Increased regional collaboration looking at forecasting for fire kit, identification of next projects (WYFRS suggested BA) with quarterly meetings now in place. Regular meetings held with SYFRS to assist in driving regional collaboration forward. Additional use of ESPO and YPO in 2021-22 so intent is to continue where this offers VfM. Continuing discussions with regional procurement group to consider proposed price increase for Fire Kit. Meeting undertaken for SYFRS to visit WYFRS 28/6/22 to discuss how we progress some regional procurement projects e.g BA, fire boots, fire gloves. SB attended regional day at SYFRS in September and is progressing. BA procurement - WYFRS leading and procurement plan submitted to SYFRS to take to YHORG. KL now receiving YHORG minutes to feed back to regional procurement group. Awaiting returns from region in regard to draft of procurement strategy and working group contacts. Hose tender - looking at leading a regional tender - now looking at local further competition on West Mids framework. Gas Detectors being purchased from new West Mids Framework in November. YPO electricity contract returned - now awaiting confirmed pricing early Feb.
		Improved contract management procedures	In progress	May-22	May-23	KL	Procurement Team	Non attendance at training	Training undertaken with nearly 50 people in March and April 22. Team continuing to promote good contract management when facilitating tender projects (include contract management in specification). Guidance document available on SharePoint site. Sophie undertaking Property Services spend analysis by contract and Wayne undertaking for ICT. Intending to implement pre-market, tender evaluation and contract management for each procurement procurement from the New Year.
		Reduction in NPOs, improved management of suppliers in OPEX, develop and improve procurement systems and processes. Specific review of OPEX system and potential replacement solution - Analyse the market and regional/national FRS solutions. Develop an option's appraisal and estimated costs.	In progress	May-22	May-23	KL	KL/SB	System failure (OPEX/SAP) Finance and Procurement resource	Received spend analysis from Kirklees 31/5/22 so planning to undertake analysis and look at NPOs. OPEX developments now complete. Reluctant to spend much more money on system as looking to replace. OPEX/SAP Working Group meetings will now cease with ad-hoc TEAMS meetings taking place when necessary. 54 elements resolved with 5 minor outstanding (these will be addressed via e-mail). In-Tend - 60 contracts listed with 41 awarded. Autopay data received from Finance 1st Aug. Apr - 61%, May - 64%, Jun - 55%, Jul - 65%. NPO processing Apr - 138, May - 431, Jun - 203, Jul - 141 Early market reserach being undertaken for tender next year. Capital and Revenue bids drafted - need to decide Cloud or server based. Estimated cost - Capital £100k, Revenue £30k per annum (dependent on solution)
		Specific consideration of FRIC offering for insurance provision - Analyse the offering from FRIC in regard to insurance cover and draft report.	In progress	May-22	May-23	KL	KL	Inadequate insurance cover	Data and Information sent to FRIC - awaiting reply and estimated quote. Requested update 20/6/22, advised quote should be presented end July. Indicative quote received - circa potential £200k savings. Full Authority Chair's briefing delivered. KL drafting application form. Engineering Inspection and Insurance due Mar 2024. Require agreement for retainer fee for Marsh and personal accident cover outside of FRIC. Awaiting reply from FRIC for Head of Department interviews.
Collaboration	Instigate, develop and deliver effective collaborative and joint working regionally and nationally to leverage buying power and achieve savings.	Consider NFCC and national contracts whilst increasing regional collaborative procurement opportunities, widen sharing of knowledge and experience with regional and national partners.	In progress	May-22	May-23	KL	Procurement Team	Specifications not applicable to WYFRS	Continuing with NFCC Task and Finish Group although progress is very slow. No tenders live as yet (28/6/22) Progress is too slow. Monthly meetings started Aug 2021 and still no live tender. KL scaling back attendance as no benefit to WYFRS. Regional procurement group formalised and meeting quarterly. Head of Procurement a member of NFCC workplace and assisted a few FRS's by sharing documents. KL attended NFCC/MOD interviews for future fire fighter project (clothing and PPE) 25-11-22
Strategy	Develop, promote and communicate effective procurement strategies including	Develop a suite of sustainability boilerplate standards, improve social value reporting, continue to monitor and report on procurement KPI's.	Not started	May-22	May-23	KL	KL		Liaising with NFCC Environmental group and asked Alison Davey if she also has access to the Workplace forum. KL liaising with region to consider what region currently has in place.

STRATEGIC CATEGORY	Objective	Activity Overview	STATUS (RAG)	START DATE	COMPLETION DATE	LEAD OFFICER	OPERATIONAL OFFICER	RISKS/DEPENDENCIES	PROGRESS/COMMENTS (red text most recent update)
Strategy	ethical, sustainable, environmental and social value across the organisation	Develop procurement strategies with individual departments where necessary.	In progress	May-22	May-23	KL	KL		Liaising with department heads to determine future procurement requirements. ICT and Property Services have provided forward plans for some procurement projects ahead of time. ICT procurement officer recruitment completed and Wayne Robinson recruited, currently being inducted.
Advice and Guidance	Provision of procurement advice, project management and procurement training services across the organisation	Deliver procurement training/workshops, assist with resolving contractual issues, review and maintain standardised contract templates.	In progress	May-22	May-23	KL	KL	Non-attendance at training	Procurement workshop mop up sessions being undertaken 18th, 23rd and 25th May and 21st June 22. Accessibility Content - all current docs updated with disclaimer (SharePoint and website) and training requested for procurement team to allow updating to meet new requirements. Training session being considered with procurement as a pilot. Fraud standards forwarded to Finance. Contracts Register guidance provided to MT. SLA V2 drafted for approval by AW and being reviewed to include some targets. Feedback requested from MT. Gayle Seekins and Ade Bairstow have provided feedback and draft SLA amended. Now published on SharePoint. KL considering running Contracts Register completion workshops to ensure updating is accurate (now brought into procurement team to update and manage. Recent review undertaken on current templates and all updated. Introduced new RfQ template which has been simplified. Supplier set up forms reviewed and updated. Shard procurement SLA with EA to aid in drafting a Finance SLA.

ORGANISATIONAL PRIORITIES

P1	Plan and deploy our resources based on risk to provide an efficient and effective operational response.
P2	Constantly review and when necessary, develop new ways of working to improve the safety and effectiveness of our firefighters.
P3	Promote the health, safety and wellbeing of all our staff in the workplace.
P4	Encourage a learning environment in which we support, develop and enable all our people to be at their best.
P5	Engage with our communities to focus our prevention and protection activities on reducing risk and vulnerability.
P6	Provide ethical governance and value for money.
P7	Collaborate with partners to improve the efficiency and effectiveness of our services.
P8	Contribute to sustainability by implementing environmentally friendly ways of working.
P9	Continue working towards achieving a more inclusive workforce, which reflects the diverse communities we serve.

KPI's are included in the quarterly reporting to Finance and Resources Committee. These KPI's are:

a) Total contracts (and annual value)
b) No. of “renewable” contracts that expired without being timely relet
c) Efficiencies (revenue budget savings, cost avoidance)
d) Number of FTS and Sub-FTS tenders published and progressed
e) Number of non-stock orders received by Procurement and target of being processed 95% within 2 working days
f) Progress Statement on collaborative procurements
g) Statement on Supply Chain risk management (also refer to Contracts Register “high risk” contracts)
h) % regional spend

All procurement activity feeds in to above KPI's and progress is reported annually to the Finance and Resources Committee.

6.2

West Yorkshire Fire & Rescue Service

Procurement Savings & Efficiency Log

2019-2020

Date	Name	Cashable Saving or Efficiency ? (use drop down)	Department (use drop down)	NFCC Level 1 (use drop down)	NFCC Level 2 (use drop down)	Commodity description	Baseline (use drop down)	Procurement Route (use drop down)	Length of Contract (years)	2019/2020 Annual Saving (£)	Cashable Contract Saving (£) (automatically populates)	Efficiency Saving
Feb 20	Michael Wood	Saving	ICT	ICT	ICT HARDWARE	Mobile phones	£ - Cost reduction - goods or services	Framework	3	£60,000	£180,000	3 year call off sim only contract awarded to Virgin Business Media
Feb 20	Michael Wood	Saving	ICT	ICT	ICT HARDWARE	VOIP	£ - Cost reduction - goods or services	Framework	5	£150,000	£750,000	5 year call off contract awarded to Maintel (incumbent so no cost of change applies) via CCS
Feb 20	Michael Wood	Saving	Property	CONSTRUCTION & FM	MAINTENANCE	Tanks and Drainage	£ - Cost reduction - goods or services	Tender	5	£1,750	£8,750	5 year call off contract awarded to Darcy Group
Feb 20	Michael Wood	Saving	Transport	FLEET	FINANCIAL SERVICES	Car Insurance	£ - Cost reduction - goods or services	Tender	5	£60,000	£300,000	5 year call off contract re-tendered using new YPO arrangement awarded to Edison
Feb 20	Michael Wood	Efficiency	Procurement	N/A	N/A	OPEX system review	Other	N/A	N/A			Changes to Opex system removing duplication of effort (end user and Procurement) and streamlining the process.
Mar 20	Kim Larter	Saving	ICT	ICT	SOFT FM	Multimedia Storage and Management Solution	£ - Cost reduction - goods or services	Tender	5	£3,000	£15,000	5 year single supplier contract for storage and management of Multimedia
											£0	
											£0	
											£0	
											£0	
											£0	
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Total annual savings										**£274,750**	**£1,253,750**	

West Yorkshire Fire & Rescue Service

Procurement Savings & Efficiency Log

2020-2021

Date	Name	Cashable Saving or Efficiency ? (use drop down)	Department (use drop down)	NFCC Level 1 (use drop down)	NFCC Level 2 (use drop down)	Commodity description	Baseline (use drop down)	Procurement Route (use drop down)	Length of Contract (years)	2020/2021 Annual Saving (£)	Cashable Contract Saving (£) (automatically populates)	Efficiency Saving
Feb 20	Michael Wood	Saving	ICT	ICT	ICT HARDWARE	Mobile phones	£ - Cost reduction - goods or services	Framework	3	£60,000	£180,000	3 year call off sim only contract awarded to Virgin Business Media
Feb 20	Michael Wood	Saving	ICT	ICT	ICT HARDWARE	VOIP	£ - Cost reduction - goods or services	Framework	5	£175,000	£875,000	5 year call off contract awarded to Maintel (incumbent so no cost of change applies) via CCS
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Mar 20	Kim Larter	Saving	ICT	ICT	SOFT FM	Multimedia Storage and Management Solution	£ - Cost reduction - goods or services	Tender	5	£3,000	£15,000	5 year single supplier contract for storage and management of Multimedia
Apr 20	Michael Wood	Saving	Transport	FLEET	FINANCIAL SERVICES	Car Insurance	£ - Cost reduction - goods or services	Tender	5	£50,000	£250,000	5 year call off contract re-tendered using new YPO arrangement awarded to Edison
Apr 20	Kim Larter	Saving	Procurement	PROFESSIONAL SERVICES	FINANCIAL SERVICES	Creditsafe Account opened	£ - Cost reduction - goods or services	N/A	2	£250	£500	2 year account contract for credit rating checking
Jul 20	Kim Larter	Saving	Procurement	GENERAL	CORPORATE SOFTWARE	Renewal of E-Sourcing System	£ - Cost reduction - goods or services	Quotation	4	£7,500	£30,000	3+1 year Contract for Delta system Renewal
Oct 20	Kim Larter	Saving	ICT	ICT	HARD FM	VOIP	£ - Cost avoidance	N/A	1	£27,000	£27,000	Variation to Contract, Procurement rejected request and provider now undertaking work FOC
Dec 20	Kim Larter	Saving	Procurement	PROFESSIONAL SERVICES	FINANCIAL SERVICES	Insurance Brokerage	£ - Cost reduction - goods or services	Mini Comp	5	£6,500	£32,500	Further competition on YPO 964 Insurance Farmework
Mar 21	Kim Larter	Saving	Procurement	FLEET	FUEL	Allstar free fuel (national)	£ - Cost avoidance	N/A	1	£19,396	£19,396	National agreement for free fuel under Allstar Framework
											£0	
											£0	
											£0	
									Total annual savings	**£350,396**	**£1,438,146**	

West Yorkshire Fire & Rescue Service

Procurement Savings & Efficiency Log

2021-2022

Date	Name	Cashable Saving or Efficiency ? (use drop down)	Department (use drop down)	NFCC Level 1 (use drop down)	NFCC Level 2 (use drop down)	Commodity description	Baseline (use drop down)	Procurement Route (use drop down)	Length of Contract (years)	2021/2022 Annual Saving (£)	Cashable Contract Saving (£) (automatically populates)	Efficiency Saving
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Dec 20	Kim Larter	Saving	Procurement	PROFESSIONAL SERVICES	FINANCIAL SERVICES	Insurance Brokerage	£ - Cost reduction - goods or services	Mini Comp	5	£6,500	£32,500	Further competition on YPO 964 Insurance Farmework
Dec 20	Kim Larter	Saving	Procurement	PROFESSIONAL SERVICES	FINANCIAL SERVICES	SLA cost to Kirklees	£ - Cost reduction - goods or services	N/A	5	£8,000	£40,000	Insurance Brokerage and management brought in-house
Mar 21	Dean Brooking	Saving	Multimedia	FRS - Specialist Equipment	SPECIALIST FIREFIGHTING (PPE)	Purchase of fire fighting helmets	£ - Cost reduction - goods or services	Framework	1	£32,600	£32,600	Wales framework agreement direct award for MSA Helmets x 1112
Mar 21	Kim Larter	Saving	Procurement	CONSTRUCTION & FM	HARD FM	Trade Waste Collections	£ - Cost reduction - goods or services	Tender	4	£4,000	£16,000	Reduction on annual cost for trade waste collections
Apr 21	Kim Larter	Saving	Transport	OPERATIONAL EQUIPMENT	MAINTENANCE	Replacement of parts washer	£ - Cost reduction - goods or services	Quotation	4	£2,980	£11,920	Expensive annual overcharging for parts washer and rejection of automatic annual contract
Apr 21	Kim Larter	Saving	Finance	PROFESSIONAL SERVICES	FINANCIAL SERVICES	Insurance Renewals 2021-22	£ - Cost reduction - goods or services	N/A	1	£1,733	£1,733	Savings on annual insurance renewal
June 21	Simon McCartney	Saving	Property	PROFESSIONAL SERVICES	MAINTENANCE	Management of MPTC	£ - Cost avoidance	N/A	3	£8,333	£25,000	Bringing this consultancy work in house to property services
August 21	Simon McCartney	Saving	Property	PROFESSIONAL SERVICES	MAINTENANCE	Management of Confined Spaces works	£ - Cost avoidance	N/A	1	£14,000	£14,000	The use of Montgomery and Couper is not required for overseeing this work.
August 21	Simon McCartney	Saving	Property	PROFESSIONAL SERVICES	MAINTENANCE	Management of Power isolations at Stations	£ - Cost avoidance	N/A	1	£13,542	£13,542	Training up new Technical Officer and also Facilities officer to oversee this work.
Dec 22	Stores	Saving	OPS EQUIP	CLOTHING (inc PPE)	STRUCTURAL FIREFIGHTING (PPE)	Purchase of new Fire kit	£ - Cost reduction - goods or services	Framework	10	£28,000	£280,000	New regional contract for provision of structural fire kit
											£0	
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								Total annual savings		**£417,188**	**£1,826,545**	

West Yorkshire Fire & Rescue Service

Procurement Savings & Efficiency Log

2022-2023

Date	Name	Cashable Saving or Efficiency ? (use drop down)	Department (use drop down)	NFCC Level 1 (use drop down)	NFCC Level 2 (use drop down)	Commodity description	Baseline (use drop down)	Procurement Route (use drop down)	Length of Contract (years)	2022/2023 Annual Saving (£)	Cashable Contract Saving (£) (automatically populates)	Efficiency Saving
Feb 20	Michael Wood	Saving	ICT	ICT	ICT HARDWARE	VOIP	£ - Cost reduction - goods or services	Framework	5	£175,000	£875,000	5 year call off contract awarded to Maintel (incumbent so no cost of change applies) via CCS RM3808
Feb 20	Michael Wood	Saving	Property	CONSTRUCTION & FM	MAINTENANCE	Tanks and Drainage	£ - Cost reduction - goods or services	Tender	5	£1,750	£8,750	5 year call off contract awarded to Darcy Group
Mar 20	Kim Larter	Saving	ICT	ICT	SOFT FM	Multimedia Storage and Management Solution	£ - Cost reduction - goods or services	Tender	5	£3,000	£15,000	5 year single supplier contract for storage and management of Multimedia
Apr 20	Michael Wood	Saving	Transport	FLEET	FINANCIAL SERVICES	Car Insurance	£ - Cost reduction - goods or services	Tender	5	£50,000	£250,000	5 year call off contract re-tendered using new YPO arrangement awarded to Edison
Jul 20	Kim Larter	Saving	Procurement	GENERAL	CORPORATE SOFTWARE	Renewal of E-Sourcing System	£ - Cost reduction - goods or services	Quotation	4	£7,500	£30,000	3+1 year Contract for Delta system Renewal
Dec 20	Kim Larter	Saving	Procurement	PROFESSIONAL SERVICES	FINANCIAL SERVICES	Insurance Brokerage	£ - Cost reduction - goods or services	Mini Comp	5	£6,500	£32,500	Further competition on YPO 964 Insurance Farmework
Dec 20	Kim Larter	Saving	Procurement	PROFESSIONAL SERVICES	FINANCIAL SERVICES	SLA cost to Kirklees	£ - Cost reduction - goods or services	N/A	5	£8,000	£40,000	Insurance Brokerage and management brought in-house
Mar 21	Kim Larter	Saving	Procurement	CONSTRUCTION & FM	HARD FM	Trade Waste Collections	£ - Cost reduction - goods or services	Tender	4	£4,000	£16,000	Reduction on annual cost for trade waste collections
Apr 21	Kim Larter	Saving	Transport	OPERATIONAL EQUIPMENT	MAINTENANCE	Replacement of parts washer	£ - Cost reduction - goods or services	Quotation	4	£2,980	£11,920	Expensive annual overcharging for parts washer and rejection of automatic annual contract
June 21	Simon McCartney	Saving	Property	PROFESSIONAL SERVICES	MAINTENANCE	Management of MPTC	£ - Cost avoidance	Tender	3	£8,333	£25,000	Bringing this consultancy work in house to property services
Nov 22	Simon McCartney	Saving	Property	PROFESSIONAL SERVICES	MAINTENANCE	Management of Cleaning Contract	£ - Cost avoidance	Tender	3	£16,479	£49,437	Bringing this consultancy work in house to property services
Mar22	Kim Larter	Saving	OPS EQUIP	CLOTHING (inc PPE)	STRUCTURAL FIREFIGHTING (PPE)	New Fire Kit Laundry	£ - Cost reduction - goods or services	Mini Comp	4	£56,773	£227,092	New laundry contract for fire kit
Mar22	Sophie Littlewood	Saving	Property	CONSTRUCTION & FM	MAINTENANCE	Water Coolers & Hot Water Boilers	£ - Cost reduction - goods or services	Tender	5	£7,600	£38,000	New contract for Water Coolers & Hot Water Boilers
Mar 22	Sue Mallett	Saving	Property	CONSTRUCTION & FM	MAINTENANCE	Roofing PPM	£ - Cost reduction - goods or services	Tender	3	£3,720	£11,160	Contract meeting and discussions around what work was actually required and frequency.
April 22	Sophie Littlewood	Saving	Property	CONSTRUCTION & FM	MAINTENANCE	Management of Asbestos	£ - Cost reduction - goods or services	Tender	5	£1,965	£9,825	New contract for the management of Asbestos
April 22	Sophie Littlewood	Saving	Property	CONSTRUCTION & FM	MAINTENANCE	Display Energy Certificates	£ - Cost reduction - goods or services	Quotation	2	£3,383	£6,766	Request for Quotation published via Intend.
June 22	Sophie Littlewood	Saving	Property	CONSTRUCTION & FM	MAINTENANCE	Appliance Bay Doors	£ - Cost reduction - goods or services	Tender	5	£6,606	£33,028	Contract over 5 years not 4 as per previous contract. Reduction in the amount of planned
Aug 22	Kim Larter	Efficiency	Procurement	GENERAL	N/A	YPO rebate (income)	£ - Income generation	N/A	1	£1,166	£1,166	Annual YPO rebate
Dec 22	Stores	Saving	OPS EQUIP	CLOTHING (inc PPE)	STRUCTURAL FIREFIGHTING (PPE)	Purchase of new Fire kit	£ - Cost reduction - goods or services	Framework	10	£28,000	£280,000	New regional contract for provision of structural fire kit
Aug 22	Sophie Littlewood	Saving	Property	CONSTRUCTION & FM	MAINTENANCE	Stanningley Boiler Replacement	£ - Cost reduction - goods or services	Tender	1	£49,740	£49,740	Tendered for the boiler replacement at stanningley fire station. Winning bidder was cheaper than
Aug 22	Sophie Littlewood	Saving	Property	CONSTRUCTION & FM	MAINTENANCE	Site Security Enhancements	£ - Cost reduction - goods or services	Tender	1	£94,850	£94,850	Tendered for the security upgrades. Winning bidder was significantly cheaper than our
Oct 22	Sue Broomhead	Saving	OPS EQUIP	OPERATIONAL EQUIPMENT	FIREFIGHTING EQUIPMENT	Portable Scene Lighting	£ - Cost reduction - goods or services	Framework	1	£50,720	£50,720	Tendered for new units and made savings of £317 per unit.
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									Total annual savings	**£588,065**	**£2,155,954**	

West Yorkshire Fire & Rescue Service

Procurement Savings & Efficiency Log

2023-2024

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									Total annual savings	**£356,784**	**£1,825,853**	

WILLMOTT DIXON
SINCE 1852

West Yorkshire Fire and Rescue Headquarters

Social Value Update
October 2022

Building Lives

Contractual Obligations

Scape Framework requirements: End of project total of **15%** Social Return on Investment*

Local Spend	75% within 40 miles 40% within 20 miles 20% within 10 miles	We will focus during the procurement process on tendering to local supply chain and we will monitor this throughout the project.
Local Labour	75% within 40 miles 40% within 20 miles 20% within 10 miles	We will focus during the procurement process on tendering to local supply chain and we will monitor this throughout the project.
Fair Payment Charter	**100%**	Willmott Dixon is a signatory to the Government's Prompt Payment Code and is committed to making payment accordingly

Highlights

Current Social Return on Investment **26.1%**

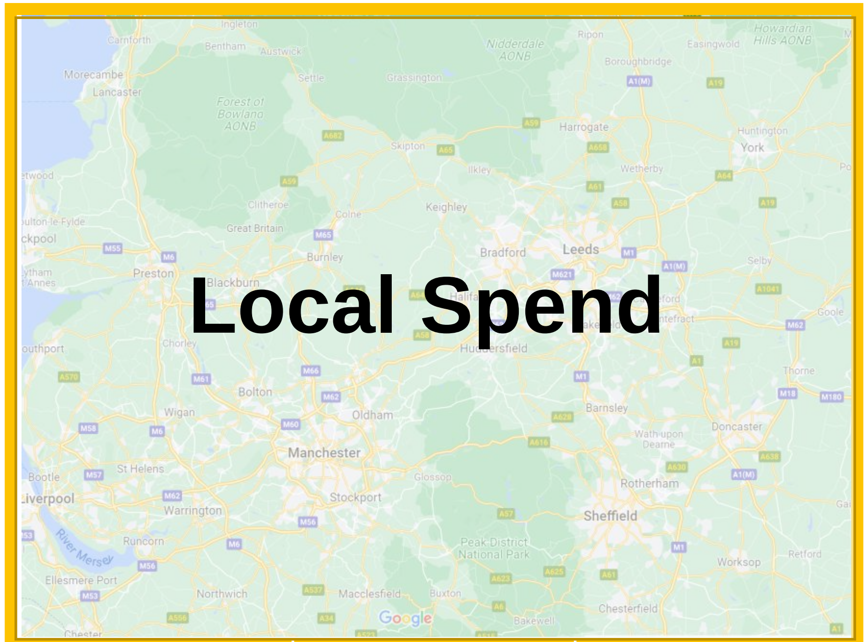
The social value plan in operation:

- 44% of spend within 10 miles
- 52% of labour from within 10 miles
- 24 Apprentice weeks supported
- 5 weeks training
- 465 hours of support into work given for under 24 year olds
- 2 weeks work experience
- 2 school/community visits
- 50 hours of staff time spent in schools
- £250 invested in mental wellbeing initiatives

*This is the equivalent value of 15% of the project worth.

Creating Local Economic Impact

To the end of October we have delivered **26.2%** Social Return on Investment



Local Spend

Geographical Radius	Target	Actual To Date
Within 40 Miles	75%	100%
Within 20 Miles	40%	53%
Within 10 miles	20%	44%

Local Labour

Total number of people days on site : 745

Geographical Radius	Target	Actual To Date
Within 40 Miles	75%	86%
Within 20 Miles	40%	73%
Within 10 miles	20%	52%

These figures will fluctuate as we move further through the project, as packages change, new orders are placed and new trades are brought onto site.

The figures detailed in the target columns refer to our handover aims. Upon completion of the project, a final social value report and case study will be produced outlining our final position.

Added social value activity

A set of themes, outcomes and measures (TOM's) were agreed at project inception. These, alongside our contractual obligations form our social value plan. Our current performance against these measures is detailed below.

Measures	Overall Target	To end Sept 2022	Notes
No. of local direct employees (FTE) hired or retained (for re-tendered contracts) on contract for one year or the whole duration of the contract, whichever is shorter	2 FTE	Too early in project to measure	A building manager, Gate person, labourer, cleaner and site administrator have all being recruited for this project
No. of local people (FTE) on contract for one year or the whole duration of the contract, whichever is shorter, employed through the supply chain as a result of your procurement requirements	2 FTE	Too early in project to measure	
No. of employees (FTE) hired on the contract who are long term unemployed (unemployed for a year or longer) as a result of a recruitment programme	2 FTE	0	In plan for 2023
No. of hours of support into work provided to under 24 y.o. (young people) unemployed people through career mentoring, including mock interviews, CV advice, and careers guidance	2000 Hours	465	On track to exceed
No. of staff hours spent on local school and college visits e.g. delivering career talks, curriculum support, literacy support, safety talks (including preparation time)	50 Hours	46	On track to exceed
No. of weeks of training opportunities on the contract (BTEC, City & Guilds, NVQ, HNC) that have either been completed during the year, or that will be supported by the organisation until completion in the following years - Level 2,3, or 4+	50 Weeks	7	We have a Apprentice Site Engineer and a Trainee Site Manager as part of the WYFRS Ops Team
No. of weeks of apprenticeships on the contract that have either been completed during the year, or that will be supported by the organisation until completion in the following years - Level 2,3, or 4+	150 Weeks	24	
No. of weeks spent on meaningful work placements or pre-employment course; 1-6 weeks student placements (unpaid)	35 Weeks	1	Will be via Ambition Hub
No. site visits for school children or local residents	40 Visits	2	On track to exceed
Provision of expert business advice to help VCSEs and MSMEs achieve net zero carbon	7 Hours	Not started	Will begin in 2023
Equipment or resources donated to VCSEs (£ equivalent value)	£2000	£2000	Initial support for Samaritans Leeds via furniture donation will continue to end of 2022
Number of voluntary hours donated to support VCSEs (excludes expert business advice)	50 Hours	100 hours	
Equality, diversity and inclusion training provided both for staff and supply chain staff (hours)	360 Hours	Not Started	In plan, will be recorded at site level
Mental Health campaigns for staff on the contract to create community of acceptance, remove stigma around mental health	£500	250	See page 7
No. of employees on the contract that have been provided access for at least 12 months to comprehensive and multidimensional wellbeing programmes	18 FTE	Too early in project to measure	In plan, will be recorded at site level
Donations or in-kind contributions to local community projects (£ & materials)	£500	£558	Already exceeded- will adjust target
No. of hours volunteering time provided to support local community projects	50 Hours	Not Started	In plan, will be led by site team
Initiatives taken or supported to engage people in health interventions (e.g. stop smoking, obesity, alcoholism, drugs, etc.) or wellbeing initiatives in the community, including physical activities for adults and children	£500	Not Started	Will begin in 2023

Working across West Yorkshire Bradford

The Construction Ambition Hub will see a tailored, sustainable programme of enrichment with Bradford College Level 3 Construction Students, and is sponsored solely by Willmott Dixon. This will see a mixture of visits, work experience opportunities, masterclasses and pastoral support from ourselves over the next two years. This approach to learning is a move away from the traditional, and instead develops CORE personal skills, self awareness and confidence, and gives the learners a work-ready tool kit to help them help them enter our industry ready to go.

Given the college proximity to the Birkenshaw site (4.5miles) all of this activity will revolve around the WYFRS project and working together with Ant Devine we've identified areas where we can deliver activity proactively. Feedback from the college was that there was a lack of support for young people from the area moving into construction. The catchment area for the college is very traditional, and many families in the area put weight on university qualifications, and therefor entering construction through college or an apprenticeship is seen as somewhat "lesser". We want to help break that stereotype, by showing families some of the careers their children could move into and some of the successful people who have built careers in our industry

We have delivered lesson 1 of the programme, as well as providing support at their welcome evening.

"Our main sponsors for construction & engineering Willmott Dixon stole the show with an informative and professional presentation, above and beyond the expectations"

"After a few weeks of emails and a quick chat on the phone we finally got together with the quite wonderful Holly from Willmott Dixon!

Our level 3 Construction Management this coming year is integrated into our new and exciting Ambition Hub here at Bradford College

Created to incorporate elements of the incoming T levels, the Hub is heavily focused on employer engagement and support for the learners. What we needed was a company prepared to engage with our vision and support our cohort of students on this journey…..step in Willmott Dixon

One of the largest companies in the country, it is a privilege to say that Holly has given her full backing to the project and has gone way above and beyond our expectations of what we could have expected, our 'Friendship/Partnership' is agreed and they will be the main sponsor for the Ambition Hub for our area.

The benefit of this for our students is unrivalled, the experience will undoubtedly be truly OUTSTANDING, and promotes the colleges ethos of Transforming Lives"
James Haigh- Construction Curriculum Lead @ Bradford College

Working across West Yorkshire
Wakefield

Working in collaboration with Wakefield College (part of the Heart of Yorkshire Education Group) we have begun to engage students in the WYFRS project both on site and in their classrooms at college.

The site visit included a tour and a lesson in sustainable procurement for Level 3 BTEC students whilst the classroom activities were aimed at providing T-Level students with an insight into the real world of working in construction.

"Our industry partners Willmott Dixon generously hosted our Level 3 students, studying their second year in Construction and the Built Environment yesterday at their site in Birkenshaw which is going to be the new West Yorkshire Fire & Rescue Head Quarters. They provided a plethora of knowledge and information for our students to relate to, in line with their studies.

Thank you to Holly for organising, Neil & Karyn for hosting, Callum for his input on sustainability and Emily for supporting.

You are a fantastic team to work with and your engagement with our students is second to none!

Debbie Lee, Engagement Manager, Heart of Yorkshire College group

"Massive thanks Holly for taking the time to come to two of our campuses to speak to the students - fantastic feedback and a great opportunity for them"

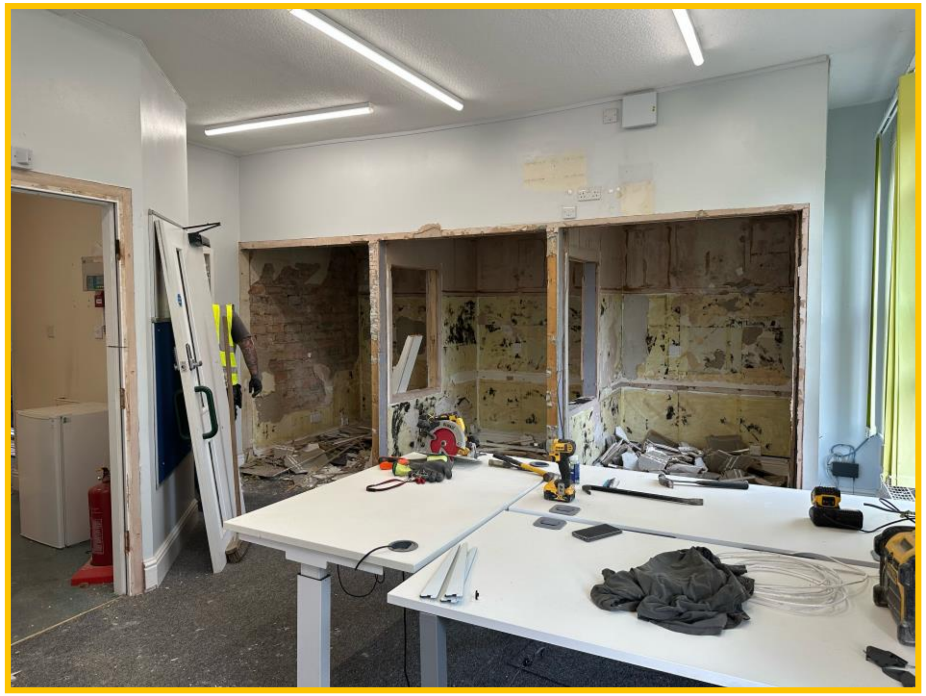
Suzanne Black, Head of Construction @ Wakefield College

Working across West Yorkshire

Leeds

Someone in the UK dies by suicide every 90 minutes and sadly rates of suicide are higher amongst construction professionals, uniformed & public service colleges than most other sectors.
Samaritans of Leeds have been offering emotional support to the people of Leeds for over 50 years. The branch, which is supported by 150 listening volunteers is based in a townhouse which was left as to the organisation in a legacy. The growing need to provide this support and the changing, complex requirements of callers meant that the branch wasn't been used to maximum efficiency and wasn't 100% fit for purpose. We are supporting the Leeds branch with their existing refurbishment plans and we are working collaboratively with partners from our supply chain to make this happen. This work began in early September and will be completed before year end. Meaning that the branch can continue to be there for people when they need it most. There are 6 supply chain partners already signed up to support the work, and more than 100 hours of volunteering pledged from Willmott Dixon Colleagues across the North.

Samaritans have also been visiting our teams and offices, delivering training on listening tips for all our people as part of our commitment to ongoing good mental health training.



SAMARITANS

Clockwise from above: Day 2 on site at Samaritans Leeds. Emily Palmer (Management Trainee, Andy Thornham (Bid Manager) and some of the team from Marlborough brickwork LTD on site. Kimberley Johnson, from Lucion Services, Bob, Samaritans Volunteeer & Emily outside the branch. The Wilmott Dixon Team hearing expert listening tips from Samaritans

"As part of the Lucion Group, we are on a mission to protect people from hazardous environments and protect the environment from the impacts of people.

Through our social fund initiative, a fund made available to our Lucion Group community whereby our team can apply for financial support for various charity and social initiatives, we are proud to have supported Willmott Dixon in providing a targeted refurbishment and demolition asbestos survey services for the Samaritans Leeds Branch free of charge. The survey, along with follow up asbestos air monitoring tests, is required before the internal upgrades are completed by our client Wilmott Dixon"
-Kimberley Johnson, Lucion Services

A focus on young peoples mental wellbeing

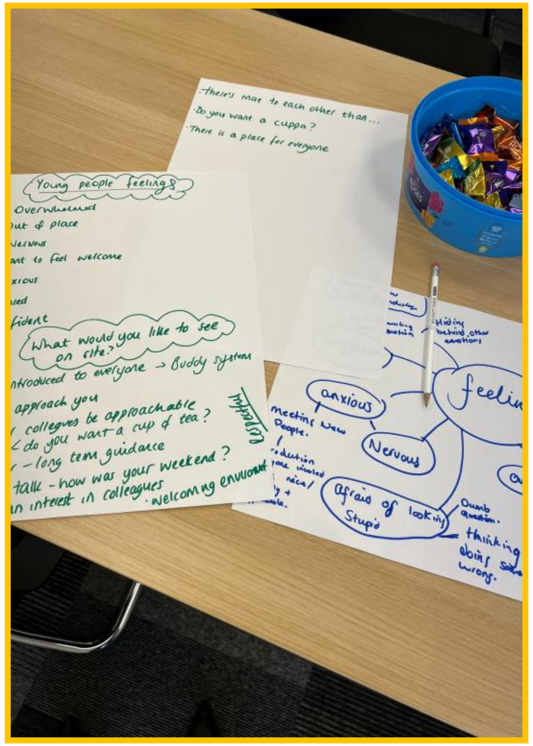
With a continued focus on mental wellbeing in our industry, we have used the project at WYFRS to engage with young people from across the region. Working with students from Leeds College of Building, Heart of Yorkshire College, Bradford College and Calderdale College, we set a mixed group of students a challenge to create a campaign aimed at young people entering our industry.

Over three sessions, the students visited the WYFRS site, our office in Morley and one of our other projects in Halifax. In each session the students heard from a different expert, and given that it was a small group, each got o spend some valuable 121 time with Willmott Dixon colleagues who are working in the roles the students are aspiring to.
The second half of each session had a focus on the students collaborating to put their voices on paper. These thoughts and early sketches were then made into a campaign (sample pictured below). These will be displayed in high traffic areas on our WYFRS site and then rolled out across all our projects in the North.

The students will each receive a copy of the campaign for their own portfolios/CV’s.

“Our students have really benefitted from being part of such a valuable campaign. The industry insights they have gained along the way were an added bonus. Thank you for the opportunity”

-Jayne, Intervention Officer, Calderdale College



West Yorkshire Fire & Rescue Authority

OFFICIAL

Emergency Services Mobile Communication Programme Update

Finance & Resources Committee

Date: 3 February 2023

Agenda Item: 07

Submitted By: Director of Service Delivery

Purpose

To inform the Fire Authority members of the progress and latest timeline for transition onto the Emergency Service Network (ESN).

Recommendations

That members note the report

Summary

The Emergency Services Mobile Communications Programme timeline will be moved to the right due to a Home Office led re-procurement of a major element of the system. The impact on WYFRS will be the disbanding of a fully funded project team and the redeployment of some resources back to establishment. This may limit the benefits to WYFRS of being early adopters of the change.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Benjy Bush, AM Service Support Tel: 07775221461 Email: benjy.bush@westyorksfire.gov.uk
Background papers open to inspection:	None
Annexes:	None

1 Introduction

1.1 The Emergency Services Mobile Communications Programme (ESMCP) is run by the Home Office, but it is co-funded by the Department of Health, and the Scottish and Welsh Governments. The programme aim is to replace the existing incident communications system, Airwave, with a modern, digital alternative called the Emergency Services Network (ESN). This will provide the three Emergency Services (3ES) with enhanced mobile data capabilities.

1.2 In 2015, the programme awarded contracts under two separate tender lots to Motorola Solutions Inc (MSI) and Everything Everywhere (EE), providing device management software and build of the network respectively.

1.3 EE have since installed the required network and signal coverage testing continues to ensure resilience and contracted service levels are achieved and maintained.

1.4 MSI were contracted to provide the Push to talk (PTT) application on the new smart phone style devices along with service management interfaces. Delivery of some of these requirements has been problematic and security concerns have prevented completion.

1.5 Following numerous delays and missed delivery milestones, the decision has been taken by the Home Office to sever links with MSI as a supplier for ESN.

1.6 As a result, they now intend to carry out a full re-tendering process for another supplier to deliver the elements and functionality under what is known as Lot 2 and the Public Information Notice (PIN), for suppliers interested in tendering, has now been released. It is estimated that this process will delay the programme by 12-18 months.

2 Progress

Local Transition Resource funding

2.1 WYFRS have been proactively supporting ESCMP since approximately 2012, e.g., leading on various workstreams, undertaking trials and being the lead FRS for the Yorkshire & Humber (Y&H) region in terms of management of the regional Local Transition Resource funds (LTR). This was a grant given to each UK FRS by the Home Office Fire Funding department, originally estimated to span the time and costs until transition to ESN. Unlike many FRS’s, WYFRS has retained some of this funding due to sound financial planning and resource management.

2.2 The LTR funding stream can be used to cover costs of any Business as Usual (BAU) resources to support the Programme such as Fleet, Control, ICT, Training and Coverage Assurance. One Project Management resource is funded from this budget in each FRS (to different utilisation percentages dependant on the stage the FRS is at). In WYFRS this resource is the LTR Project Manager who is a point of contact in the FRS for the Programme and is responsible for facilitating the technical readiness of the FRS for ESN.

2.3 In 2021, Fire funding amended the mechanism for management of the LTR funding draw down claims to ensure it was being utilised appropriately. This transferred the management of the funding from ESMCP Regional Programme Managers (RPM) to each individual FRS Section 151 Officer. Additional scrutiny is currently being carried out by a series of ‘deep dives’ undertaken by Fire funding in partnership with the National Fire Chiefs Council (NFCC) team to ensure that draw down of funds is commensurate with output.

Assurance Partner funding

2.4 In 2020, WYFRS was offered the further opportunity to become one of five 3ES ESN Assurance Partners (AP). Merseyside Fire & Rescue Service (MFRS) is a second Fire sector AP and there are two Police Force APs and one Ambulance AP.

2.5 The role of the APs is to, plan and execute testing of the new network and devices on behalf of their sector; ensure that business requirements are formally assessed; and assure Senior management that eventual transition to the ESN will be low risk.

2.6 The AP teams are fully funded by the Home Office/central Programme, separately to the LTR grant, and resources for the Fire AP team have been primarily sourced from the host AP or surrounding regional FRS’s.

2.7 The Fire AP teams across WYFRS and MFRS have worked closely over the last two years and in June this year an alteration to governance allowed the team to combine and work as one larger team, retitled the Fire Operational Assurance Team. This provides added resilience, flexibility to use resources across various workstreams and avoids any duplication of effort.

2.8 The team consists of various roles, laid out in Table 1 below. When the central programme began considering the retendering process for Lot 2, a recruitment freeze was put in place. This coupled with the uncertainty of the current situation, has caused some individuals to seek other opportunities, which has left some posts vacant at the current time.

Table 1. FRS Operational Assurance Team (comprising of WYFRS staff and other FRS's where indicated)

Role	Source FRS	Status
Programme Manager	WYFRS	Active (Fixed term contract)
Project Manager 1	WYFRS	Vacant
Project Manager 2	MFRS	Active (Fixed term contract)
Business Change Ambassador 1	WYFRS	Vacant
Business Change Ambassador 2	MFRS	Active (Secondee - Permanent grey book)
Contingency Planner 1	WYFRS	Active (Secondee - Permanent grey book GM)
Contingency Planner 2	Cheshire FRS	Vacant from 01/12/22
Operational Planner 1	WYFRS	Active (Secondee - Permanent grey book WM)
Operational Planner 2	Lancs FRS	Recalled by LFRS in October 22 however will return to support ESMCP one day per week from 21/11/22 (Permanent grey book)
Logistics Planner 1	WYFRS	Vacant
Logistics Planner 2	MFRS	Vacant
Technical Support	WYFRS	Recharged from BAU support as required
Technical Support	MFRS	Recharged to outsourced ICT provider as required

3 Financial Implications

3.1 On 14th September 2022, a letter was sent to WYFRS, from the ESMCP Home Office Senior Responsible Owner (SRO), to formally confirm that the AP funding will be secure until the end of the 22/23 fiscal year. The Chief Fire Officer has recently received confirmation from the programme that this funding will not continue beyond this point. Until a new delivery plan is developed following the Lot 2 procurement process, it is unknown to what degree AP's will be required, if at all.

3.2 At the time of writing, a Task & Finish Group has been mobilised by the National Fire Chiefs Council (NFCC) as the Fire sector lead body, to assess the short- and medium-term workload for LTR funded roles and the subsequent resource requirement from Fire funding. The output of this work in early 2023 will inform the impact on the LTR funded roles. At present there are several work packages for FRSs to complete before the end of March. These are mostly in the coverage workstream and will require FRS coverage leads and project managers to deliver before the funding ceases.

3.3 Risks arising from the extension of the ESMCP timeline are being monitored through national and local governance meetings. These risks include the impact on local long-term planning and procurement decisions due to ESN not being delivered within the expected timescales. For instance, if the FRS is intending to harness the enhanced technical functionality provided by ESN e.g., video streaming, this could impact the procurement of other equipment or PPE ancillaries.

3.4 The local change programme in each FRS could also be adversely affected where ESN is an identified dependency e.g. In WYFRS the required network infrastructure for Airwave is likely to still be required in the FSHQ new build, or the Fleet replacement programme will not be able to account for wiring diagrams without details of the definitive solution to be installed meaning retrofit may be necessary.

4 Legal Implications

4.1 The Monitoring Officer has considered this report and is satisfied it is presented in compliance with the Authority's Constitution

5 Achievements

5.1 WYFRS were the first Fire and Rescue Service in the UK to give new ESN handheld devices to Watch Managers to use in live operations and feedback to Home Office. This trial supported developments in device design, software use, portal management, policy, procedure, and ICT infrastructure.

The work WYFRS has undertaken as Assurance Partner has been vital to assure the operational use of the device and emergency service network. WYFRS has led the scenario development (Op Eval) on behalf of the UK fire sector ensuring a procedure for robust testing in all scenarios such as High-Rise incidents, basement fires or remote wildfire incidents.

The Home Office along with the NFCC central team have given huge praise to the WYFRS ESN team in respect of productivity, quality of work produced and the positive approach to both the local and national tasking.

WYFRS have expressed an interest in becoming an Assurance Partner in the future when the programme is fully active again. Becoming an AP would continue to assist the FRS sector with development and also give us early sight of ESN functionality which could assist with future planning. The role of AP also supports the HMICFRS' objectives for collaboration and supporting the sector.

6 Human Resource and Diversity Implications

WYFRS permanent staff who are seconded to the programme (highlighted in yellow in Table 1 above) will return to establishment staffing at the end of the current fiscal year. Temporary staff on fixed term contracts are being considered for redeployment potential as per Human Resources (HR) policy.

If this is not successful, and should they meet the qualification requirements, they will receive a payment in line with statutory redundancy. All affected staff have been kept informed around the latest position of the programme

7 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk)	No
Date EIA Completed	DD/MM/YY
Date EIA Approved	DD/MM/YY

The EIA is available on request from the report author or from diversity.inclusion@westyorksfire.gov.uk

8 Health, Safety and Wellbeing Implications

8.1 The programme will aim to ensure that the health and safety of personnel is maintained throughout the delivery and transition phase by assessing the impact on internal departments workloads and providing additional resource where required.

8.2 The existing and replacement radio network is critical for incident communications. It is vital that a new system is reliable and resilient to minimise the risk to the health and safety of the public and firefighters.

9 Environmental Implications

No significant environmental implications.

10 Your Fire and Rescue Service Priorities

10.1 This programme supports WYFRS strategic priorities to:

- Make better use of technology and innovate where possible.
- Be more efficient across all areas of the service to make savings.
- Continue to keep our firefighters safe.

There is a specific objective within the WYFRS Programme of Change for the ‘Provision of a national radio scheme utilising mobile phone technology.’

11 Conclusions

The Emergency Services Mobile Communications Programme timeline will be moved to the right as a result of a re-tendering process. There is expected to be a ‘pause’ in the programme for between 12 and 18 months.

All FRS funding for the programme will cease as the end of this financial year and all personnel seconded to ESMCP will be integrated back into service or considered for re-deployment potential if on a fixed term contract.

WYFRS will be given at least six months notice by the Home Office of when work streams will once again commence, and funding made available to FRS.

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West Yorkshire Fire & Rescue Authority

Treasury Management - Mid-Year Review

Finance & Resources Committee

Date: 3 February 2023

Agenda Item: **08**

Submitted By: Chief Finance and Procurement Officer

Purpose To present a mid-year review of treasury management activity of the Authority

Recommendations That Members note the report

Summary

This report presents a review of treasury management activity as required by the CIPFA Code of Practice on Treasury Management which has been adopted by this Authority. The report examines all treasury management activity to ensure that it is accordance with the Authority's treasury management strategy.
In addition, it examines the outlook for the UK economy and the impact that it might have on the treasury management strategy of the Authority

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Alison Wood, Chief Finance and Procurement Officer

E: alison.wood@westyorksfire.gov.uk

T: 07500 075362

T: 01274 682311 Ext: 660204

Background papers open to inspection: The Prudential Code for Capital Finance in Local Authorities

Annexes: Appendix A - Investments

Appendix B – Prudential Indicators

1 Introduction

1.1 The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

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

1.3 Accordingly, 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 Information

2.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

2.2 <u>Economic Update & Interest Rates</u>

2.2.1 Over the past six months, the global energy and food supply shocks emanating from Russia's invasion of Ukraine have intensified. The further curtailment of Russian imports saw European wholesale gas prices rise ten-fold from pre-pandemic levels, and markets now expect prices to remain four times higher in the medium term. Rising energy, food, and other goods prices have pushed up the interest rates set by inflation-targeting central banks to levels not seen since the 2008 financial crisis. It is thus no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

On the 15th of December, the Bank of England's Monetary Policy Committee (MPC) announced it had raised interest rates for the ninth meeting in a row. Rates were increased by 0.50 percentage points to 3.5%, the highest level for fourteen years. The market expects Bank Rate to hit 4.5% by June 2023.

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2.2.2 Quarter two of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

In the MPC's central projection, CPI inflation starts to fall back from early next year as previous increases in energy prices drop out of the annual comparison. Domestic inflationary pressures remain strong in coming quarters and then subside. CPI inflation is projected to fall sharply to some way below the 2% target in two years' time, and further below the target in three years' time.

2.2.3 The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6%. The MPC will be concerned that wage inflation will prove just as problematic as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

2.2.4 GDP is expected to decline by around ¾% during the second half of 2022, in part reflecting the squeeze on real incomes from higher global energy and tradable goods prices. GDP is projected to continue to fall throughout 2023 and the first half of 2024, as high energy prices and materially tighter financial conditions weigh on spending. Four-quarter GDP growth picks up to around ¾% by the end of the projection.

2.2.5 The Authority has appointed Link Group as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates.
The PWLB rate forecasts in the table below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

2.3 Treasury Management Strategy Statement

The Treasury Management Strategy and the Annual Investment Strategy for 2022/23 were approved by Fire Authority in February 2022. There are no changes to either strategy; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The report covers the period 1st of April to the 20th of December 2022.

2.4 Investment Performance

2.4.1 The Authority's cash balances are invested with counterparties in the following order of priority: security, liquidity, and yield.

In the current economic climate it is considered appropriate to keep a significant proportion of investments short term. This will not only cover short term cash flow needs but will also seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions using the Link suggested creditworthiness matrices.

2.4.2 The Authority has invested an average balance of £38.8million externally during the period, generating £0.432 million in investment income. The Authority is always 'cash rich' in the middle of the year due to the receipt of the pension grant at the end of July (£30.020 million) as a single annual payment.

2.4.3 Monies have been invested in line with the Treasury Management Strategy using deposit accounts, money market funds and short-term deposits. Appendix A shows where investments were held at the start of April and as at the 20th of December 2022 by counterparty, by sector and by country.

2.4.4 The Authority's investment performance was monitored during the period, with the average lending rate of 1.03%, being below the weighted average 7-day London Interbank Offer rate of 1.8094%.

2.5 Borrowing performance

2.5.1 The Authority has not taken any new external loans since December 2011 and has been using internal cash resources to meet any capital expenditure.

Long-term loans at the end of December 2022 totalled £43.9 million (£45.0 million at the 31 March 2022). Repayments of EIP (equal instalments of principal) loans totalling £0.078 million will be made during the year. Current forecasts indicate that there will not be a borrowing requirement for the remainder of the financial year.

2.5.2 Public Works Loan Board (PWLB) loans total £41.9 million of long-term loans, with the remaining £2.0 million of external debt financed via a Lenders Option Borrowers Option (LOBO) loan. The maturity profile for fixed rate long-term loans is shown in Appendix B and shows that no more than 5% of fixed rate debt is due to be repaid in any one year. This is good practice as it reduces the Authority's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.

2.5.3 PWLB rates were on a rising trend from April 2022, peaking in mid October 2022. The 50-year PWLB target rate for new long-term borrowing started in 2022/23 at 2.38%, rose to 5.05% in October and then fell to 3.88% on the 8th of December. Expected rates in the beginning of 2023 are at 4.30%.

The Authority receives a discount of 0.20% on the PWLB certainty borrowing rate in return for providing the government with the forecast capital expenditure plans for the Authority over the coming years.

2.6 Revenue Budget Monitoring

2.6.1 The revenue budget contains a sum of £6.054 million for interest and provision for debt repayment for 2022/23.

If the capital financing charges budget experiences an underspend at the end of the financial year, this will be used to make either additional voluntary minimum revenue provision contributions and/or be transferred to the Capital Finance Reserve, both have the effect of reducing the Authority's Capital Financing Requirement which is turn eases the financial burden of the capital plan on the ongoing revenue budget.

2.7 Prudential Indicators

2.7.1 The Authority is able to undertake borrowing without central government approval under a code of practice called the Prudential Code. Under this Code, certain indicators have to be set at the beginning of the financial year as part of the treasury management strategy. The purpose of the indicators is to contain the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decision impacting negatively on the Authority's overall financial position. Other prudential indicators are reported as part of the monitoring of capital.

2.7.2 Appendix B provides a schedule of the indicators set for treasury management and their latest position.

2.8 Risk and Compliance Issues

2.8.1 There are no risk or compliance issues to report.

2.8.2 A new regulatory update (Markets in Financial Instruments Directive – MiFID) came into force from 3 January 2018. The Authority has formally registered its status as a 'professional client' for the purposes of investing with or borrowing from regulated financial services firms, such as money market funds. The Authority has plans in place in order to maintain the current investment opportunities.

3 Financial Implications

3.1 These are included within the main body of the report.

4 Legal Implications

4.1 The Monitoring Officer has considered this report and is satisfied it is presented in compliance with the Authority's Constitution.

5 Human Resource and Diversity Implications

5.1 None

6 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk)	No

7 Health, Safety and Wellbeing Implications

7.1 None

8 Environmental Implications

8.1 None

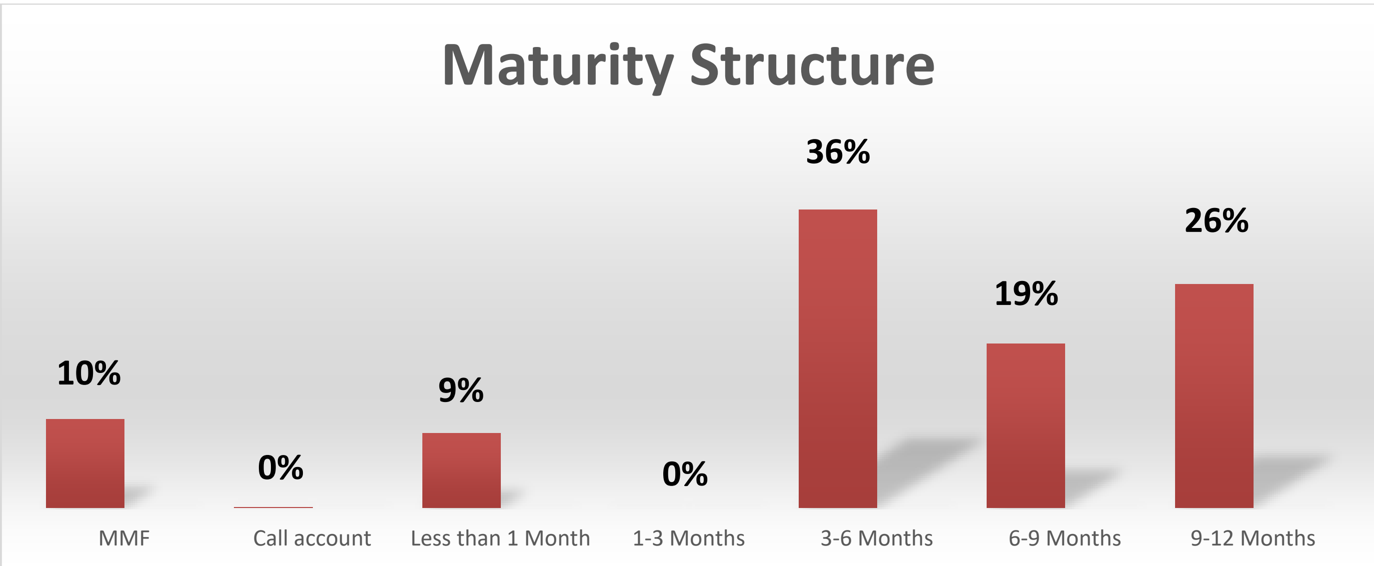
9 Your Fire and Rescue Service Priorities

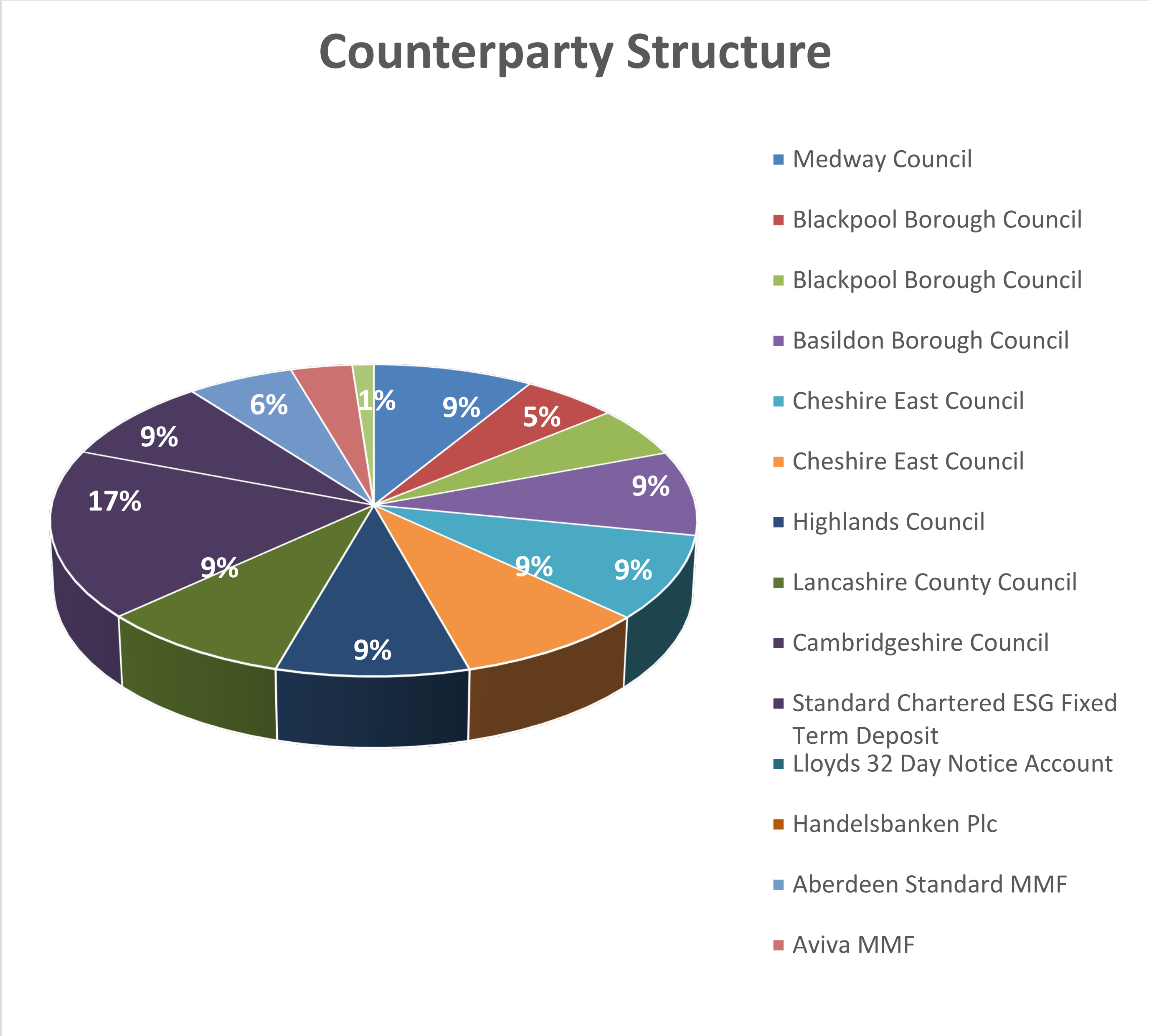
9.1 Treasury management underpins the financial management of the Authority which affects all the fire and rescue service priorities.

10 Conclusions

10.1 This report provides Members with an update on Treasury Management activity to the 20th of December 2022, which demonstrates that the Authority is operating within the Treasury Management Strategy and that activity complied with the approved prudential indicators.

COUNTERPARTY	£	Interest Rate	Date Invested	Maturity Date	Maturity Structure
Medway Council	5,000,000	0.80	22/03/2022	22/12/2022	Less than 1 Month
Blackpool Borough Council	3,000,000	1.21	10/06/2022	09/06/2023	6-9 Months
Blackpool Borough Council	3,000,000	1.21	22/06/2022	21/06/2023	6-9 Months
Basildon Borough Council	5,000,000	1.18	20/05/2022	19/05/2023	3-6 Months
Cheshire East Council	5,000,000	1.80	23/08/2022	23/05/2023	3-6 Months
Cheshire East Council	5,000,000	1.85	09/09/2022	09/06/2023	6-9 Months
Highlands Council	5,000,000	1.95	09/09/2022	08/09/2023	9-12 Months
Lancashire County Council	5,000,000	2.04	14/10/2022	14/04/2023	3-6 Months
Cambridgeshire Council	10,000,000	1.95	01/11/2022	31/10/2023	9-12 Months
Standard Chartered ESG Fixed Term Deposit	5,000,000	4.06	30/11/2022	30/05/2023	3-6 Months
Lloyds 32 Day Notice Account	12,177	1.10	Call account	Call account	Call account
Handelsbanken Plc	474	2.82	Call account	Call account	Call account
Aberdeen Standard MMF	3,331,923	variable daily rate	MMF	MMF	MMF
Aviva MMF	1,915,881	variable daily rate	MMF	MMF	MMF
Goldman Sachs	672,391	variable daily rate	MMF	MMF	MMF
TOTAL	**56,932,844**				




Counterparty Structure
1%
9%
5%
9%
9%
9%
9%
9%
17%
9%
6%
9%
Medway Council
Blackpool Borough Council
Blackpool Borough Council
Basildon Borough Council
Cheshire East Council
Cheshire East Council
Highlands Council
Lancashire County Council
Cambridgeshire Council
Standard Chartered ESG Fixed Term Deposit
Lloyds 32 Day Notice Account
Handelsbanken Plc
Aberdeen Standard MMF
Aviva MMF

Prudential Indicators

Capital Expenditure

The actual capital expenditure for the current year compared to the original estimate and revised budget, together with estimates of expenditure to be incurred in future years are shown below:

	Actual 2021/22 £000's	Budget 2022/23 £000's	Revised 2022/23 £000's	Estimate 2023/24 £000's	Estimate 2024/25 £000's
Total Capital Expenditure	3,469	16,878	17,724	49,197	16,014

The revised 2022/23 figure reflects the adjustments to the capital plan which were approved at Finance and Resources Committees in July and October 2022.

Capital Financing Requirement

The capital financing requirement for 2022/23 and estimates for future years are as follows: -

	Actual 31/03/2022 £000's	Estimate 31/03/2023 £000's	Estimate 31/03/2024 £000's	Estimate 31/03/2025 £000's	Estimate 31/03/2026 £000's
Capital Financing Requirement	39,963	37,897	66,324	75,101	73,924

The capital financing requirement measures the Authority's need to borrow for capital purposes. In accordance with best professional practice, the Authority does not associate borrowing with particular items or types of expenditure. The Authority has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved strategy.

In day-to-day cash management, no distinction can be made between revenue cash and capital cash.

A key indicator of prudence under the Prudential Code is: -

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

The S151 Officer reports that the Authority has had no difficulty meeting this requirement during the course of this financial year and no difficulties are envisaged in future years. This takes into account current commitments, existing plans and the proposals contained in the Medium Term-Financial Plan.

Operational Boundary and Authorised Limit for External Debt

The Authorised Limit represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable.

The Operational Boundary is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during this year.

These are shown in the table below:

	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's
Authorised Limit for External Debt	53	55	59	65
Operational Boundary for External Debt	51	53	58	60

The Chief Finance and Procurement Officer confirms that both the authorised limit and the operational boundary will not be exceeded during 2022/23 as no new borrowing has been required.

Indicator 6 - Ratio of Capital Financing Costs to Net Revenue Stream

The ratio of financing costs to net revenue stream for the current year and estimates for future years are as follows: -

	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Ratio of Financing to Net Revenue Stream	5.42%	6.88%	6.20%	7.26%	7.68%

These ratios indicate the proportion of the net budget of the Authority that is required to finance the costs of capital expenditure in any year.

Estimates of financing costs include current commitments and the proposals contained in the capital programme of the Authority. In calculating the ratio, Net Revenue Streams in any year have been taken to exclude any element of the net budget requirement that is intended to provide reserves for the Authority.

The projected increase in the ratio over the period reflects the increase in capital financing costs resulting from the five-year capital plan approved in February 2022.

Upper and Lower Limits for the maturity structure of borrowings

This indicator is designed to prevent the Authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. It seeks to ensure the Authority controls its exposure to the risk of interest rate changes by limiting the proportion of debt maturing in any single period. Ordinarily debt is replaced on maturity and therefore it is important that the Authority is not forced to replace a large proportion of loans at a time of relatively high interest rates.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.	Limit Set 2022/23	Forecast 2022/23
Under 12 months	0% - 20%	4.8%
12 months to 2 years	0% - 20%	2.4%
2 years to 5 years	0% - 60%	5.9%
5 years to 10 years	0% - 80%	7.2%
More than 10 years	20% - 100%	79.7%

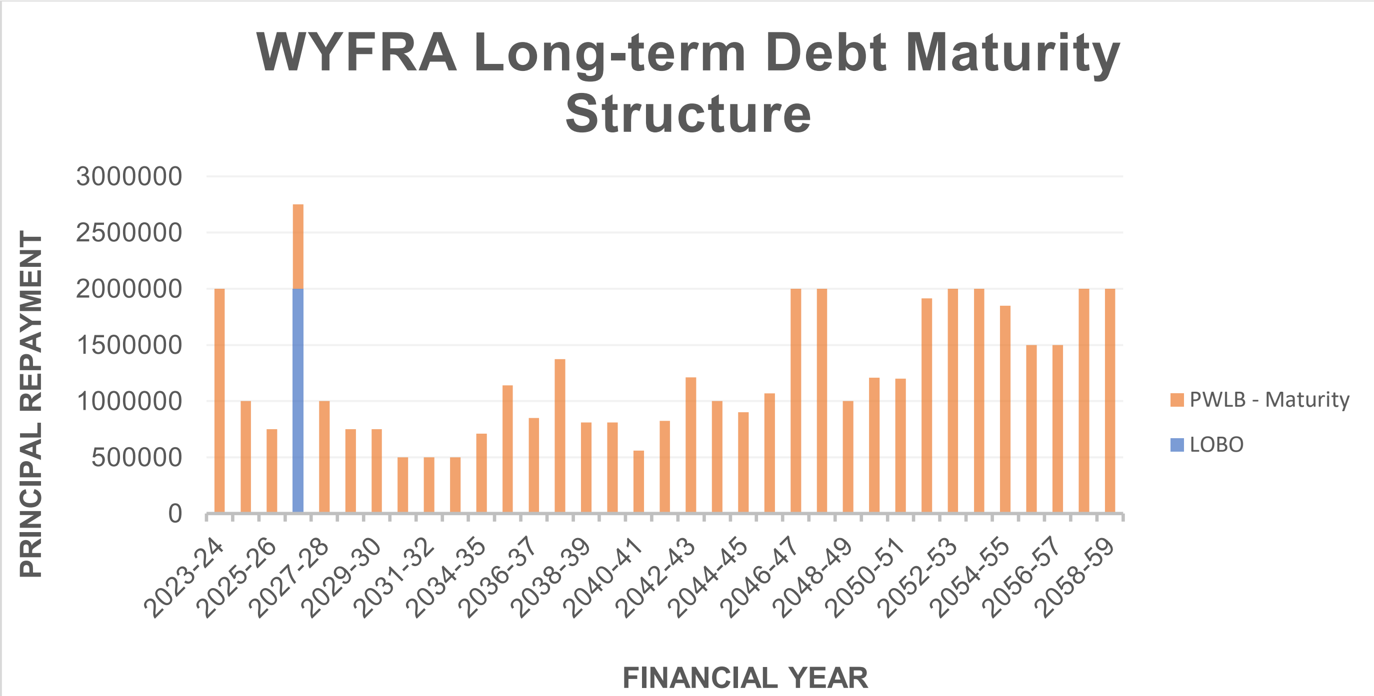
While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio. The Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2022/23	Forecast 2022/23
Interest at fixed rates as a percentage of net interest payments	60% - 100%	100.0%
Interest at variable rates as a percentage of net interest payments	0% - 40%	0.00%

The Chief Finance and Procurement Officer confirms that interest payments and the proportion of fixed rate debt were within the limits set.

Maturity Profile for Long Term Loans

The table below shows that no more than 5% of fixed rate debt is due to be paid in any one year:



<u>Total principal sums invested for periods longer than 364 days</u>

The Authority will not invest sums for periods longer than 364 days.

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Draft Treasury Management Strategy 2023/24

Finance & Resources Committee

Date: 3 February 2023

Agenda Item: 09

Submitted By: Chief Finance and Procurement Officer

Purpose To present the Draft Treasury Management Strategy 2023/24

Recommendations To recommend to the Full Authority the approval of the Treasury Management Strategy 2023/24 including:

a) Treasury Management Practices
b) the capital strategy outlined in section 2.1
c) the borrowing strategy outlined in section 2.2
d) the investment strategy in section 2.3 and Appendix B
e) the policy for provision of repayment of debt outlined in Appendix D
d) the Treasury Management Prudential indicators in Appendix E
e) the Capital Plan 2023/24 – 2027/28 in Appendix F

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Alison Wood, Chief Finance and Procurement Officer E: alison.wood@westyorksfire.gov.uk T: 07500 075362 T: 01274 682311 Ext: 660204
Background papers open to inspection:	The Prudential Code for Capital Finance in Local Authorities Statutory Guidance on the Flexible Use of Capital Receipts
Annexes:	Appendix A – Treasury Management Practices Appendix B– Investment strategy Appendix C– Credit rating scores Appendix D – Provision for repayment of debt Appendix E – Treasury Management indicators Appendix F – Capital Plan 2023/24 -2027/28

Summary

The Treasury Management Strategy Statement is an annual statement that sets out the expected treasury activities for the forthcoming year 2023/24. These activities include the Authority's expected borrowing and treasury investments, cashflows and banking.
The Authority has formally adopted CIPFA's Code of Practice on Treasury Management and is thereby required to consider a treasury management strategy before the start of each financial year. In addition, the Department for Communities and Local Government (DCLG) issued guidance on local authority investments in March 2010, which requires the Authority to approve an Investment Strategy before the start of each financial year.

1 Introduction

Treasury management is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice as:

"The management of the Authority's borrowings, investments and cash flows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

1.2. There are two parts to the treasury management operations, the first is to ensure that the Authority's cash flow is adequately planned, with cash being available when it is needed. Surplus monies are placed in low-risk counterparties or instruments in line with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return. The second main function of treasury management is the funding of the Authority's capital plans. The Capital Strategy provides a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure that the Authority can meet its capital spending obligations.

1.3. The CIPFA Code of Practice on Treasury Management (TM) and the CIPFA Prudential Code require local authorities to determine and set the Authority's Treasury Management Strategy, its Strategy relating to investment activity, and Prudential Indicators on an annual basis. The Authority currently has cash backed reserves and balances of circa £43m, so it is important that robust and appropriate processes are in place to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund. Set out below are the key elements of the Strategy covering the borrowing requirements and investment arrangements.

1.4 The Authority's Investment Strategy has regard to the TM Code and the Guidance. It has two objectives: the first is security, in order to ensure that the capital sum is protected from loss, ensuring that the Authority's money is returned; and the second is portfolio liquidity, in order to ensure that cash is available when needed. Only when the proper levels of security and liquidity have been determined can the Authority then consider the yield that can be obtained within these parameters.

1.5 This Strategy has been created based on CIPFA Prudential and Treasury Management Codes, which requires the Authority to prepare a Capital Strategy. This Authority does not envisage any commercial investments and has no non-treasury investments.

1.6 Treasury Management activity is governed and managed by using a set of standards which are called Treasury Management Practices. These set out the manner in which the Authority aims to achieve its treasury management policies and objectives and how it will manage and control those activities. It is good practice that these are presented to members for information. These are attached in Appendix A

National Guidance and Governance

1.7 CIPFA published the revised CIPFA Treasury Management Code and Prudential Code on the 20th of December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Authority, therefore, has to

have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Authority for approval.
The revised Treasury Management Code will require an authority to implement the following:

a) Adopt a new debt liability benchmark treasury indicator
b) Re-class long term treasury investments as commercial investments (not applicable)
c) Pooled funds to be included in the indicator for principal sums maturing in year beyond the initial budget year (not applicable)
d) Amendments to the knowledge and skills register for those involved in the treasury management function (TMP6)
e) Report to members quarterly on indicator performance
f) Environmental, social and governance (ESG) issues to be addressed within the Authority's treasury management policies and practices (TMP1)

In addition, this Strategy also complies with the CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes ("the TM Code"), and Guidance on Local Government Investments issued by the Secretary of State for Communities and Local Government under section 15(1)(a) of the Local Government Act 2003 ("the Guidance"). Specific decisions on the timing and amount of any borrowing will be made by the Authority's Director, Finance and Corporate Services in line with the agreed Strategy.

1.8 The Local Government Act 2003, section 15 (1)(a), gives local authorities the power to use capital receipts to fund certain categories of expenditure. Guidance around the flexible use of capital receipts was issued by The Secretary of State and was effective from the 1st of April 2022. The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authorities', or several authorities, and/or to another public sector body's net service expenditure. A list of types of projects that would qualify for the flexible use of capital receipts is included in the Guidance. These include investment in service reform feasibility work, the cost of service reconfiguration, restructuring or rationalisation, improving systems to tackle fraud and corruption, setting up commercial delivery models to deliver services more efficiently. If the Authority decides to use capital receipts flexibly on projects included in the guidance, it is required to produce a Flexible use of Capital Receipts Strategy. It is not expected that the Authority will call upon the flexible use of capital receipts and will continue to use them to fund existing capital expenditure. As such a capital receipts strategy is not required.

Governance

1.9 CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (2021) requires public sector organisations to nominate a responsible body for the scrutiny of treasury management strategy and policies. The Finance and Resources Committee is the nominated committee to scrutinise treasury management and to support this it receives and approves a number of financial reports each year, which cover the following:

(a) **An Annual Treasury Management and Investment Strategy:** This Strategy is reported annually to Full Authority in February. This Strategy includes:-

- the Capital Programme together with the appropriate prudential indicators.
- the minimum revenue provision (MRP) policy, which details how residual capital expenditure is charged to revenue over time.
- the Treasury Management Strategy, which defines not only how the investments and borrowings are to be organised, but also sets out the appropriate treasury indicators; and
- an Investment Strategy which sets out the parameters on how deposits are to be managed.

(b) **A Mid-year Treasury Management Report:** This is presented to Finance and Resources Committee in February and provides an update on current investments and borrowing, the Capital Programme, performance of prudential indicators

(c) **A Year-end Annual Report:** This provides the final outturn position for the year in relation to investments and deposits made during the year, prudential and treasury indicators, and a summary of the actual treasury activity during the year. This is reported to Finance and Resources Committee in July.

CIPFA has developed a self-assessment tool to support the development of effective scrutiny. The Chief Finance and Procurement Officer (CPFO) will undertake the self-assessment and report back to Finance and Resources Committee in the new financial year.

External Support

2.0 The Authority uses Link Group as its external Treasury Management Advisor. The Authority recognises that the responsibility for treasury management decisions remains with itself and will ensure that undue reliance is not placed upon the external advisor. The Authority appointed Link Group in July 2021 when the responsibility for Treasury Management was transferred to the Authority from Kirklees Council, where it was provided as a Service Level Agreement.

The CFPO and the treasury management accountant receive daily, weekly, and monthly reports on treasury management activity within the UK, Europe and Worldwide.

2.01 **Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. A training session was delivered by Link in October which was attended by both members and officers.

The training needs of treasury management officers is ongoing to ensure that knowledge is kept up to date.

2 Information

2.1 Capital Strategy

2.1 The purpose of the Capital Strategy is to demonstrate that the Authority takes capital expenditure and investment decisions in line with corporate and service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
Fundamentally, the objective of the code is that the total of an Authority's capital investment remains within sustainable limits, following consideration of the impact on the bottom-line Council Tax.

Each financial year the Authority produces a rolling five-year capital programme, and owing to the nature of capital expenditure, a large number of schemes slip between financial years.
The detailed capital plan and associated prudential indicators are included in the Budget Report.

2.1.1 The Capital Strategy comprises a number of distinct, but inter-related, elements as follows:

- **Capital Expenditure**
  This section includes an overview of the governance process for approval and monitoring of capital expenditure, including the Authority's policies on capitalisation, and an overview of its capital expenditure and financing plans.

- **Capital Financing and Borrowing**
  This section provides a projection of the Authority's capital financing requirement, how this is impacted by capital expenditure decisions and how it will be funded and repaid. It therefore sets out the Authority's borrowing strategy and explains how it will discharge its duty to make prudent revenue provision for the repayment of debt.

- **Chief Finance and Procurement Officer statement**
  This section contains the Chief Financial Officer's views on the deliverability, affordability and risk associated with the capital strategy.

2.1.2 **Capital Expenditure**

Capitalisation Policy

2.1.3 Expenditure is classified as capital expenditure when it results in the acquisition or construction of an asset (e.g. land, buildings, vehicles, plant and equipment etc.) that:

- Will be held for use in the delivery of services, for rental to others, investment or for administrative purposes; and
- Are of continuing benefit to the Authority for a period extending beyond one financial year.

Subsequent expenditure on existing assets is also classified as capital expenditure if these two criteria are met.

2.1.4 There may be instances where expenditure does not meet this definition but would be treated as capital expenditure, including:

- Where the Authority has no direct future control or benefit from the resulting assets but would treat the expenditure as capital if it did control or benefit from the resulting assets. For example, where a grant is provided by the Authority to an external body in order that the body can purchase an asset for its own use. The provision of the grant would be treated as capital expenditure in the accounts of the Authority.

- Where statutory regulations require the Authority to capitalise expenditure that would not otherwise have expenditure implications according to accounting rules. For example, where the Government permits authorities, in special circumstances, to treat redundancy costs as capital costs therefore increasing flexibility as such costs can then be met using their existing borrowing powers or capital receipts.

2.1.5 The Authority operates a de-minimis limit for capital scheme expenditure of £10,000. This means that items below these limits are charged to revenue rather than capital.

Governance

2.1.6 Capital expenditure is a necessary element in the development of the Authority's services since it generates investment in new and improved assets. Capital expenditure is managed through the five-year Capital Programme which is reviewed annually as part of the budget setting process and reviewed in year as part of financial monitoring arrangements.

2.1.7 The Authority's Financial Regulations and Contract Regulations provide a framework for the preparation and appraisal of schemes proposed for inclusion in the Capital Plan, these include appropriate authorisations for individual schemes to proceed and facilitate the overall management of the Capital Programme within defined resource parameters.

2.1.8 The CFPO shall determine the format of the Capital Programme and the timing of reports relating to it. The approved Capital Programme will comprise a number of individual schemes each of which will be quantified on an annualised basis. Each directorate will submit capital bids to the finance department which are then collated and presented to the Management Board Star Chamber for scrutiny and approval for inclusion on the proposed capital plan. The bids are then collated for submission to the Full Authority meeting in February.

2.1.9 The capital plan is monitored on a monthly basis with the provision of detailed budget monitoring reports to managers and is reported quarterly to the Finance and Resources Committee.

2.1.10 The Budget Management Monitoring Group meet bi-monthly where the capital plan is scrutinised, and managers are required to report on the progress of each capital scheme for which they are responsible. This is chaired by the CFPO.

Capital Financing and Borrowing

2.1.11 The Authority's capital expenditure plans as per the Capital Programme are set out in Appendix F and will be presented in the Budget Report for approval.

2.1.12 When expenditure is classified as capital expenditure for capital financing purposes, this means that the Authority is able to finance that expenditure from any of the following sources:

- **Capital grants and contributions** – amounts awarded to the Authority in return for past or future compliance with certain stipulations.

- **Capital receipts** – amounts generated from the sale of assets and from the repayment of capital loans, grants or other financial assistance.

- **Revenue contributions** – amounts set aside from the revenue budget and the earmarked capital financing reserve.

- **Borrowing** – amounts that the Authority does not need to fund immediately from cash resources, but instead charges to the revenue budget over a number of years into the future.

Chief Finance and Procurement Officer Statement

2.1.13 The Prudential Code requires the Chief Financial Officer to report explicitly on the affordability and risk associated with the Capital Strategy. The following are specific responsibilities of the Chief Finance Officer:

- recommending clauses, treasury management policy/practices for approval, reviewing regularly, and monitoring compliance.
- submitting quarterly treasury management reports.
- submitting quarterly capital budget reports.
- reviewing the performance of the treasury management function.
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- ensuring the adequacy of internal audit and liaising with external audit.
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Authority.
- ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources.

- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities.

Statement of Policy on the Minimum Revenue Provision (MRP)

2.1.14 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008, which came into effect on 31 March 2008, replaced the former statutory rules for calculating MRP with a requirement for each local authority to determine a "prudent" provision. The regulations require authorities to draw up a statement of their policy on the calculation of MRP which requires approval by Full Authority in advance of the year to which it applies. The recommended policy statement is detailed at Appendix D.

Capital Financing Requirement

2.1.15 The Capital Financing Requirement (CFR) represents the Authority's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements. An Authority can choose to borrow externally to fund its CFR. If it does this, it is likely that it would be investing externally an amount equivalent to its total reserves, balances and net creditors. Alternatively, an Authority can choose not to invest externally but instead use these balances to effectively borrow internally and minimise external borrowing. In between these two extremes, an Authority may have a mixture of external and internal investments/external and internal borrowing

Forecasts for CFR as at the 31 March 2023 are as follows:

	Estimate 2023/24 £000'S	Estimate 2024/25 £000'S	Estimate 2025/26 £000'S	Estimate 2026/27 £000'S
CFR	66,324	75,101	73,924	75,793

The movement in the CFR can be further explained via the table below:

	Estimate 2023/24 £000'S	Estimate 2024/25 £000'S	Estimate 2025/26 £000'S	Estimate 2026/27 £000'S
CFR b/fwd	37,896	66,324	75,101	73,924
Capital Expt	49,197	16,013	7,105	6,720
Capital Receipts	0	0	-3,500	0
Earmarked Reserve	-17,321	-3,000	0	0
Revenue Contribution	-950	-950	-950	-950
MRP	-2,498	-3,286	-3,832	-3,901
Closing CFR	**66,324**	**75,101**	**73,924**	**75,793**

2.1.16 Prior to 2009/10 the Authority's policy had been to borrow up to its CFR and investing externally the majority of its balances. With the onset of instabilities in the financial markets and the economic downturn, the policy changed to one of ensuring the security of the Authority's balances. This coincided with dramatic falls in investment returns making the budgetary benefit of maximising external borrowing more marginal. Over the past few years, the Authority has chosen to finance its capital expenditure by 'borrowing' internally. This has principally been because of the relatively low rates of interest receivable on investments, particularly when compared to the cost of borrowing longer term loans from the PWLB. Interest received on investments has increased following the increase in bank base rate over the past few months with the average rate been at 2.198%, however, there has been an increase in PWLB borrowing rates, which is still at a higher rate than that earned on investments.

2.2 Borrowing Strategy

2.2.1 Borrowing Arrangements

The Authority has been using its cash balances by deferring long term borrowing, no new long-term borrowing has been taken out since December 2011. Accountants engaged in treasury management monitor interest rates and receives advice from the Authority's Treasury Management Advisor on changes to market conditions, so that borrowing and investing activity can be undertaken at the most advantageous time. At the time of writing this report, it is not anticipated that the Authority will take out any new external borrowing until late 2024 / early 2025.

2.2.2 When taking new borrowing, due attention will be paid to the Authority's debt maturity profile. It is good practice to have a maturity profile for long-term debt which does not expose the Authority to a substantial borrowing requirement in years when interest rates may be at a relatively high level. In accordance with the requirements of the Code, the Authority sets out limits with respect to the maturity structure of its borrowing later in this report.

2.2.3 It is predicted that as at the 31 March 2023, the Authority will have total external borrowing and other long-term liabilities of around £43.9 million.

This is analysed as follows:

	Estimated Debt 31 March 2023 £m	%
PWLB Loans	41.90	95.4
LOBO	2.00	4.6
TOTAL	43.90	100

2.2.4 Historically, the biggest source of borrowing for local authorities has been PWLB loans. These Government loans have offered value for money and also flexibilities to restructure and make possible savings. Although, the Government decided to raise rates for new PWLB loans in October 2010 by around 0.90%, it has since introduced a discounted rate for local authorities joining the new “certainty rate” scheme. The Authority has joined the scheme and will have access to loans discounted by 0.20% in 2023/24.

2.2.5 The Authority also has a LOBO (Lender’s Option, Borrower’s Option) loan. The way this loan works is that the Authority pays interest at a fixed rate for an initial period and then the lender has the option in the secondary period to increase the rate. If the option is exercised, the Authority can either accept the new rate or repay the loan. The Authority’s loan is in its secondary period with intervals of 5 years between options. The next option date is May 2026. There have been moves by some lenders to amend the terms of their LOBO loans to convert them to ‘vanilla’ fixed rate loans. No approach has yet been made by Dexia Credit Local, the lender to the Authority to amend any of the conditions of the loan.

2.2.6 The Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative source of local authority finance. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

2.2.7 In terms of meeting the Authority’s borrowing requirement over the next five years, as short-term rates are forecast to stay low, it may be opportune to take short-term loans either at fixed or variable rates. However, with long term rates forecast to rise in the coming years, any such short-term savings will need to be balanced against potential longer-term costs.

The table below shows the forecast for PWLB bank rates to March 2025

PWLB	Dec-22 %	Mar-23 %	Sep-23 %	Mar-24 %	Sep-24 %	Mar-25 %
5 year	4.20	4.20	4.10	3.90	3.60	3.40
10 year	4.30	4.40	4.30	4.00	3.80	3.50
25 year	4.60	4.60	4.50	4.20	4.00	3.70
50 year	4.30	4.30	4.20	3.90	3.70	3.50

2.2.8 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Authority may take advantage of this and replace some of the higher rate loans with new loans at lower interest rates where this will lead to an overall saving or reduce risk. A review is undertaken annually to assess if this is financially advantageous for the authority, all reviews have concluded that it is not viable to repay existing loans.

2.2.9 Borrowing in Advance of Need

The Authority will not borrow in advance of its needs in order to profit from any short-term interest rate advantage. Any decision to borrow in advance will be within the approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds. The risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual treasury reports.

2.2.10 Debt Rescheduling

Whilst short term interest rates continue to be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of the debt repayment (premiums incurred). The reasons for rescheduling may include the generation of cash savings in annual interest payments or to amend the maturity profile of the portfolio. The premium now charged by the PWLB generally makes restructuring debt for interest rate reasons unattractive. Consideration would be given to debt restructuring if there was a significant change in the PWLB's policy. Any debt rescheduling will be reported to the Authority at the earliest opportunity following the rescheduling.

2.2.11 Borrowing policy and performance will be continuously monitored throughout the year and will be reported to Members.

2.3 Investment Strategy

Overview

2.3.1 Investment guidance issued by the Department for Levelling Up Housing and Communities (DLUHC), requires that an investment strategy, outlining the Authority's policies for managing investments in terms of risk, liquidity and yield, should be approved by full Authority or equivalent level, before the start of the financial year. This strategy can then only be varied during the year by the same executive body.

2.3.2 The Authority's Investment Strategy has regard to:

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

The Investment Strategy has two main objectives: the first is security, in order to ensure that the capital sum is protected from loss; and the second is portfolio liquidity, in order to ensure that cash is available when needed. Only when the proper levels of security and portfolio liquidity have been determined can the Authority then consider the yield that can be obtained within these parameters.

The Authority will ensure that robust due diligence procedures cover all external investments.

The Treasury Management Code of Practice details that the term "investments" used in the definition of treasury management activities also covers other non-financial assets which an organisation holds primarily for financial returns, such as investment property portfolios. The Authority does not hold non-financial assets primarily for financial returns, nor does it propose to do so.

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

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties
- Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
- Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

2.3.3 As at the 31 March 2023, the Authority is expected to have around £52.0 million invested externally, primarily in instant access accounts or short-term deposits, with local authorities, major British owned banks, building societies or Money Market Funds (MMFs). This will also ensure compliance with The Markets in Financial Instruments Directive II, whereby those maintaining a professional status must keep a minimum of £10 million invested at any point in time.

Guidance

2.3.4 The guidance splits investments into two types – specified and non-specified.

- Specified investments are those offering high security and liquidity. All such investments should be in sterling with a maturity of no more than a year. Investments made with the Government's Debt Management Account Deposit Facility (DMADF) and a local authority automatically count as specified investments, as do investment with bodies or investment schemes of "high credit quality". It is for individual authorities to determine what they regard as "high credit quality".

- Non-specified investments have greater potential risk, being investments with bodies that have a credit rating below "high credit quality"; bodies that are not credit rated at all; and investments over a year.

2.3.5 It is estimated that the Authority could have up to £60 million to invest at times during the year which is a combination of cash received in advance, reserves and creditors.

Strategy

2.3.6 It is proposed to continue with a low-risk strategy in line with previous years and where possible to borrow internally. This will help in reducing the amount of money the Authority has invested at any one time and minimise the cost of borrowing.

Key features of the strategy are as follows:

Specified Investments

- The Authority is able to invest up to £6 million on an instant access basis with foreign based banks with a "high to upper medium grade" credit rating.

- The Authority can invest up to £6 million in individual MMFs (instant access or two-day notice). MMFs are pooled investment vehicles, having the advantage of providing wide diversification of risk, coupled with the services of a professional fund manager.

- The Authority can invest in the Governments DMADF for up to 6 months.

- The Authority can invest in local authorities for up to 364 days.

Non-Specified Investments

- The Authority is able to invest up to £1 million and up to two months with individual UK banks and building societies with a “medium grade” credit rating.

- The Authority adopts an overall limit for non-specified investments of £2 million.

2.3.7 A maximum limit of £6 million applies to any one counterparty and this applies to a banking group rather than each individual bank within a group.
For illustrative purposes, Appendix B lists which banks and building societies the Authority could invest with based on credit ratings as at the beginning of December 2022.

2.3.8 The policy allowing the Authority to invest up to £6 million with part-nationalised UK banks with mid “medium grade” credit ratings has been removed. With the Government steadily divesting themselves of their stake in these banks and the recent bail-in legislation, it is unlikely that the Government would bail these banks out if they got into further trouble.

2.3.9 There may be opportunities in the future for local authorities to use collateralised products, in particular reverse repurchase agreements (REPOs). These products are secured on the borrower’s assets (such as gilts or corporate bonds) and are exempt from bail-in. The rates are currently comparable to unsecured investments, but entry levels are likely to be for investments of £10 million plus. It is proposed that reverse repurchase agreements are available to use under the strategy at the higher level indicated above.

2.3.10 The Authority uses credit ratings from the three main rating agencies - Fitch, Moody’s and Standard & Poor’s to assess the risk of investment defaults (Appendix C). The lowest credit rating of an organisation will be used to determine credit quality. Long term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade.

2.3.11 Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria:

- No new investments will be made.
- Any existing investments that can be recalled at no cost will be recalled.
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

2.3.12 Where a credit rating agency announces that a rating is on review for possible downgrade (“rating watch negative or credit watch negative”) so that it is likely to fall below the required criteria, then no further investments will be made in that organisation until the outcome is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

2.3.13 Following the Government's fiscal event on the 23rd of September 2022, both Standard and Poor's and Fitch have placed the UK sovereign debt on negative outlook in light of expectations of weaker finances and the economic outlook.

2.3.14 Full regard will be given to other available information on the credit quality of banks and building societies, including credit default swap prices, financial statements and rating agency reports. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the approved criteria.

2.3.15 Investments may be made using the following instruments:

- Interest paying bank accounts.
- Fixed term deposits.
- Call or notice deposits.
- Callable deposits.
- Shares in money market funds.
- Reverse repurchase agreements.

2.3.16 Investment of money borrowed in advance of need

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. However, as this would involve externally investing such sums until required and thus increasing exposures to both interest rate and principal risks, it is not believed appropriate to undertake such a policy at this time.

2.3.17 Annual cash flow forecasts are prepared which are continuously updated. This helps determine the maximum period for which funds may be prudently committed.

2.3.18 Investment policy and performance will be monitored continuously and will be reported to Members during the year and as part of the annual report on Treasury Management.

3 Prudential Indicators

3.1 The Authority is asked to approve certain treasury management indicators, the purpose of which is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decision impacting negatively on the Authority's overall financial position. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs. The proposed indicators are set out in Appendix E.

4 Financial Implications

4.1 Financial implications are included within the main body of the report.

5 Legal Implications

5.1 The Monitoring Officer has considered this report and is satisfied it is presented in compliance with the Authority's Constitution.

6 Human Resource and Diversity Implications

6.1 There are no human resource and diversity implications associated with this report.

7 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance?	No

8 Health, Safety and Wellbeing Implications

8.1 There are no health, safety and wellbeing implications associated with this report.

9 Environmental Implications

9.1 None

10 Your Fire and Rescue Service Priorities

10.1 Treasury management underpins the financial management of the Authority which affects all the fire and rescue service priorities.

11 Conclusions

11.1 The treasury management strategy determines the framework upon which the Authority manages its borrowing and investments during the year. This is essential for sound financial governance.

Appendix A

TREASURY MANAGEMENT PRACTICES

The following Treasury Management Practices (TMPs) set out the manner in which the Authority aims to achieve its treasury management policies and objectives, and how it will manage and control those activities.

1. **TMP 1 Risk management**

The Chief Finance & Procurement Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

Credit and counterparty risk management

The Authority regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, methods and techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Liquidity risk management

The Authority will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives. The Authority will not borrow in advance of need.

Interest rate risk management

The Authority will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

Exchange rate risk management

The Authority will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

Refinancing risk management
The Authority will ensure that its borrowing is negotiated, structured and documented, and the maturity profile of the monies raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Authority as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

Legal and regulatory risk management
The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(i) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the Authority.

The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Fraud, error and corruption, and contingency management
The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Market risk management
The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

Environmental, Social & Governance Considerations
The Authority's credit and counterparty policies set out the policies and practices relating to environmental, social and governance investment considerations. The credit rating agencies that the Authority uses, incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings.

2. **TMP2 Performance measurement**
The Authority is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Authority's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery and of other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

2 TMP3 Decision-making and analysis

The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

3 TMP4 Approved instruments, methods and techniques

The Authority will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Risk management.

Where the Authority intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Authority will seek proper advice when entering into arrangements to use such products.

5. **TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements**

The Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the Chief Finance & Procurement Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Chief Finance & Procurement Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

The Chief Finance & Procurement Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegation to the Chief Finance & Procurement Officer in respect of treasury management is set out in the schedule to this document. The Chief Finance &

Procurement Officer will fulfil all such responsibilities in accordance with the Authority's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on Treasury Management.

6. **TMP6** **Reporting requirements and management information arrangements**
The Authority will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Authority and Finance & Resources Committee will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs.

The present arrangements and the form of these reports are detailed in the schedule to this document.

7. **TMP7** **Budgeting, accounting and audit arrangements**
The Chief Finance & Procurement Officer will prepare, and the Authority will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with the TMPs. Budgeting procedures are set out in the schedule to this document. The Chief Finance & Procurement Officer will exercise effective controls over this budget and will report any major variations.

The Authority will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of this function's accounts is set out in the schedule to this document.

The Authority will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.

8. **TMP8** **Cash and cash flow management**
Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Chief Finance & Procurement Officer and will be aggregated for cash flow purposes. Cash flow projections will be prepared on a regular and timely basis, and the Chief Finance & Procurement Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1(i) Liquidity

risk management. The present arrangements for preparing cash flow projections are set out in the schedule to this document.

9. **TMP9 Money laundering**

The Authority is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will ensure that staff involved in treasury management activities are fully aware of their responsibilities with regards this. The present safeguards, including the name of the officer to whom any suspicions should be reported, are detailed in the schedule to this document.

10. **TMP10 Training and qualifications**

The Authority recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The present arrangements are detailed in the schedule to this document.

The Chief Finance & Procurement Officer will ensure that Members of the committee providing a scrutiny function have access to regular training relevant to their responsibilities.

11. **TMP11 Use of external service providers**

The Authority recognises that responsibility for treasury management decisions always remains with the organisation. However, it also recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. It will also ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements and the Authority's Contract Procedure Rules will always be observed. The monitoring of such arrangements, rests with the Chief Finance & Procurement Officer, and details of the current arrangements are set out in the schedule to this document.

12. **TMP12 Corporate governance**

The Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Authority has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Chief Finance & Procurement Officer will monitor and, if necessary, report upon the effectiveness of these arrangements

Appendix B

Specified

	Short-term Credit Ratings / Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at December 2022
	Fitch	**Moody's**	**S & P**	**£m**	**Period (1)**	
Banks / Building Societies (Reverse Repurchase Agreements)	F1 AAA,AA+,AA, AA-,A+,A,A-	P-1 Aaa,Aa1,Aa2, Aa3,A1,A2,A3	A-1 AAA,AA+,AA, AA-,A+,A,A-	10	Up to 364 days	
Banks / Building Societies (Deposit Accounts, fixed term deposits)	F1	P-1	A-1	6	<100 days	
	AAA,AA+,AA, AA-,A+,A,A-	Aaa,Aa1,Aa2, Aa3,A1,A2,A3	AAA,AA+,AA, AA-,A+,A,A-	6	<6mth	Lloyds Group, Standard Chartered, Handelsbanken
MMF (3)	-	-	-	6	Instant access/ up to 2 day notice	Aberdeen Standard, Aviva, Goldman Sachs
UK Government (Fixed Term Deposits)	-	-	-	Unlimited	<6mth	DMADF
UK local authorities (Fixed Term Deposits)	-	-	-	Unlimited	Up to 364 days	Medway Council, Blackpool BC, Basildon BC, Cheshire East Council, Cambridgeshire Council, Highlands Council, Lancashire CC

Non-Specified (4)

	Short-term Credit Ratings / Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at December 2022
	Fitch	**Moody's**	**S & P**	**£m**	**Period (1)**	
UK Banks / Building Societies (Fixed Term deposits)	F1,F2 Higher than BBB	P-1,P-2 Higher than Baa2	A-1,A-2 Higher than BBB	6	<2mth	

(1) The investment period begins from the date on which funds are paid over.

(2) These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency and means that they are exempt from bail-in. Where there is no investment specific credit rating but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

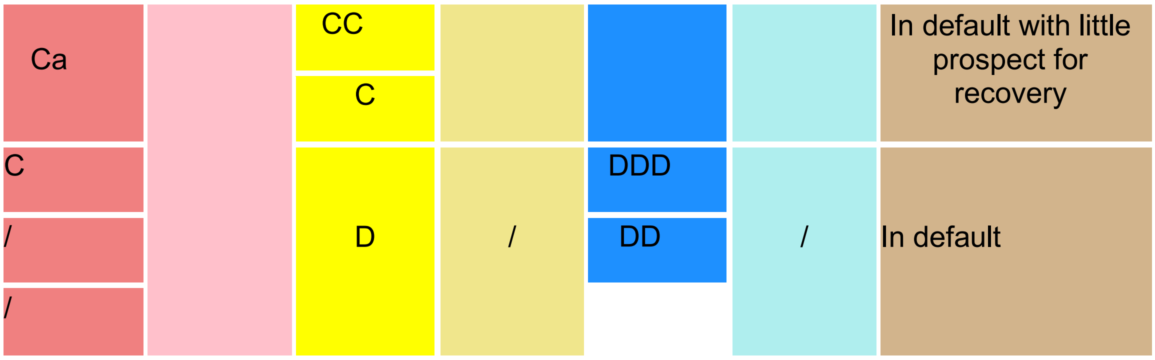
(3) Overall limit for investments in MMFs of £24 million.

(4) Overall limit of £18 million.

Appendix C

Credit ratings

Moody's		S&P		Fitch		
Long-term	**Short-term**	**Long-term**	**Short-term**	**Long-term**	**Short-term**	
Aaa		AAA		AAA		Prime
Aa1		AA+		AA+		
Aa2		AA	A-1+	AA	F1+	High grade
Aa3	P-1	AA-		AA-		
A1		A+		A+		
A2		A	A-1	A	F1	Upper mediumgrade
A3		A-		A-		
Baa1	P-2	BBB+	A-2	BBB+	F2	
Baa2		BBB		BBB		Lower mediumgrade
Baa3	P-3	BBB-	A-3	BBB-	F3	
Ba1		BB+		BB+		
Ba2		BB		BB		Non-investment grade speculative
Ba3		BB-		BB-		
B1		B+	B	B+	B	
B2	Not prime	B		B		Highly speculative
B3		B-		B-		
Caa1		CCC+				Substantial risks
Caa2		CCC	C	CCC	C	Extremely speculative
Caa3		CCC-				


Ca
C
/
/
CC
C
D
/
DDD
DD
/
In default with little prospect for recovery
In default

Appendix D

STATEMENT OF POLICY ON THE MINIMUM REVENUE PROVISION (REPAYMENT OF DEBT)

1. Background

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008 which came into force on 31 March 2008, replaced the detailed statutory rules for calculating Minimum Revenue Provision (MRP) with a requirement to make an amount of MRP which the authority considers "prudent".

2. Prudent Provision

2.1 The regulation does not itself define "prudent provision". However, guidance issued alongside the regulations makes recommendations on the interpretation of that term.

The guidance provides two basic criteria for prudent provision:-

- Borrowing not supported by government grant (prudential borrowing) – the provision for repayment of debt should be linked to the life of the asset.
- Borrowing previously supported by revenue support grant (supported borrowing) – the provision should be in line with the period implicit within the grant determination (4% reducing balance).

3. MRP Overpayments

As defined in the Code the Authority has always set aside additional funding, on top of the regulated MRP, to repay the borrowing of money to fund capital. This additional funding that is set aside is called a Voluntary Revenue Provision (VRP). A change introduced by the revised DLUHC MRP Guidance, allows for any charges made over the statutory minimum revenue provision (MRP), to be reclaimed, if required, for use in the budget. These revised guidelines came into effect from the 1st of April 2019. Up until the 31 March 2022 the total VRP overpayments were £5.4m. These overpayments have allowed for prudent voluntary repayments to reduce the indebtedness of the Authority within a shorter timescale providing greater financial stability in the long term

4. Proposed policy for 2023/24

4.1 The Authority has always been prudent when making provision for the repayment of debt. In addition to the minimum revenue provision of 4% of debt outstanding previously required, the Authority had regularly made additional voluntary contributions. These voluntary contributions have been calculated to reflect asset life. Thus, for example, debt used to finance vehicles and many types of operational equipment has been fully provided for over a 10 to 13-year period and all new buildings over 40. These additional voluntary contributions covered all debt, not just unsupported, and have been calculated using an annuity method with reference to asset lives.

4.2 It is proposed that if any MRP/Interest budget becomes available due to for example, capital schemes being re phased, a reduction in the capital programme or the receipt of additional capital receipts, the Authority may choose to make additional MRP payments providing the financial position remains in line with the approved financial plan. In addition, any revenue budget savings identified during the year may also be used to make one off MRP payments or be transferred to the earmarked capital finance reserve.

4.3 It is recommended that this policy is adopted for 2023/24. The features of the policy can be summarised as follows:

- Provision to be made over the estimated life of the asset for which borrowing is undertaken (maximum asset life of 40 years / 50 years on Land)
- To be applied to supported and unsupported borrowing
- Provision will increase over the asset life using sinking fund tables
- Provision will commence in the financial year following the one in which the expenditure is incurred

4.4 The proposed medium term financial plan includes budget provision to meet the MRP and interest payments based on historic and planned future capital spend. The Authority in the past has determined it can afford and sustain prudential borrowing in order to allow the required level of investment in the infrastructure and assets of the Authority to deliver a modern well-equipped fire and rescue service.

Appendix E

TREASURY MANAGEMENT INDICATORS

Gross Debt and the Capital Financing Requirement (CFR)

The Code requires that where gross debt is greater than the CFR, thereasons for this should be clearly stated in the annual strategy. This does not apply to this Authority as its gross debt will not exceed the CFR.

Interest Rate Exposures

While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio. The Code requires the setting of upper limits for both variable rate and fixed interest rate exposure.

It is recommended that the Authority sets an upper limit on its fixed interest rate exposures for 2023/24, 2024/25 and 2025/26 of 100% of net interest payments. It is further recommended that the Authority sets an upper limit on its variable interest rate exposures for 2023/24,2024/25 and 2025/26 of 40% of its net interest payments.

	Limit Set 2022/23	**Forecasted Actual 2022/23**
Interest at fixed rates as a percentage of net interest payments	60% - 100%	100.0%
Interest at variable rates as a percentage of net interest payments	0% - 40%	0.0%

This means that fixed interest rate exposures will be managed within the range 60% to 100%, and variable interest rate exposures within the range 0% to 40%.

Maturity Structure of Borrowing

This indicator is designed to prevent the Authority having large concentrations of fixed rate debt* needing to be replaced at times of uncertainty over interest rates. It is recommended that the Authority sets upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	**Limit Set 2022/23**	**Forecasted Actual 2022/23**
Under 12 months	0% - 20%	4.8%
12 months to 2 years	0% - 20%	2.4%
2 years to 5 years	0% - 60%	5.9%
5 years to 10 years	0% - 80%	7.2%
More than 10 years	20% - 100%	79.7%

*LOBOs are classed as fixed rate debt unless it is considered probable that the loan option will be exercised.

Total principal sums invested for periods longer than 364 days

The Authority is not intending to invest sums for periods longer than364 days

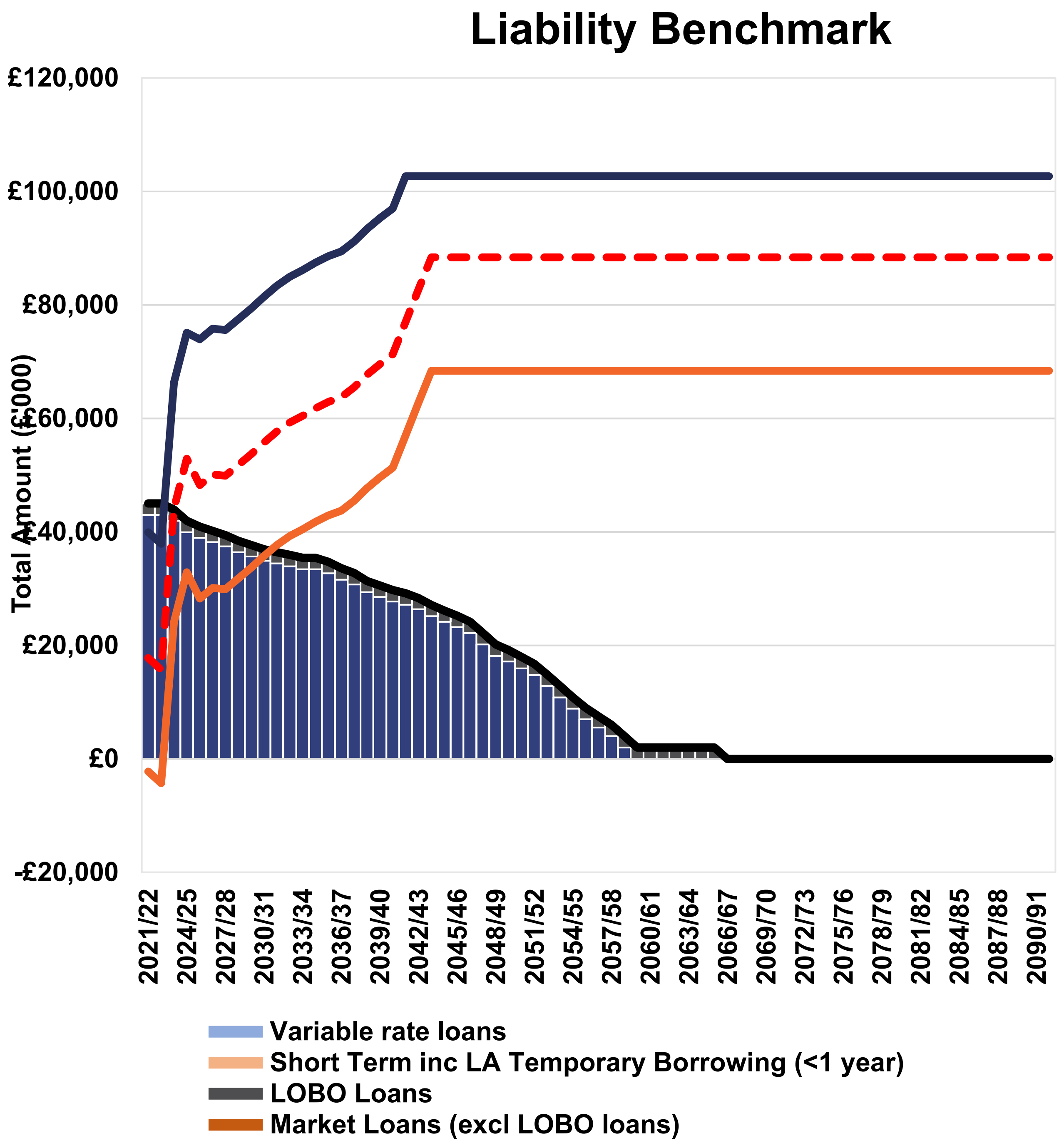
Liability Benchmark

The liability benchmark is a projection of the amount of loan debt outstanding that the authority needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. It is a long-term forecast of the authority's gross loan debt (or 'gross loans requirement') based on its current capital programme and other forecast cash flow movements.

This is shown by the gap between the authority's existing loans that are still outstanding at a given future date and the authority's future need for borrowing (as shown by the liability benchmark).

It therefore shows how closely the existing loans book fits the future needs of the authority based only on its current plans. Any shortfall will need to be met by future borrowing; any excess will have to be invested (unless existing borrowing is prematurely repaid). Refinancing risk, interest rate risk and credit risk can be minimised or reduced by ensuring that the existing loans portfolio shows a profile close to the liability benchmark.

In particular, the liability benchmark identifies the maturities needed for new borrowing in order to match future liabilities. It therefore avoids borrowing for too long or too short.


Liability Benchmark
£120,000
£100,000
£80,000
£60,000
£40,000
£20,000
£0
-£20,000
Total Amount (£'000)
2021/22
2024/25
2027/28
2030/31
2033/34
2036/37
2039/40
2042/43
2045/46
2048/49
2051/52
2054/55
2057/58
2060/61
2063/64
2066/67
2069/70
2072/73
2075/76
2078/79
2081/82
2084/85
2087/88
2090/91
Variable rate loans
Short Term inc LA Temporary Borrowing (<1 year)
LOBO Loans
Market Loans (excl LOBO loans)

Appendix F

	5 Year TOTAL £000's	2023/24 £000's	Slippage to 2023/24 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Property New Builds	**£42,464**	£16,031	£9,761	£25,792	£5,272	£6,000	£4,900	£500
ICT	**£3,271**	£551	£540	£1,091	£1,150	£610	£210	£210
Fire Safety	**£2,000**	£400	£0	£400	£400	£400	£400	£400
Operations	**£8,724**	£2,059	£2,582	£4,641	£2,673	£500	£410	£500
Property	**£10,452**	£1,880	£122	£2,002	£2,230	£2,220	£2,000	£2,000
Transport	**£20,895**	£7,695	£6,325	£14,020	£4,800	£375	£700	£1,000
TOTAL	**£87,806**	**£28,616**	**£19,330**	**£47,946**	**£16,525**	**£10,105**	**£8,620**	**£4,610**
Financed by								
Borrowing (Internal/External)	**£52,419**			£22,859	£12,575	£5,655	£7,670	£3,660
Reserves	**£27,137**			£24,137	£3,000	£0	£0	£0
Capital Receipts	**£3,500**			£0	£0	£3,500	£0	£0
Revenue Contributions	**£4,750**			£950	£950	£950	£950	£950
TOTAL	**£87,806**	**£0**	**£0**	**£47,946**	**£16,525**	**£10,105**	**£8,620**	**£4,610**

OFFICIAL

Particulate Flash Hoods

Finance & Resources Committee

Date: 3 February 2023

Agenda Item: **10**

Submitted By: Deputy Chief Fire Officer/Director of Service Delivery

Purpose

To seek approval for the drawdown of capital funds to replace our current flash hoods

Recommendations

That Committee approves the drawdown of capital funds to replace the existing flash hoods thereby improving the safety of our operational staff

Summary

This report requests the approval to drawdown capital funds for the purchase of replacement flash hoods to provide an improved level of safety for our operational staff. These funds were approved in the capital plan for 2022/23

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Area Manager (AM) David Teggart T: 07810 354638 E: dave.teggart@westyorksfire.gov.uk
Background papers open to inspection:	None
Annexes:	None

1 Introduction

1.1 The budget for this was approved at the 24 February 2022 Authority budget meeting as part of the wider capital plan. This report sets out the requirements to replace the existing flash hoods thereby providing an improved level of safety and personal protective equipment (PPE) to our operational staff.

2 Information

2.1 Whilst research at a national and international level continues to be undertaken, to understand the link between an increased risk of cancer and the role of a firefighter, what is certain, is that the products of combustion are carcinogenic.

2.2 Our ongoing work to improve the safety of our staff previously lead to the creation of the Carcinogenic Contaminants Working Group and the Firefighter Contaminants Project which pulls together members of our health and safety team, operational staff and union representatives.

2.3 The working group were tasked with considering how we can improve our management of various areas including contaminated fire-fighting PPE, personal hygiene, station routines, and equipment. This led to the introduction of the Post Incident Cleaning Policy and a number of no or low cost measures being introduced to improve the safety of our staff.

2.4 We made simple yet significant improvements such as gloves no longer stored in pockets or helmets by providing external glove clips. Increased the availability of flash-hoods and improved post incident cleaning of PPE, equipment and staff (shower within the hour), contaminated PPE ventilated storage areas, provide and promote the use of wipes to clean contaminated skin prior to returning to station and showering. Training, guidance and seminars have been provided to staff to promote these changes.

2.5 Moving forwards, we will introduce “Clean Cabs” on our new fire appliances and the next step is to introduce a particulate blocking flash hoods to replace the existing flash hood.

2.6 A flash hood is worn as part of the operational PPE ensemble. This is a balaclava style hood that covers the head and neck area. Its initial purpose was to provide heat protection to the wearer, normally in breathing apparatus (BA) conditions.

2.7 Since their introduction many years ago, these have gone from being an item of limited use to standard use at almost all operational incidents. A BA wearer will no longer deploy unless their flash hood is in place covering their head and neck and thereby reducing the amount of exposed skin.

2.8 Research has shown that the face and neck are particularly susceptible to the absorption of contaminants through the skin, which is the main reason for the improved protection these particulate blocking fire hoods will provide.

2.9 WYFRS currently use Bristol flash hoods, although these hoods provide good thermal protection, they do not have a barrier/membrane designed to reduce the ingress of particulates that are produced by fires.

2.10 Improvements in the industries understanding of particulates and firefighter contamination has led to a number of manufacturers now providing flash hoods with improved particulate blocking capabilities, thereby providing an improved level of safety and personal protective equipment to our operational staff.

2.11 This style of flash hood is supported by the ongoing work within the NFCC and Representative bodies. Therefore, we are looking to make a wholesale replacement of our current flash hood to a newer style particulate blocking flash hood.

3 Financial Implications

3.1 There is provision in the capital plan for the purchase of replacement flash hoods with a budget of £210,000.

3.2 Procurement will be via framework or full tender process which will ensure compliance with contract procedure rules.

4 Legal Implications

4.1 The Monitoring Officer has considered this report and is satisfied it is presented in compliance with the Authority's Constitution

5 Human Resource and Diversity Implications

5.1 Flash hoods are currently only manufactured/supplied as a universal fit, with no male/female variations. However, there are numerous types available providing different styles and lengths. The procurement process will include differing stakeholders to ensure that any diversity implications are considered. Selected items will be tested/trialled to ensure suitability with our existing PPE ensemble as part of the procurement process.

6 Equality Impact Assessment

6.1 An EAI will be completed as part of the procurement and introduction of the replacement flash hoods, as is standard with the introduction of new equipment and PPE.

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk)	No
Date EIA Completed	To be completed
Date EIA Approved	To be completed

The EIA is available on request from the report author or from diversity.inclusion@westyorksfire.gov.uk

7 Health, Safety and Wellbeing Implications

7.1 The introduction of a particulate blocking flash hoods will be an incremental improvement on our existing PPE ensemble and will match the improvements made by introducing the Ballyclare structural PPE in 2022 and ensure that we continue to follow best practice and research in the area of firefighter contaminants.

8 Environmental Implications

8.1 The introduction of a replacement flash hood will have a limited impact on our environmental implications.

9 Your Fire and Rescue Service Priorities

9.1 This meets the Community Risk Management Plan strategic priorities 2022-2025:

- Plan and deploy our resources based on risk to provide an efficient and effective operational response
- Constantly review and when necessary, develop new ways of working to improve the safety and effectiveness of our firefighters
- Promote the health, safety and wellbeing of all our staff in the workplace
- Provide ethical governance and value for money

9.2 In doing this also meets the Community Risk Management Plan areas of focus:

- Maximise the health, safety and wellbeing of all our staff by investing in innovative fire station and fire engine design

10 Conclusions

10.1 The approval of this capital budget will allow for the introduction of particulate blocking flash hoods, therefore providing an incremental improvement in safety to operational staff. It will match the improvements made by introducing the Ballyclare structural PPE in 2022 whilst ensuring that we continue to follow best practice and research in the area of firefighter contaminants.

OFFICIAL

Workwear Uniform Replacement

Finance & Resources Committee

Date: 3 February 2023

Agenda Item: 11

Submitted By: Deputy Chief Fire Officer/Director of Service Delivery

Purpose

To seek approval for the capital drawdown of funds to purchase replacement uniform

Recommendations

That Committee approves the drawdown of capital funds to replace the existing uniform to provide a more modern and contemporary style

Summary

This report is requesting approval to drawdown capital funds for the purchase of replacement uniform to provide a single WYFRS workwear uniform for all staff that currently wears a variety of differing uniforms. These funds were approved in the capital plan for 2022/23

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Area Manager (AM) David Teggart T: 07810 354638 E: dave.teggart@westyorksfire.gov.uk
Background papers open to inspection:	Replacement uniform paper finance and Resources Committee Feb 2022
Annexes:	None

1 Introduction

1.1 The budget for this was approved at the 24 February 2022 Authority budget meeting as part of the wider capital plan. This report sets out the requirements to replace the existing differing uniforms provided to various service delivery/forward facing staff to a single WYFRS uniform for all staff that currently wears one.

2 Information

2.1 The current workwear uniform shirts have been in place for around 15 years and consists of a pale blue shirt for non-operational staff and dark blue shirt for Control and operational staff. In more recent times the trousers have changed from a chino style to a cargo style trouser. The current soft-shell jacket has been in place for around 10 years, although has been provided by a variety of suppliers, so slightly differing jackets are being worn.

2.2 Following a series of staff briefings and organisational surveys we have taken the decision to move away from differing uniforms for differing parts of the service to a single uniform for all operational and public facing staff.

2.3 This approach considered the practical and cultural issues a change of this magnitude will create. In doing so, Management Team hope that this noticeable change aids in the cultural shift underway throughout the service.

2.4 Since then, a working group with stakeholders from across the service including a diverse range of staff and teams have worked to create the specification / requirements for shoes, trousers, skirts, polo t-shirts, belts, footwear and jackets.

2.5 As a result, there will be changes to the workwear, with the service providing a better quality and more modern clothing. It will be more comfortable, fit better and be more serviceable for all the diverse needs of our staff in their daily work.

2.6 Importantly, it will align and standardise our look to the public and ensure a consistent professional image that makes us reassuringly recognisable.

2.7 The move to a single uniform supports the organisations drive to improve inclusivity within the workforce whilst seizing the opportunity to move towards a uniform that meets modern needs in terms of practicality.

3 Financial Implications

3.1 There is provision in the 2022/23 capital plan for the purchase of replacement uniform with a budget of £150,000. This supplements the £200,000 that was previously approved in February 2022, bringing the total scheme budget allocation to £350,000.

3.2 Procurement and evaluation has been via tender process, this has ensured we have remained compliant with contract procedure rules.

4 Legal Implications

4.1 The Monitoring Officer has considered this report and is satisfied it is presented in compliance with the Authority’s Constitution

5 Human Resource and Diversity Implications

5.1 The key stakeholders involved in the creation of the tender, specification and users trials have including but not limited to Operational Equipment Team, Staff Networks, Equality, Diversity and Inclusion team, Change Support Network, station based operational staff, Fire Control staff and non-operational staff within varying departments.

5.2 This approach considered the practical and cultural issues a change of this magnitude will create. The options include male and female fitting clothing in a wide range of sizes/lengths to suit all staff within service.

5.3 This uniform will support identification when interacting with the community, present a professional look, reflect our corporate image and meet the wide variety of needs of a modern Fire and Rescue Service.

5.4 A single uniform will bring wider benefits with regards to reducing stock, purchasing, reordering etc. A standard uniform will also reduce the need for non-standard uniform and clothing.

6 Equality Impact Assessment

6.1 An EIA was completed and reviewed by the Equality, Diversity, and Inclusion team. The areas identified informed the specifications that were used during the consultation.

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk))	Yes
Date EIA Completed	09/08/2021
Date EIA Approved	17/01/2022

The EIA is available on request from the report author or from diversity.inclusion@westyorksfire.gov.uk

7 Health, Safety and Wellbeing Implications

7.1 The working group, staff survey and briefings highlighted several areas around the wellbeing of staff due to the limitations of the existing uniform and the feelings of staff due to the differing uniforms.

7.2 The replacement uniform will provide a more suitable uniform, with improved functional performance. It will be more comfortable, fit better and be more serviceable for the diverse needs of our staff in their daily work.

8 Environmental Implications

8.1 The introduction of a replacement uniform will have a limited impact on our environmental implications.

9 Your Fire and Rescue Service Priorities

9.1 This meets the Community Risk Management Plan strategic priorities 2022-2025:

- Constantly review and when necessary, develop new ways of working to improve the safety and effectiveness of our firefighters
- Promote the health, safety and wellbeing of all our staff in the workplace
- Provide ethical governance and value for money
- Continue working towards achieving a more inclusive workforce, which reflects the diverse communities we serve

10 Conclusions

10.1 The approval of this capital budget will allow for the introduction of a new uniform that will provide better quality and more modern clothing. It will be more comfortable, fit better and be more serviceable for the diverse needs of staff. Importantly, it will align and standardise our look to the public and ensure a consistent professional image that makes us reassuringly recognisable.

10.2 The magnitude of this change supports the organisations drive to improve inclusivity and promote the cultural shift underway throughout the service.

OFFICIAL

Wildfire Vehicles

Finance & Resources Committee

Date: 3 February 2023

Agenda Item: **12**

Submitted By: Deputy Chief Fire Officer/Director of Service Delivery

Purpose	To seek approval for the capital drawdown of funds to purchase wildfire vehicles
Recommendations	That Committee approves the drawdown of capital funds to improve the wildfire capability of the service
Summary	This report requests approval to drawdown capital funds for the purchase of wildfire vehicles to provide additional response capabilities to meet the growing demands that climate driven incidents are pacing on the service. These funds were approved in the capital plan for 2022/23

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Area Manager (AM) David Teggart T: 07810 354638 E: dave.teggart@westyorksfire.gov.uk
Background papers open to inspection:	None
Annexes:	None

1 Introduction

1.1 The budget for this scheme was approved at the 24 February 2022 Authority budget meeting as part of the wider capital plan. This report sets out the requirements to purchase wildfire vehicles to provide additional response capabilities to meet the growing demands that climate driven incidents are placing on the service.

2 Information

2.1 2022 has seen an unprecedented increase in wildfire incidents nationally with 972 NOG defined wildfires recorded to date, with over 60 properties lost in rural/urban interface fires. The record figures highlight the importance of an early attack in hard-to-reach locations, as it provides the best opportunity to limit resources, preventing this type of incident running on for extended periods.

2.2 A wide-ranging Wildfire asset review is being undertaken to identify the additional requirements of the service. This was split into two parts, the first was to explore suitable all-terrain vehicles (ATVs) to replace the current Argocat (8 wheeled vehicle) located at Todmorden and introduce a new vehicle to be based at Keighley.

2.3 The ATV will include a fogging unit and water tank, be able to access remote areas, carry up to 4 persons or 500kg. It will have suitable roll over protection to ensure the safety of the operators and will be transported to incidents via trailer pulled by a current service vehicle.

2.4 The review is moving onto consider further requirements for the service due to the trends we are seeing of increasing temperatures and more severe wildfires, such as those seen at height of the summer in 2022 that devastated many areas of the UK.

2.5 A working group with key stakeholders from across the service including specialist staff and teams are working to create the specifications and requirements for these improved capabilities.

2.6 We are working with external stakeholders including landowners, public and private companies to ensure we are taking as many views as possible into account. This work has resulted in a £50,000 donation from Yorkshire Water helping to cover some of the costs associated with this asset investment.

2.7 The improved capabilities will allow us to provide an improved capability and level of service to our communities within West Yorkshire and improve the safety of our staff.

3 Financial Implications

3.1 There is provision in the capital plan for the purchase of wildfire vehicles with a budget of £182,000.

3.2 Procurement and evaluation will be undertaken in compliance with the services contract procedure rules.

4 Legal Implications

4.1 The Monitoring Officer has considered this report and is satisfied it is presented in compliance with the Authority’s Constitution

5 Human Resource and Diversity Implications

5.1 The key stakeholders are involved in the creation of the specification and user trials will be undertaken but not limited to Operational Equipment Team, Transport and Logistics, Training Centre, Wildfire Officers and station-based specialist wildfire staff.

5.2 Impact assessments will be undertaken to underpin the wider review and identify community and diversity implications that will be considered.

6 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk)	No
Date EIA Completed	TBC
Date EIA Approved	TBC

The EIA is available on request from the report author or from diversity.inclusion@westyorksfire.gov.uk

7 Health, Safety and Wellbeing Implications

7.1 The introduction of further wildfire vehicles will improve the health, safety and wellbeing of our staff, during periods of high activity and extreme weather.

7.2 A series of debriefs were undertaken across the tactical command, control and operational levels to capture learning from the period of extreme weather. This learning is being factored into the ongoing review and may require further capital and revenue investment in the future.

8 Environmental Implications

8.1 The introduction of further wildfire vehicles will have a limited impact on our environmental implications due to the potential increase in our carbon footprint.

9 Your Fire and Rescue Service Priorities

9.1 This meets the Community Risk Management Plan strategic priorities 2022-2025:

- Plan and deploy our resources based on risk to provide an efficient and effective operational response
- Constantly review and when necessary, develop new ways of working to improve the safety and effectiveness of our firefighters
- Promote the health, safety and wellbeing of all our staff in the workplace
- Encourage a learning environment in which we support, develop and enable all our people to be at their best
- Engage with our communities to focus our prevention and protection activities on reducing risk and vulnerability
- Provide ethical governance and value for money
- Collaborate with partners to improve the efficiency and effectiveness of our services.

9.2 In doing this also meets the Community Risk Management Plan areas of focus:

- Use data and performance management processes to understand how and where we can improve
- Prepare and respond effectively to incidents caused by extreme weather

10 Conclusions

10.1 The approval of this capital budget will allow for the introduction of replacement and additional vehicles allowing WYFRS to continue to improve our response capability in the changing working environment we are facing.

West Yorkshire Fire & Rescue Authority

OFFICIAL

Quarterly Financial Review

Finance & Resources Committee

Date: 3 February 2023

Agenda Item: **13**

Submitted By: Chief Finance and Procurement Officer

Purpose To present a quarterly review of the financial position of the Authority

Recommendations
a) That members note the content of the report
b) That members approve the revised capital plan

Summary The purpose of this report is to present an overview of the financial performance of the Authority in the first 9 months of the current financial year. The report deals with revenue and capital expenditure.
An update is provided on the Covid19 grant expenditure.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Alison Wood, Chief Finance and Procurement Officer

E: alison.wood@westyorksfire.gov.uk

T: 07500 075362

T: 01274 682311 Ext: 660204

Background papers open to inspection: None

Annexes: Appendix A – Revisions to the Capital Plan

Appendix B – Capital Expenditure Report

1 Introduction

1.1 Expenditure is monitored throughout the year against the approved revenue budget with reports presented to departments, budget managers and directors. A high-level summary report is presented to Management Team on a monthly basis. The purpose of the report is to monitor progress against the approved revenue budget; provide a forecast outturn for the financial year; provide an explanation of any major variations, and to show the impact of any variations on the revenue balances of the Authority.

2. Information

Revenue Budget Revision

2.1 When the revenue budget is approved an amount is included in contingencies for any budget increases/decreases that were not included within the original budget. Growth and savings included within the approved original budget which have yet to be expended or realised are included within the general contingency.

<u>General Contingency</u>

The following are movements **to** the general contingency budget:

2.2 Due to the reversal of the increase in employers' national insurance contributions from the 6th of November, there is a forecast underspend on the national insurance budget of £143k.

2.3 During the calculation of the 2023/24 retained employees budget it was identified that there is an over budget provision of £135k in the current financial year. This is due to a change in the method of calculation of retained holiday pay and a reduction in modified duty payments to employees that are on sick.

2.4 There has been an increase in secondment income of £57k, this is due to an employee that has been seconded to Merseyside Fire and Rescue National Resilience Team until August 2023.

2.5 The authority has received £79k in council tax rebates, £65k of this refund was in relation to the non-operational status of the training centre at FSHQ

2.6 The authority has successfully reclaimed £149k in telecom licence rental rebates. It was identified by Cell CM, the Authority's mobile telephone mast consultants, who engage with suppliers and agree rents and wayleaves on their behalf. Cell CM discovered that the Authority was entitled to back pay on mobile mast access rights at some stations going back to 2006.

2.7 There is a £158k underspend on ICT maintenance (£130k) and Wide Area Network (£28k) this is due delays in the placing of orders for software that were included as revenue bids in the budget.

2.8 The feasibility study budget is forecast to underspend by £79k, this budget is used to fund the necessary surveys on fire station rebuilds before the works are tendered. There will be no further surveys in 2022/23, the costs incurred in this financial year on Keighley Fire Station rebuild have already been transferred to the capital scheme.

The following are movements **from** the general contingency budget

2.9 The pay award for support staff was in excess of that provided for in the original budget by £227k. The pay award was a fixed sum of £1,925 which for all staff grades except those on Executive Officer grades was in excess of the 4% budget provision, with the average increase been 7% across pay grades 1 to 12. (This is in addition to the transfer detailed in 2.15 below).

2.10 There was an additional unbudgeted bank holiday overtime day costing £94k which was for the Queen's funeral.

2.11 There is a forecast overspend on control employees' overtime of £80k, this is due to a number of vacancies and new starters completing their training period.

2.12 There is a forecast overspend of £55k on vehicle fuel, although this budget was increased at the budget review in September by £185k, projections show that this was not sufficient and further budget is required.

2.13 The budget for the Service level Agreement with West Yorkshire Pension Fund for pension administration has been underestimated by £28k which was due to delays in the invoicing process.

2.14 There is an under recovery of income on national resilience distributed learning training of £44k. Due to the re development of the FSHQ site, this training can no longer be delivered on site. To address this, an external company is delivering this training on our behalf which has incurred set-up costs of £33k.

The following are movements **from** the employee contingency budget

2.15 £463k has been transferred from the support staff employee contingency budget to support staff budgets for the back pay relating to the pay award. The total cost of the back pay was £690k, which has required an additional transfer from the general contingency budget (detailed in 2.9 above).

2.16 The table below details the current contingencies budget position following the above transfers:

	Opening Balance 1/10/22	Transfer to/from Contingencies	Closing Balance
	£000	£000	£000
General Contingency	2,921	276	3,197
Employee Contingency	2,148	-463	1,685
TOTAL CONTINGENCIES	5,069	-187	4,882

2.17 It is worth noting that the employee contingency will be fully spent plus **at least** an additional £0.415m will be required from general contingencies to fund the firefighters 2022/23 pay award once it is settled. This will result in a revised expected general contingency balance of £2.782m. This figure assumes that the pay award will be settled

at 5%, for each additional 1%, it will require an additional £0.415m transfer from general contingencies.
In simple terms, a 6% pay award will cost £0.830m above budget provision and a 7% will cost £1.245m and so forth.

2.18 As per the treasury management strategy, underspends realised on contingency budgets are used to either make additional capital financing payments or transferred to the earmarked capital finance reserve to fund future capital expenditure.

As detailed in the draft budget report, in order to mitigate the risk of an increase in the cost of the capital plan due to current inflationary pressures, it is planned to transfer some of the underspending in contingencies to the capital finance reserve at the end of the financial year.

3. Expenditure Monitoring

3.1 This report is based on expenditure to the 19th of December 2022 and includes eight salary payments of 2022/23. The projected outturn is based on current years' expenditure and is forecast to the end of the year based on previous expenditure profiles. Overall, the latest forecast indicates there will be an under spending of £0.422m in the current financial year.

3.2 An improved budget monitoring report for managers was introduced in 2018/19 which highlights those areas of concern using a Red, Amber, Green (RAG) rating. For those budgets that are forecast to overspend or under spend a red "cross" will be inserted against the budget line and for those within 5% of budget, an amber mark will be inserted. For those budgets where there is either a red or amber indicator, the budget holder will be required to provide an explanation as to the reason for the projected overspend. This has brought increased accountability to budget holders and is reported to Management Board on a monthly basis.

3.3 The table below summarises the forecast with an explanation of the causes detailed below:

	Revenue Budget £000	Forecast £000	Variance £000
Employees			
Wholetime	50,935	50,746	-189
Retained	2,550	2,464	-86
Control	2,123	2,122	-1
Support Staff	12,004	11,723	-281
Employee Contingency	1,685	1,685	0
Pensions	1,700	1,700	0
Training	754	950	196
Other Employee	395	417	22
TOTAL	72,146	71,807	-339
Premises	5,205	5,209	4
Transport	2,455	2,440	-15
Supplies and Services	6,140	6,096	-44
Contingency - General	3,198	3,198	0
Support Services	313	306	-7
Capital Charges	8,983	8,983	0
Income	-2,789	-2,810	-21
Net Expenditure	95,651	95,229	-422

An explanation of variances over £25k per expenditure category are explained below:

3.4 **Employees** **-£139,000**

3.4.1 Wholetime Employees -£189,000

There is currently a forecast underspending of £189,000 in whole time fire fighter employee budgets. This is due to a number of additional leavers than budgeted and employees retiring earlier then their forecast retirement date. The workforce plan is monitored closely on a monthly basis against actuals in post to that included within the budget.

3.4.2 Retained Staff -£86,000

There still remains a forecast underspend on retained staff following budget revisions detailed in 2.3, the budget for retained employees is affected by activity due to the nature of the on-call system. As a result expenditure can vary during the year. This budget is monitored closely during the year.

3.4.3 Support Staff -£281,000

The projected under spend on support staff is attributable to support staff vacancies. Due to the length of the recruitment process there is a time lag in filling vacant posts, the target for the recruitment cycle is 84 days. There are currently thirteen posts that are in the recruitment cycle process. The budget for posts that were vacant on the 1st of April 2022 and have yet to be advertised are held in the general contingency budget, so as not to distort budget monitoring.

3.4.4 Training £196,000

Over several years, the training budget has been set, based on previous spend on training and development courses and historically, many of the funds requested by departments via the primary funding process have never been drawn upon due to varying factors. These factors include staffing shortfalls thus not allowing training to go ahead, departments over estimating costs of training and external providers not able to accommodate training within certain timescales. Over more recent years, the Covid pandemic has contributed greatly to courses being cancelled and generally a decrease in departments or individuals wanting to undergo training or development, apart from anything safety critical.

As we move out of the Covid pandemic, we are now seeing more of an uptake in training and development once again. We are seeing external providers able to accommodate more training requests. However, departments have reported noticeable price increases from external providers of training. We are experiencing a push from individuals and departments requesting funds for continuous professional development training which aligns with the NFCC leadership framework.

Departments across the organisation have been required to further analyse their remaining training requirements and produce a realistic picture of the training which is expected to take place in the last few months of the financial year.

As we move forward, the training department will analyse in more detail, the organisations training and development requirements and to ensure a more robust process for requesting funding to support, develop and enable people to be at their best.

Department heads have been asked to further scrutinise the training bids to determine what funds may be realised as we move into 2023. The scrutiny of training bids will continue with an aim to manage any overspend as far as possible.

3.5 **Supplies and Services** **-£44,000**

The underspend is due to a number of small under and overspends over the supplies and services category. There are underspends on clothing, training equipment, stationery and subscriptions which have been offset by overspends on operational equipment, laundry, and subsistence, these are due to changes in demand during the year.

4 Impact on Revenue Balances

4.1 The projected under spending will have the effect of increasing the general fund balance which is detailed in the table below:

Description	Usable Reserves £000
Opening Balance 1/4/22	
General Fund	5,000
Earmarked Reserves	37,799
Impact of forecast	422
Forecast Usable Reserves at 31/3/2023	**43,221**

5 Covid 19 Pandemic Financial Update

5.1 As previously reported at Finance and Resources Committee, West Yorkshire has received a total of £2.736m in Covid19 grant funding, this is held in a separate earmarked reserve. The table below details the amount spent against this grant and forecast balance.

	Actual £000's	Forecast £000's
Grant Received	**-2,736**	**-2,736**
2019/20	-436	
2020/21	-1,736	
2021/22	-564	
Expenditure to 31 March 2022		2,086
Expenditure in 2022/23		
Overtime	371	500
Leave Buy Back	114	150
Total Expenditure	485	2,736
Grant Remaining at 31/3/23	**-2,251**	**0**

5.2 The grant will be used for the following purposes during the remainder of 2022/23:

a) The majority of expenditure is for overtime to cover employees taking leave during this financial year. Employees accrued leave in 2020/21 which they were unable to take due to the pandemic. In addition, the grant will be used to pay for overtime for crews who will be attending training courses that were postponed during the pandemic.

b) The scheme whereby employees can sell up to five days holidays back to the Authority, has been extended into this financial year, the deadline for this was the 31 December 2022 but this has been extended into 2023, so the costs will vary over the next three months. The forecast has been based on expenditure profiles in 2021/22.

6 Contact Procedure Rules

6.1 A requirement of the Authority's constitution, which was approved at Full Authority in February 2021, is to report to Finance and Resources Committee the approval of waivers to the Contract Procedure Rules (CPR) over £75,000.

6.2 In the third quarter of 2022/23, there have been two waivers that have been signed by the Chief Finance and Procurement Officer which are for:

- The Service Level Agreement with West Yorkshire Pension Fund; West Yorkshire Pension Fund administers both the firefighters and support staff pension funds on our behalf. Although the annual cost is below £75,000, the authority does not go out to competition for this service.

- The training centre has procured some bespoke command training which is provided by Katherine Lamb Associates, by continuing to use the same supplier it guarantees continuity of the training course content. This training is very specialised with minimal alternative suppliers.

7 Capital Expenditure Monitoring

7.1 Introduction

At its meeting on the 24th of February 2022 the Authority approved a five-year capital programme of £65.098m which included schemes to the value of £16.878m for the current financial year. In addition, schemes with a total value of £16.24m were approved in 2021/22 to be slipped into this financial year, resulting in an overall capital plan value of £33.108m.

At Finance and Resources Committee in July and October, members approved the slipping of some schemes into 2023/24, resulting in a revised capital plan of £17.724m

7.2 Revisions to Capital Plan

There are five capital schemes that require amendment to the 2022/23 revised capital plan; three require slipping into 2023/24, two require removing from the capital plan and one needs slipping forward into 2022/23:

- Mobile Data Terminals – this is due to the delay in the procurement of the replacement control system.

- Digital Humans – this scheme was included in the data and digital strategy, but due to capacity issues will not be progressed in this financial year

- Control System Replacement – there have been delays in the procurement of the new control system, although the tender evaluation process has been completed, there will be no expenditure on the scheme in 2022/23.

- One View System – this scheme does not require any capital expenditure in 2022/23, the development costs incurred are chargeable to revenue and the scheme requires removing from the capital plan

- Replacement Water Bottles – following the procurement process, the cost of this scheme is below the deminimis level of £10k and as such is chargeable to revenue.

- Fleet Replacement Programme – Finance and Resources committee in July 2022, approved the slipping of the whole fleet replacement programme into 2023/24, we have received notification that the delivery of two of the replacement aerial appliances has been brought forward which means that the first payment will be due in 2022/23.

Appendix A provides further detail of these schemes

7.3 **Capital Payments 2022/23**

7.3.1 The actual capital payments to date total £6.406m, which represents 36% of the revised capital plan. If commitments are included in this, the actual expenditure to date is £12.115m, which equates to 69% of the capital plan.

7.3.2 Due to the procurement process for capital schemes, a large proportion of capital expenditure occurs in the latter part of the financial year.

7.3.3 As with revenue budget monitoring a RAG rating system has been introduced to capital budget monitoring which will improve accountability of capital scheme managers

A summary of the capital plan including slipped schemes is attached to this report in Appendix A, which shows details of expenditure on each individual scheme. This includes the approvals and revisions detailed in sections 7.2 and 7.4 of the report.

7.4 **Approvals under financial procedure 3.11**

7.4.1 Under financial procedures 3.11 the Management Board can approve expenditure on schemes in the approved capital plan up to an amount of £100,000 along with a requirement to report these approvals to the Finance and Resources Committee.

7.4.2 Since the last Finance and Resources Committee in October, the Management Board have approved capital schemes totalling £0.070m.

7.4.3 These are detailed in the table below:

Schemes Approved by Management Board/Team

Date	Directorate	Scheme	Approval	Virement
September	Service Support	Printer Replacement		-£15,000
	Service Support	Control Lines		£15,000
December	Service Delivery	Wildfire Vehicles	£70,000	
			£70,000	**£0**

7.3 **Capital Receipts**

A capital receipt of £0.017m was received in November 2022 which was for the sale of a small strip of land to the frontage of Halifax Fire Station to Calderdale Council.

8 Treasury Management

8.1 The Authority approved its Treasury Management Strategy on the 24th of February 2022 in accordance with the CIPFA Code of Practice on Treasury Management.

8.2 In the current financial year, the Authority is continuing to benefit from a positive cash flow through the early payment of Government grant and revenue balances which has meant that no new long-term borrowing has been required for the past ten years.

8.3 In line with the Treasury Management Strategy, the committee receives a six- month review of treasury management activity which is the subject of a separate report on this agenda.

9 Debtors

9.2 The Authority receives income for services provided; these include special services, training courses, fire safety certificates, and licences for telecom masts on premises. In most cases the services provided are a result of an emergency which means that it is not possible to raise a charge in advance of the service and consequently debtor accounts are raised.

9.3 The level of outstanding debt owed to the Authority to the end of December 2022 is £298,086 which can be profiled as follows:

Less than 60 days -	£230,027
Greater than 60 days -	£ 67,478

9.4 The procedure for issuing accounts and debt collection is provided by Kirklees Council under a Service Level Agreement. A summary of the procedure for collecting outstanding debt is detailed below:

21 days first reminder letter
28 days second reminder letter
35 days instigation of debt recovery system

9.5 As detailed above, there is currently £114,339 of debt which is at the recovery stage. However, previous experience suggests that the Authority will recover all of the outstanding debts.

10 Creditors

The Authority is required to pay all non disputed invoices within 28 days of receipt. In the first 9 months of the current financial year the Authority has received 6,720 invoices and paid 97% of them within 28 days, of which 62% were autopaid.

11 Financial Implications

The financial implications have been detailed in each section of the report.

12 Legal Implications

The Monitoring Officer has considered this report and is satisfied it is presented in compliance with the Authority's Constitution.

13 Human Resource and Diversity Implications

There are no human resource and diversity implications associated with this report.

14 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk))	Yes / **No**

15 Health, Safety and Wellbeing Implications

There are no health, safety, and wellbeing implications.

16 Environmental Implications

There are no environmental implications.

17 Your Fire and Rescue Service Priorities

The management and monitoring of both revenue and capital resources is key to achieving the fire and rescue services priorities.

18 Conclusions

This report identifies that the Authority is currently forecast to under spend its revenue budget in 2022/23 by £0.422m. The report has summarised the financial impact on

Covid19, and it is expected that the grant received of £2.736m will be spent in full in 2022/23. Both the revenue and capital budgets will continue to be monitored closely during the year in conjunction with directors and budget holders.

Capital Schemes to be Removed or Slipped into 2023/24

Department	Capital Scheme	Capital Budget 22/23	Approved Slippage into 23/24	Slippage into 22/23	Removal from Capital Plan	Net Movement
ICT	Mobile Data Terminals	£290,000	-£290,000			-£290,000
	Digital Humans	£20,000	-£20,000			-£20,000
	One View Performance Management System	£25,000			-£25,000	-£25,000
Service Delivery	Control Sytstem Replacement	£250,000	-£250,000			-£250,000
	Water Bottles	£10,500			-£10,500	-£10,500
Service Support	Fleet Replacement Programme	£3,650,183		£470,000		£470,000
TOTAL		**£4,245,683**	**-£560,000**	**£470,000**	**-£35,500**	**-£125,500**

Directorate	Capital Plan 2022/23						Capital Expenditure 2022/23			
	2022/23	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to date
Property services	£1,198,620	£1,062,402	-£282,518	£265,518	£0	£2,244,022	£352,811	£990,537	£1,343,348	-£900,673
IRMP	£8,538,825	£9,342,595	£0	£0	-£8,114,420	£9,767,000	£4,883,909	£3,275,391	£8,159,300	-£1,607,700
ICT	£718,000	£997,963	-£390,000	£360,068	-£290,000	£1,396,031	£40,993	£510,209	£551,202	-£844,829
Employment Services	£0	£17,969	£0	£229,500	£0	£247,469	£0	£0	£0	-£247,469
Transport	£3,750,183	£3,650,560	£0	£0	-£5,855,178	£1,545,565	£275,753	£529,883	£805,636	-£739,929
Operations	£2,272,575	£1,159,269	-£454,200	£70,700	-£1,050,000	£1,998,344	£136,484	£822,606	£959,090	-£1,039,255
Fire Safety	£400,000	£0	£0	£0	£0	£400,000	£19,470	£276,885	£296,355	-£103,645
	£16,878,203	**£16,230,758**	**-£1,126,718**	**£925,786**	**-£15,309,598**	**£17,598,431**	**£5,709,419**	**£6,405,511**	**£12,114,930**	**-£5,483,501**

CAPITAL BUDGET MONITORING 2022/23
SERVICE SUPPORT - PROPERTY

Details of Scheme	Capital Plan 2022/23						Capital Expenditure 2022/23			
	2022/23	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
Cookridge	£477,620	£0	£0	£0	£0	**£477,620**	£6,913	£10,180	£17,093	**-£460,528**
CCTV Upgrades	£176,000	£0	£0	£0	£0	**£176,000**	£35,150	£31,226	£66,376	**-£109,624**
Health & Safety Upgrades	£300,000	£0	-£252,518	£0	£0	**£47,482**	£0	£24,690	£24,690	**-£22,792**
L8 Upgrades	£44,000	£0	£0	£0	£0	**£44,000**	£0	£26,345	£26,345	**-£17,655**
Mirfield Asbestos Removal	£41,000	£0	£0	£0	£0	**£41,000**	£43,244	£0	£43,244	**£2,244**
Ludo Charging Points	£30,000	£0	-£30,000	£0	£0	**£0**	£0	£0	£0	**£0**
EV Charging Points	£65,000	£0	£0	£0	£0	**£65,000**	£0	£0	£0	**-£65,000**
Stanningley Charging Points	£65,000	£0	£0	£0	£0	**£65,000**	£3,171	£75,423	£78,594	**£13,594**
Stanningley Boiler	£0	£0	£0	£90,000	£0	**£90,000**	£0	£62,677	£62,677	**-£27,323**
Total New Schemes 2022/23	**£1,198,620**	**£0**	**-£282,518**	**£90,000**	**£0**	**£1,006,102**	**£88,477**	**£230,540**	**£319,018**	**-£687,084**
Slipped Schemes										
Odsal Fire Station	£0	£419,840	£0	£162,518	£0	£582,358	£11,964	£378,038	£390,002	**-£192,356**
Ilkley Dormitory Facilities	£0	£112,532	£0	£0	£0	£112,532	£3,304	£102,508	£105,812	**-£6,720**
Rawdon ablution Facilities	£0	£9,695	£0	£0	£0	£9,695	£0	£1,580	£1,580	**-£8,115**
Todmorden	£0	£243,654	£0	£0	£0	£243,654	£20,191	£215,537	£235,728	**-£7,926**
Vehicle workshop pit improvements	£0	£1,228	£0	£0	£0	£1,228	£1,228	£0	£1,228	**£0**
Risk Register - Asbestos	£0	£7,503	£0	£0	£0	£7,503	£6,503	£1,000	£7,503	**£0**
Skelmanthorpe - Control Panel	£0	£5,950	£0	£0	£0	£5,950	£0	£5,950	£5,950	**£0**
PPE Storage Shelters	£0	£262,000	£0	£13,000	£0	£275,000	£221,144	£55,384	£276,528	**£1,528**
Total Slipped Schemes	**£0**	**£1,062,402**	**£0**	**£175,518**	**£0**	**£1,237,920**	**£264,334**	**£759,997**	**£1,024,331**	**-£213,589**
Total Capital Expenditure 2022/23	**£1,198,620**	**£1,062,402**	**-£282,518**	**£265,518**	**£0**	**£2,244,022**	**£352,811**	**£990,537**	**£1,343,348**	**-£900,673**

CAPITAL BUDGET MONITORING 2022/23
CRMP

Details of Scheme	Capital Plan 2022/23						Capital Expenditure 2021/22			
	2022/23	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
Keighley Rebuild	£1,900,000	£2,850,000	£0	£0	-£3,000,000	**£1,750,000**	£17,478	£124,169	£141,647	**-£1,608,353**
FSHQ Rebuild	£6,438,825	£4,975,595	£0	£0	-£3,414,420	**£8,000,000**	£4,866,431	£2,665,268	£7,531,699	**-£468,301**
FSHQ Fire Station/USAR	£0	£1,300,000	£0	£0	-£1,300,000	**£0**	£0	£289,635	£289,635	**£289,635**
FSHQ TRTC refurbishment	£0	£0	£0	£0	£0	**£0**	£0	£151,618	£151,618	**£151,618**
FSHQ BA/ICT buildings	£0	£0	£0	£0	£0	**£0**	£0	£27,049	£27,049	**£27,049**
Halifax Rebuild	£100,000	£100,000	£0	£0	-£200,000	**£0**	£0	£0	£0	**£0**
Hudderfield rebuild	£100,000	£100,000	£0	£0	-£200,000	**£0**	£0	£0	£0	**£0**
Training Facility FSHQ	£0	£0	£0	£0	£0	**£0**	£0	£0	£0	**£0**
Total New Schemes 2022/23	**£8,538,825**	**£9,325,595**	**£0**	**£0**	**-£8,114,420**	**£9,750,000**	**£4,883,909**	**£3,257,739**	**£8,141,647**	**-£1,608,353**
Slipped Schemes										
Wakefield	£0	£17,000	£0	£0	£0	**£17,000**	£0	£17,652	£17,652	**£652**
Total Slipped Schemes	**£0**	**£17,000**	**£0**	**£0**	**£0**	**£17,000**	**£0**	**£17,652**	**£17,652**	**£652**
Total Capital Expenditure 2022/23	**£8,538,825**	**£9,342,595**	**£0**	**£0**	**-£8,114,420**	**£9,767,000**	**£4,883,909**	**£3,275,391**	**£8,159,300**	**-£1,607,700**

CAPITAL BUDGET MONITORING 2022/23
SERVICE SUPPORT- TRANSPORT

Details of Scheme	Capital Plan 22/23						Capital Expenditure 22/23			
	2022/23	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
Vehicle Replacement	£3,650,183	£0	£0	£0	-£3,180,183	£470,000	£0	£0	£0	-£470,000
Vehicle Telematics Upgrade	£100,000	£0	£0	£0	£0	£100,000	£0	£0	£0	-£100,000
Total New Schemes 2022/23	**£3,750,183**	**£0**	**£0**	**£0**	**-£3,180,183**	**£570,000**	**£0**	**£0**	**£0**	**-£570,000**
Slipped Schemes										
Vehicle Replacement	£0	£3,312,118	£0	£0	-£2,674,995	£637,123	£275,753	£361,370	£637,123	£0
Vehicle replacement project	£0	£135,565	£0	£0	£0	£135,565	£0	£117,233	£117,233	-£18,332
Telematics Upgrade	£0	£100,000	£0	£0	£0	£100,000	£0	£0	£0	-£100,000
Vehicle CCTV	£0	£102,877	£0	£0	£0	£102,877	£0	£51,280	£51,280	-£51,597
Total Slipped Schemes	**£0**	**£3,650,560**	**£0**	**£0**	**-£2,674,995**	**£975,565**	**£275,753**	**£529,883**	**£805,636**	**-£169,929**
Total Capital Expenditure 2022/23	**£3,750,183**	**£3,650,560**	**£0**	**£0**	**-£5,855,178**	**£1,545,565**	**£275,753**	**£529,883**	**£805,636**	**-£739,929**

CAPITAL BUDGET MONITORING 2022/23
SERVICE SUPPORT - EMPLOYMENT SERVICES

Details of Scheme	Capital Plan 22/23						Capital Expenditure 2022/23			
	2022/23	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
Treadmills	£0	£0	£0	£229,500	£0	**£229,500**	£0	£0	£0	-£229,500
	£0	£0	£0	£0	£0	**£0**	£0	£0	£0	£0
Total New Schemes 2022/23	**£0**	**£0**	**£0**	**£229,500**	**£0**	**£229,500**	**£0**	**£0**	**£0**	**-£229,500**
Slipped Schemes										
Assist Technology	£0	£17,969	£0	£0	£0	**£17,969**	£0	£0	£0	-£17,969
	£0	£0	£0	£0	£0	**£0**	£0	£0	£0	£0
Total Slipped Schemes	**£0**	**£17,969**	**£0**	**£0**	**£0**	**£17,969**	**£0**	**£0**	**£0**	**-£17,969**
Total Expenditure 2022/23	**£0**	**£17,969**	**£0**	**£229,500**	**£0**	**£247,469**	**£0**	**£0**	**£0**	**-£247,469**

CAPITAL BUDGET MONITORING 2022/23
SERVICE SUPPORT - ICT

Details of Scheme	Capital Plan 2022/23						Capital Expenditure 2022/23			
	2022/23	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
Firewall Replacement	£90,000	£0	-£90,000	£0	£0	**£0**	£0	£0	£0	£0
WAN	£100,000	£0	£0	£345,068	£0	**£445,068**	£5,837	£460	£6,297	-£438,771
UPS on Stations	£240,000	£240,000	-£240,000	£0	£0	**£240,000**	£2,930	£148,471	£151,401	-£88,599
FF Laptops	£93,000	£0	£0	£0	£0	**£93,000**	£0	£81,396	£81,396	-£11,604
MDT	£150,000	£140,000	£0	£0	-£290,000	**£0**	£0	£0	£0	£0
Digital Humans	£20,000	£0	-£20,000	£0		**£0**	£0	£0	£0	£0
One View Performance Management	£25,000	£0	-£25,000	£0	£0	**£0**	£0	£0	£0	£0
SIP Lines	£0	£0	£0	£15,000	£0	**£15,000**	£0	£0	£0	-£15,000
Total New Schemes 2022/23	**£718,000**	**£380,000**	**-£375,000**	**£360,068**	**-£290,000**	**£793,068**	**£8,767**	**£230,327**	**£239,094**	**-£553,974**
Slipped Schemes										
Upgrade of Gartan	£0	£50,000	£0	£0	£0	**£50,000**	£0	£0	£0	-£50,000
Computer Hardware Replacement	£0	£36,577	£0	£0	£0	**£36,577**	£0	£28,803	£28,803	-£7,774
Enterprise Service Management Implemer	£0	£25,315	£0	£0	£0	**£25,315**	£1,947	£0	£1,947	-£23,368
Appliance Mobiles	£0	£29,200	£0	£0	£0	**£29,200**	£0	£29,200	£29,200	£0
Print Solution	£0	£174,000	£0	£0	£0	**£174,000**	£0	£0	£0	-£174,000
ICT Station Equipment	£0	£284,216	-£15,000	£0	£0	**£269,216**	£23,879	£221,880	£245,759	-£23,457
Additional resource for HR & Rostering	£0	£18,655	£0	£0	£0	**£18,655**	£6,400	£0	£6,400	-£12,255
Total Slipped Schemes	**£0**	**£617,963**	**-£15,000**	**£0**	**£0**	**£602,963**	**£32,226**	**£279,882**	**£312,108**	**-£290,855**
Total Capital expenditure 2022/23	**£718,000**	**£997,963**	**-£390,000**	**£360,068**	**-£290,000**	**£1,396,031**	**£40,993**	**£510,209**	**£551,202**	**-£844,829**

CAPITAL BUDGET MONITORING 2022/23
SERVICE DELIVERY - FIRE SAFETY

Details of Scheme	Capital Plan 2022/23						Capital Expenditure 2022/23			
	2022/23	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
Fire Safety	£400,000	£0	£0	£0	£0	£400,000	£19,470	£276,885	£296,355	-£103,645
Total New Schemes 2022/23	**£400,000**	**£0**	**£0**	**£0**	**£0**	**£400,000**	**£19,470**	**£276,885**	**£296,355**	**-£103,645**
Fire Safety	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Slipped Schemes	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
Total Expenditure 2022/23	**£400,000**	**£0**	**£0**	**£0**	**£0**	**£400,000**	**£19,470**	**£276,885**	**£296,355**	**-£103,645**

CAPITAL BUDGET MONITORING 22/23
SERVICE DELIVERY - OPERATIONS

Details of Scheme	Capital Plan 2022/23						Capital Expenditure 2022/23			
	2022/23	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
Particulate Flash Hoods	£210,000	£0	£0	£0	£0	£210,000	£0	£0	£0	-£210,000
BA Set Reducer	£46,150	£0	£0	£0	£0	£46,150	£42,640	£0	£42,640	-£3,510
Lay Flat Hose	£50,000	£0	£0	£0	£0	£50,000	£0	£64,018	£64,018	£14,018
BA Cleaning & drying Units	£40,000	£0	£0	£0	£0	£40,000	£0	£0	£0	-£40,000
Wildfire Vehicle	£182,000	£0	£0	£0	£0	£182,000	£0	£0	£0	-£182,000
Water Hydrant	£360,000	£0	£0	£0	£0	£360,000	£0	£255,843	£255,843	-£104,157
Wildfire PPE	£31,000	£0	£0	£0	£0	£31,000	£0	£29,349	£29,349	-£1,651
Ladders	£100,825	£0	£0	£0	-£50,000	£50,825	£0	£25,312	£25,312	-£25,513
Uniform	£150,000	£200,000	£0	£0	£0	£350,000	£0	£0	£0	-£350,000
Body Worn Cameras	£67,500	£15,000	£0	£0	£0	£82,500	£0	£7,335	£7,335	-£75,165
Mobilising System	£1,000,000	£0	£0	£0	-£1,000,000	£0	£0	£0	£0	£0
Gas Detector	£35,100	£0	£0	£0	£0	£35,100	£0	£0	£0	-£35,100
Ballistic Helmets	£0	£0	£0	£25,000	£0	£25,000	£0	£0	£0	-£25,000
2nd Water bottles	£0	£0	-£10,500	£10,500	£0	£0	£0	£0	£0	£0
Wildfire Helmets	£0	£0	£0	£35,200	£0	£35,200	£0	£0	£0	-£35,200
Total New Schemes 2022/23	**£2,272,575**	**£215,000**	**-£10,500**	**£70,700**	**-£1,050,000**	**£1,497,775**	**£42,640**	**£381,857**	**£424,497**	**-£1,073,278**
Slipped Schemes										
Portable Scene Lighting	£0	£100,000	£0	£0	£0	£100,000	£44,330	£0	£44,330	-£55,670
Technical Rescue Equipment	£0	£75,000	£0	£0	£0	£75,000	£2,758	£56,037	£58,796	-£16,204
Command Support	£0	£100,000	£0	£0	£0	£100,000	£10,968	£19,230	£30,198	-£69,802
Expansion Foam concrete	£0	£51,656	£0	£0	£0	£51,656	£0	£35,914	£35,914	-£15,742
Control Offsite Resilience	£0	£22,000	-£22,000	£0	£0	£0	£0	£0	£0	£0
Thermal Image	£0	£55,000	£0	£0	£0	£55,000	£19,600	£0	£19,600	-£35,400
DEFRA Water rescue	£0	£116,861	-£83,700	£0	£0	£33,161	£0	£16,145	£16,145	-£17,016
Replacement of Operational PPE	£0	£85,753	£0	£0	£0	£85,753	£16,188	£84,060	£100,248	£14,495
Ops Contingency	£0	£338,000	-£338,000	£0	£0	£0	£0	£227,875	£227,875	£227,875
Hydrants	£0	£0	£0	£0	£0	£0	£0	£1,488	£1,488	£1,488
Total Slipped Schemes	**£0**	**£944,269**	**-£443,700**	**£0**	**£0**	**£500,569**	**£93,844**	**£440,749**	**£534,593**	**£34,024**
Total Expenditure 2022/23	**£2,272,575**	**£1,159,269**	**-£454,200**	**£70,700**	**-£1,050,000**	**£1,998,344**	**£136,484**	**£822,606**	**£959,090**	**-£1,039,255**

OFFICIAL

Draft Capital Investment Plan, Revenue Budget and Medium Term Financial Plan

Finance & Resources Committee

Date: 3 February 2023

Agenda Item: **14**

Submitted By: Chief Finance and Procurement Officer

Purpose

To present a draft capital investment plan, a draft revenue budget and Medium-Term Financial Plan 2023/24

Recommendations

That the report be noted as the basis for the political groups to consider their budget proposals

Summary

This report presents details of the draft revenue budget for 2023/24 along with the four-year medium term financial plan and capital programme. Included within the report are details of the Draft Local Government Finance Settlement 2023/24, a standstill budget, and a summary of activity in the 2022/23 financial year.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Alison Wood, Chief Finance and Procurement Officer
E: alison.wood@westyorksfire.gov.uk
T: 07500 075362
T: 01274 682311 Ext: 660204

Background papers open to inspection:

Annexes:
Appendix A - Capital Bids
Appendix B – Standstill Budget 2023/24

1 Introduction

This is a consolidated report which presents the Management Board's proposals for: -

(i) A Capital Investment Plan for the five years to 2027/2028.
(ii) The Prudential Indicators to support the financing of the Capital Plan.
(iii) A Revenue Budget and Medium-Term Financial Plan for the same period.

2 Proposed Capital Investment

2.1 The Local Government Act 2003 sets out a framework for the financing of capital investments in local authorities which came into operation from April 2004, CIPFA developed the Prudential Code to support authorities' decision making in the areas of capital investment and financing. In December 2017, CIPFA updated the prudential code, whilst the majority of the code remains unchanged, there is now a requirement to produce a capital strategy in order to demonstrate that it takes capital expenditure decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability, and affordability. This is detailed in the Treasury Management Strategy which is subject to a separate report on this agenda.

Capital is considered first in the report so members can clearly consider the revenue impacts of capital investment and borrowing decisions as part of the revenue budget and council tax considerations.

2.2 <u>Capital Plan</u>

2.2.1 The Management Board are proposing a five-year capital investment plan of £87.806m which includes expenditure of £47.946m in 2023/2024. This is analysed by department in the table overleaf.

2.2.2 The largest capital scheme is the re-development of FSHQ, which received Authority approval in July 2022 which has a forecast completion date of September 2024.

The 2023/24 capital plan also includes:

- Replacement of the command-and-control system in 2023/24
- Replacement of twenty-one fire appliances
- Installation of a second thermal image camera on fire appliances
- Replacement of Breathing Apparatus (BA) cylinders, compressors, and BA ancillary equipment
- Replacement of wildfire personal protective equipment
- Transfer of the ICT data transfer centre to Ossett Fire Station
- A major refurbishment of Bingley and Rawdon Fire Stations plus upgrades to showers and fuel tanks at a number of stations
- Installation of Ludo charging points on some fire stations
- Feasibility studies for the replacement of Huddersfield and Halifax Fire Stations

2.2.3 Capital Schemes Slipped from 2022/23

For transparency, the table includes the cost of capital schemes that have slipped from this financial year. These are the development of FSHQ and the rebuild of Keighley Fire Station, the fleet replacement programme and the replacement of the command-and-control system. The slippage is primarily due to delays in the tender contract process and supply chain problems.

	5 Year TOTAL £000's	2023/24 £000's	Slippage to 2023/24 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Property New Builds	**£42,464**	£16,031	£9,761	£25,792	£5,272	£6,000	£4,900	£500
ICT	**£3,271**	£551	£540	£1,091	£1,150	£610	£210	£210
Fire Safety	**£2,000**	£400	£0	£400	£400	£400	£400	£400
Operations	**£8,724**	£2,059	£2,582	£4,641	£2,673	£500	£410	£500
Property	**£10,452**	£1,880	£122	£2,002	£2,230	£2,220	£2,000	£2,000
Transport	**£20,895**	£7,695	£6,325	£14,020	£4,800	£375	£700	£1,000
TOTAL	**£87,806**	**£28,616**	**£19,330**	**£47,946**	**£16,525**	**£10,105**	**£8,620**	**£4,610**
Financed by								
Borrowing (Internal/External)	**£52,419**			£22,859	£12,575	£5,655	£7,670	£3,660
Reserves	**£27,137**			£24,137	£3,000	£0	£0	£0
Capital Receipts	**£3,500**			£0	£0	£3,500	£0	£0
Revenue Contributions	**£4,750**			£950	£950	£950	£950	£950
TOTAL	**£87,806**	**£0**	**£0**	**£47,946**	**£16,525**	**£10,105**	**£8,620**	**£4,610**

2.2.4 Details of the individual schemes included in the draft capital plan is included in Appendix A to this report.

2.3 Capital Financing

All capital expenditure must be financed, there are four main sources of capital finance available; capital grants, capital receipts, internal and external borrowing, and the use of reserves, all of which are explained below.

2.3.1 Capital Grants

The Authority does not anticipate the receipt of any capital grants in 2023/24.

2.3.2 Capital Receipts

Capital receipts are used to either purchase new capital assets or repay outstanding loans. It is expected that the Authority will have capital receipts from the sale of the Service Delivery Centre, Cleckheaton Fire Station and Oakroyd Hall following completion of the FSHQ site re-development.

2.3.3 Borrowing

The balance of the expenditure will be funded by borrowing and the use of internal reserves, the table shows a total borrowing requirement of £52.419m over the period. The government provides no additional grant to assist the Authority with financing the capital plan.

Over recent years the Authority has been borrowing internally to fund capital expenditure using its revenue balances and reserves, no new external long-term borrowing has been taken out since December 2011.

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and Minimum Revenue Provision (MRP, or debt repayments) are charged to revenue, offset by interest receivable. The net annual charges are known as capital financing costs

Due to the size of the capital plan over the next four years it is likely that the Authority will be required to take out borrowing in 2024/25, the costs of current and future debt servicing costs have been built into the Medium-Term Financial Plan. The Authority does not distinguish between capital and revenue cash flows.

2.3.4 Reserves

The Authority has an earmarked reserve which is specifically for the funding of capital projects. Due to the nature of capital financing charges in the form of Minimum Revenue Provision (MRP) it is proposed that the purchase of long-life assets is funded from the capital financing earmarked reserve. This means that the only cost to revenue will be the interest charge on external loans and taxpayers of West Yorkshire will not be subject to MRP charges over the next forty years (i.e.) the life of the asset. For example, an asset costing £2m with an estimated life of 40 years the average annual charge of MRP in revenue would be £86k per annum, this saving means that the Authority can spend this money on other areas.

In addition, revenue underspends are either used to make additional voluntary minimum revenue provision charges or transferred to earmarked reserves to support future expenditure plans.

The capital finance reserve, which currently has a balance of £24.1m, will be used in full on the re-development of FSHQ. If the Authority underspends the revenue budget in 2022/23, this will be transferred to the capital finance reserve.

3. Prudential Indicators

3.1 The CIPFA Prudential Code requires that local authorities produce a number of prudential indicators before the beginning of each financial year and have them approved by the same executive body that approves the budget. The purpose of the indicators is to provide a framework for capital expenditure decision making, highlighting the level of capital expenditure, the impact on borrowing levels, and the overall controls in place to ensure the activity remains affordable, prudent, and sustainable. Fundamentally, the objective of the Code is that the total of an Authority's capital investment remains within sustainable limits, following consideration of the impact on the "bottom line" Council Tax

Some of the indicators are specific to the Authority's treasury management activity and are set out in the Treasury Management Report. The rest of the indicators are linked to affordability are set out below.

3.2 **Capital Expenditure, Capital Financing Requirement and External Debt**

3.2.1 The Authority's capital expenditure projections, detailed in section 2.2, impacts directly on the Capital Financing Requirement (CFR) and the Authority's debt position. The CFR is a calculation of the Authority's underlying need to borrow for a capital purpose. When external borrowing is below the CFR, this reveals that the Authority is using some internal balances, such as reserves/creditors, to temporarily finance capital expenditure as is currently the case.

	Estimate 2023/24 £000'S	Estimate 2024/25 £000'S	Estimate 2025/26 £000'S	Estimate 2026/27 £000'S
CFR	66,324	75,101	73,924	75,793

The table shows an estimated borrowing requirement of £75.793m by 2026/27 which reflects the size of the capital plan.

3.3 **Limits to Borrowing Activity**

3.3.1 The first key control over the Authority's borrowing activity is a Prudential Indicator to ensure that, over the medium term, net borrowing will only be for a capital purpose. Net external borrowing should not, except in the short-term, exceed the total Capital Financing Requirement in the preceding year, plus the estimates of any additional capital financing requirement for 2022/23 and the next two financial years. This allows some flexibility for limited early borrowing for future years.

The Authority comfortably complied with the requirement to keep net borrowing below the relevant Capital Financing Requirement in 2021/22, and no difficulties are envisaged for the current or future years.

3.3.2 A further two Prudential Indicators control the overall level of borrowing. These are the Authorised Limit and the Operational Boundary. The Authorised Limit represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

The Operational Boundary is based on the Authority's plans for capital expenditure and financing and is consistent with its Treasury Management Policy. It allows for sufficient headroom to switch financing for capital projects from reserves, capital receipts and revenue contributions to external borrowing. The Operational Boundary is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during this year.

The Authority is asked to approve the following limits for its total external debt, gross of any investments. These limits separately identify borrowing from other long-term liabilities such as finance leases.

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
Authorised Limit for External Debt	53	55	59	65
Operational Boundary for External Debt	51	53	58	60

3.4 **Affordability Prudential Indicators**

3.4.1 The previous sections cover the overall capital and control of borrowing prudential indicators but within this framework prudential indicators are required to assess the affordability of the capital investment plans. The following indicator provides an indication of the capital investment plans on the overall finances of the Authority:

3.4.2 <u>Ratio of financing costs to net revenue stream</u>

This indicator identifies the trend in the cost of capital against the net revenue stream (amounts met from Revenue Support Grant, local taxpayers, and balances):

	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27
Ratio of Financing to Net Revenue Stream	5.42%	6.88%	6.09%	7.09%	7.52%	7.34%

It is accepted practice that this should not exceed 10%, this is due to the inability to influence capital financing charges once the capital investment has been committed. Other expenditure in the revenue budget can be reduced in the short to medium term if required, there is very little flexibility to do the same with capital financing charges.

4 Revenue Budget and Medium-Term Financial Plan

4.1 Whilst the Authority will only be required to approve the budget and precept for 2023/24 it is important that the Authority consider the medium-term impact of the decision.

This section is split into 5 key areas: -

1 Review of the economy, cost pressures and the current year's budget position
2 The cost of a standstill budget for 2023/24

3 The draft Local Government Finance Settlement
4 Medium-Term Financial Plan
5 Reserves

4.2 National Overview

4.2.1 The country is facing extremely difficult economic times with high inflation, increases in interest rates and the general cost of living crisis. The financial impacts across English Fire and Rescue Authorities are estimated to be circa £145m, mainly as a result of agreed pay awards and significant increases in utility costs, diesel, and green book salary costs as a result of an increase in the national living wage. This estimate does not include the current pay negotiations regarding firefighter pay which could see the final pay award been higher than the 5% that has been offered.

In Spring 2020, the Authority, along with all the other fire and rescue services funded the formation of a central spending review team which was a collaborative team comprising the Local Government Association (LGA), National Fire Chiefs Council (NFCC) and the Home Office. The remit of the team was to work with the Home Office to produce a collective business case highlighting the challenges facing the sector and the potential new burdens resulting from the Hackett and Grenfell inquiries and the HMICFRS State of Fire report to support bids for increases to fire funding to the Treasury.

This business case report, named the Fire Spending Proposal, was updated in September 2022 to reflect the current inflationary pressures affecting Fire and Rescue Authorities (FRA) and was submitted to the Treasury to support increase to funding for the fire sector.

This was supported by a letter that was sent by the Chairs of all FRA's to their respective local MPs to lobby the Department for Levelling Up Housing and Communities (DLUHC) minister for increased funding to the sector and a precept flexibility of £5 for all FRA's not just those in the lowest quartile.

I'm pleased to report that this lobbying was successful, resulting in an increase to the settlement funding assessment (government funding) and precept flexibility of an increase of £5 for a Band D property for all FRA's.

4.2.2 In terms of the overall economic position, the Consumer Price Inflation (CPI) saw sharp increases during 2022 reaching a peak of 11.1% in October, the highest since October 1981. CPI eased slightly in December to 10.5%, both the OBR and the Bank of England expect the annual inflation rate to ease in 2023, as the steep rises in energy process seen in 2022 fall out of the annual comparison. The OBR expects inflation to slow to 3.8% by Q4 2023, while the Bank of England forecasts that CPI will drop to 2% by Q1 in 2024. Obviously, these are forecasts are subject to change and are dependent on the world economy.

4.2.3 The Bank of England's monetary policy committee at its meeting on the 15th of December voted to raise interest rates by 0.5 percentage points to 3.5%. It is the ninth consecutive hike since December 2021 when the rate was 0.25% and is at its highest level for fourteen years. Our treasury management consultants, Link Group, forecast that the bank rate will increase further in 2023, reaching a peak of 4.5% in June 2023 and then falling back steadily from March 2024 to 2.5% in September 2025.

The increase in interest rates is having a favourable effect on the Authority's investment income, it is forecast that in 2022/23 over £0.700m will be earned in investment income compared to £0.186m earned in 2021/22.

4.3 Financial Overview of West Yorkshire Fire and Rescue

Unlike other public services, which are demand led, the Authority needs to have enough resources available to provide an emergency response in times of exceptional demand. This includes the ability to deal with large scale emergencies, a range of smaller incidents that may happen together and/or incidents that are of an extended duration such as the Moorland Fires in Summer 2022.

4.3.1 The Authority considered its revenue budget and precept strategy on the 24th of February 2022 and approved a precept increase of £5 resulting in a Band D property precept of £72.18. Dispensation to increase the precept on a Band D property by £5 was given to the eight lowest precepting fire authorities. West Yorkshire Fire and Rescue still remains the fourth lowest precepting Fire Authority in England and Wales.

There are a number of financial pressures that continue to impact the Authority's budget:

Pay Awards

4.3.2 The Authority made a 4% provision in the 2022/23 budget for pay awards for all staff groups. When the budget was calculated in December 2021, a provision of 4% was considered to be reflective of expected inflation going forward. However, issues in the global economy have seen inflation rise to its highest level in forty years.

A pay offer was made to firefighters and control employees by the National Joint Council of 2%, which was then increased to 5% in October 2022. This pay offer is currently out to ballot with fire brigade union members, which if rejected will likely result in strike action.

This pay offer of 5% is 1% above budget provision, which will cost an additional £0.415m in 2022/23 and has to be built into 2023/24 base budgets. If further increases to the pay award are made by the employers, each additional 1% will cost an extra £0.609m in 2023/24.

The financial impact can be seen in the table below:

	2022/23 £000's	2023/24 £000's
5%	415	609
6%	830	1,218
7%	1,245	1,827
8%	1,660	2,436

The possibility of an increased pay award above 5% must be considered in the Medium-Term Financial Plan and the financial impact on the 2023/24 revenue budget.

Support Staff accepted a pay offer of £1,925 per pay point rather than a % uplift across all grades. This resulted in an average increase of 7% across pay grades 1 to 12, which was in excess of the budget provision of 4%. This cost an additional £0.227m in 2022/23 and has been factored into the base budget for 2023/24.

If support staff are to receive another flat rate increase in 2023/24, the total effect will be in excess of a 5% provision across all grades. Increases to the National Living Wage will also impact on the support staff budget.

In addition, if the government is to reform employee's roles which is included in the White Paper on Fire Reform, there will be pressure to increase salary levels to reflect the change. Previous cost estimates have been calculated of an increase of around 15% to fire fighter pay. For West Yorkshire a 15% increase for fire fighter pay would be in the region of £9.1m per annum.

Industrial Action

Although unknown at the time of writing this report, as to whether fire fighters will be taking industrial action, the potential cost will need to be factored into the MTFP.

Finance and Resources Committee in October 2022 approved the creation of a new earmarked reserve for industrial action by the transfer of £1.00m from the pension equalisation reserve. If this reserve is fully consumed, the costs of industrial action will either have to be met from revenue budgets or another transfer from earmarked reserves. It is worth pointing out that the current reserves levels will be significantly reduced due the development of FSHQ so the use of reserves to fund a period of industrial action will become more challenging. More detail on reserves is provided in section 7 of this report.

Pensions

4.3.3 The impact of pensions is two-fold, firstly there is the administrative burden of software and admin costs that has fallen on the Authority to implement the McCloud/Sargeant remedy and secondly, there is currently an actuarial review of the firefighter pension schemes which will review the employer contribution rates.

The new rates will be implemented from the 1st of April 2025. Even though this increase will take effect in two years' time, the impact on the MTFP must be considered. To put this into financial context for West Yorkshire, a 1% increase in the employers' rates from the 1st of April 2025 will cost an estimated £0.451m per annum. In the previous actuarial valuation in 2016, which saw an increase in employers' contribution rates of 12.6% from April 2020, the same increase in 2025 would add £5.68m to ongoing employee budgets. The government reimburses 90% of this cost in the way of an additional pension grant.
If the same level of government funding is used in this valuation, the Authority could face an additional unfunded pension cost of £0.511m. This maybe an optimistic view in terms of government support, if so, the additional cost could be significantly higher.

In addition there are the financial burdens from the O'Brien/Matthews case which effects our retained firefighters. The Matthews case will introduce a second options exercise for retained firefighters to join the Firefighters Pension Scheme 2006 from the start date of their employment. This will pose an administrative burden on the Authority and changes to employers' rates will be included in the actuarial valuation explained in the previous paragraph.

Pension Remedy

4.3.4 There is currently much confusion about the pension remedy costs for the age discrimination case of McCloud/Sargeant, especially around the costs of Immediate Detriment payments. On the 29th of November 2021, the Home Office withdrew its informal guidance on the processing of certain kinds of immediate detriment cases ahead of legislation. West Yorkshire has already processed twenty immediate detriment cases who have retired from the service (eleven in 2021/22 and nine in 2022/23) and is looking to process those cases for those affected employees who have already retired. The government has confirmed that it will not reimburse non-legitimate expenditure that has been paid to these employees, meaning that the Authority will be unable to claim these costs via the top up grant system. This could have a significant financial impact on the Authority.

New Burdens

4.3.5 The Authority has received one off grants in 2022/23, to fund the financial pressures of the implementation of the Building Safety Bill and costs associated with Covid19. Although this funding is welcomed, it is not built into the Authority's base budget and any spending commitments that extend beyond the grants will have to be funded from existing budgets. This means that long term spending plans cannot be based on one-year grants without no certainty of receiving the grants going forward.

Moreover, the Authority received notification from the Home Office in June 2022 that the Fire Link Grant which the Authority was budgeted to receive £0.469m in 2022/23 is to be reduced by 20% each year over the next five years.

Inflationary Pressures

4.3.6 The current economic environment is such that certain parts of the economy are experiencing either a shortfall in availability or a hike in prices. Within this Authority we have seen issues with supplies, including increased lead times for the delivery of certain goods, in particular vehicles. There has been a need to increase both utility and vehicle fuel budgets by a total of £0.638m during the course of the year, due to large increases in prices. The Authority does not receive any assistance under the non-domestic energy bill relief scheme as consumption is below the threshold for assistance.

There have been large increases in the cost of capital schemes during 2022/23, with both the re-development of the FSHQ site and the rebuild of Keighley Fire Station realising a 40% increase in cost against estimates.

A large proportion of the capital budget has already been slipped to 2023/24, but further slippage may occur if goods, which are currently expected to be delivered, aren't delivered before the end of the financial year. In addition, some planned revenue expenditure may be delayed until next financial year if supplier availability is limited or if there are issues with the supply of materials required to carry out the works.

In terms of the financial outturn, the Authority is forecast to under-spend the budget by around £0.422m for the current financial year. Any budget underspends will be used to make additional voluntary minimum revenue provision charges or make additional contributions to the capital financing reserve, which will reduce the Authority's capital financing requirement and reduce the revenue cost of the capital plan over the long term.

4.4 Background on West Yorkshire Central Government Funding

From 2010/11 to the end of the spending review period in 2019/20, the Authority had a total reduction of £26.1m in central government funding. This meant the Authority had to implement a station rationalisation programme and a fundamental review of support services to meet this funding gap. Unlike some Fire Authorities, West Yorkshire reacted immediately to the governments' austerity programme and suspended the recruitment of wholetime fire fighters in September 2009, recognising the impact on grant cuts would have on the ability to provide a service to the community.

To put the grant reductions into context, the table below shows the reduction in firefighter numbers and assets employed by the Authority from 2010 to date:

	2010	2022	Reduction
Firefighters (Wholetime)	1,490	937	-553
Control Staff	56	48	-8
Support Staff	383	312	-71
Fire Stations	48	40	-8
Fire Appliances	62	46	-16

The one-year settlements over the past three years have included no real terms growth in funding as central government grants were only inflated by CPI. No assurance has been provided regarding the funding of the implementation of the pensions remedy and the White Paper into the reform of fire and rescue services.

4.5 A Standstill Budget for 2023/24 – Maintaining the current level of service

4.5.1 A standstill budget has been prepared for 2023/24, for the purpose of providing a baseline from which to measure changes in the proposed budget. This is calculated by updating the 2022/23 budget for increases in pay and prices, new capital financing charges and other budget calculation adjustments. A standstill budget for 2023/24 would amount to £96.336m.

The changes from the 2022/23 budget are detailed in the table below.

	£m
2022/23 Approved Revenue Budget	95.651
Efficiency savings 2022/23	-0.504
Additional Revenue Bids 2022/23	0.422
Pay and Price Increases	
Operational Employees	2.241
Support Staff	0.638
Non employee budgets	0.755
Budget Adjustments	-2.867
2023/24 Standstill Budget	96.336

The main changes to the 2022/23 budget are explained below:

a) **Efficiency savings and revenue bids** Following approval of the 2022/23 budget at Full Authority in February 2022, a number of additional revenue bids were identified. In order to fund these bids, non-contractual base budgets had no inflationary increase and an efficiency saving of 7.5% was applied.

b) Pay and Price Increases These represent the full year effect of the actual pay award for support staff and an estimated 5% for operational staff. It also includes price increases that have been built into the base budget for 2023/24.

c) **Budget Calculations** During the budget setting process, there are a number of budget adjustments that are identified which are not required in the following years budget. For example, one off costs, reductions in costs due to contract renewals, demand changes etc. The above table shows standstill budgets and do not include areas for growth and savings which are identified separately in the MTFP.

   A subjective analysis of the Standstill budget for 2023/24 is shown in Appendix B.

4.6 Revenue Balances

4.6.1 The Authority maintains both earmarked reserves and a general fund reserve, earmarked reserves are amounts set aside for a specific purpose and the general fund reserve is used to manage fluctuations in revenue budgets. The Authority's reserves strategy was approved at F&R in October 2022 and is published on the Authority's website.

The strategy for the use of reserves to support the MTFP is detailed in section 7 of this report.

4.6.2 Minimum Revenue Balance

The Authority needs to maintain a level of general fund reserves as a safety net to meet any unforeseen and/or unplanned expenditure. This would include changes in interest rates, greater than budgeted pay awards, legal challenges and increases in activity.

As at the 1st of April 2022 the Authority had £5.0m of general fund reserves and £37.8m in earmarked reserves.

The minimum level of balances required is calculated using the Authority's corporate risk register. This document identifies all the major risks to business continuity the Authority may face, evaluates the potential cost, and looks at measures to control or limit the risk. The risk register is maintained by the Risk Management Strategy Group, which is chaired by the Deputy Chief Fire Officer and reports quarterly to the Audit Committee. The current risk matrix was approved by the Audit Committee in October 2022 and identifies a requirement to maintain a minimum revenue balance of £5.0m.

5 Provisional Local Government Finance Settlement

5.1 The finances of government departments are determined by a process called the Comprehensive Spending Review (CSR); the Authority's last multi-year settlement ended in 2019/20. Since then the Authority has received one-year roll over budgets up to the current financial year. Although, there is no multi-year settlement for 2023/24, the Secretary of State confirmed that core grants will continue to increase in line with baseline funding levels, (i.e.) September 2023 CPI inflation. This does provide some clarity over funding levels.

Following the conclusion of the CSR, funding allocations are distributed by the Local Government Finance Settlement, this is called the Settlement Funding Assessment (SFA). West Yorkshire Fire and Rescue receives its annual SFA via the DLUHC, the SFA is comprised of Revenue Support Grant (RSG) and Baseline Funding levels which is the

Business Rates Top Up grant which is the governments projection of the Authority's 1% share of the business rates income raised in West Yorkshire. The Authority also receives specific grants from the Home Office to fund pensions and National Resilience.

5.2 Draft Settlement

The provisional Local Government Settlement was published on the 19th of December 2022 and is subject to a four-week consultation period which closes on the 16th of January 2023.

The provisional grant allocations for 2023/24 are shown in the table below.

	2022/23 Actual £m	2023/24 £m
Settlement Funding Assessment:		
Top Up Grant central pool	16.922	17.737
Top Up local	7.814	7.925
Base line funding (business rates)	**24.736**	**25.662**
Revenue Support Grant	14.048	15.472
Local Government Finance Settlement	**38.784**	**41.134**

The revenue support grant has increased in line with September CPI, which is 10.1% and overall baseline funding has increased by 3.74% which is the inflationary uplift remaining in the small business rates multiplier in 2023/24 after the multiplier was frozen.

This has given the Authority a total of £2.350m additional funding from 2022/23.

Once again, the government announced in the Autumn Statement that the business rate multiplier for 2023/24 will be frozen at 49.9p in the pound. Local authorities are compensated from this freeze by a Section 31 grant.

The final settlement will be issued early February.

5.2.1 Core Spending Power

The core spending power is a measure of the estimated resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the Local Government Finance Settlement.

In the draft local government finance settlement, core spending power across the fire sector has increased by 9.4%. The 2023/24 core spending power for West Yorkshire has increased from £91.25m in 2022/23 to £98.53m in 2023/24, an increase of 8%. This includes inflationary increases to revenue support grant, allocation of the Services Grant, and an assumed tax base growth of 1.5%, a precept increase, of £5 and increases for the under indexing of the business rates multiplier.

5.2.2 Service Grant 2023/24

This was a new grant introduced in 2022/23 and was worth £822m for the fire sector. The grant is distributed using the 2013/14 shares of the Settlement Funding Assessment which equated to funding of £1.7m for West Yorkshire. The grant is un-ringfenced and was introduced to recognise the inflationary pressures on the sector resulting from pay and prices inflation in 2021/22 and the increase in National Insurance contributions from April 2022. Following the reversal of the National Insurance increase with effect from the 6th of November, it was expected that the grant would reduce by 25% in 2023/24 to reflect the change. The actual reduction in grant for the sector is £358m. The reason for the increased reduction is that some of the grant has been top sliced to fund the CPI uplift to the revenue support grant. The Authority will receive £0.960m of service grant in 2023/24, a reduction of 44% from 2022/23.
The Service Grant is not built into core funding, and it is subject to variation, for this reason a prudent approach must be taken when forecasting allocations in future years.

5.2.3 Section 31 Grant

At successive Autumn Statements and Budgets since 2013, the Chancellor has announced changes to business rates. In any year, the financial impact of these measures is met by central government, and authorities are compensated for the loss to their local share by means of Section 31 grant.

The purpose of the section 31 grant is to ensure that authorities will be in the same financial position in which they would have been if these measures had not been made.

The Authority will receive a Section 31 grant direct from DLUHC of £3.021m in 2023/24 for the freezing of the multiplier explained in paragraph 5.2.

5.2.4 Pension Grant

Confirmation has been received that the pension grant to cover the increased cost of employer fire fighter pension contributions as a result of a reduction in the SCAPE discount rate will be paid as a cash flat grant in 2023/24 (further detail was provided in paragraph 4.3.3). This means that the Authority will receive £4.285m, the same amount of grant as in 2022/23. Following the transfer of responsibility for the grant payment from the Home Office to the DLUHC, it was expected that this would be rolled into base line funding and would be subject to CPI uplift. This has not materialised, and the grant will continue to be paid as a section 31 cash flat grant.

5.2.5 Collection Fund

The district councils collect West Yorkshire Fire's share of council tax on our behalf and manages this through a collection fund, if the collection rate is higher than expected this generates a collection fund surplus. Conversely, if the collection rate is set higher than actual receipts this will cause a collection fund deficit. The Authority has in previous years (excluding 2020/21) benefited from a collection fund surplus, which is used to support the revenue budget. For prudency, an estimated surplus is not factored into the MTPF due to the potential volatility and due to the fact that the collection rate and policy is beyond our control.

In 2021/2022 the Government announced measures to assist local authorities for dealing with forecast collection fund deficits that had arisen as a result of measures announced to deal with Covid19. For eligible 2020/2021 deficits they could be charged to the general fund over a 3-year period (2021/2022 – 2023/2024). This is the final year of the deficit spread of which the deficit to be met by the Authority is £0.348m, this will be offset by collection fund surplus from the district councils.

5.2.7 Tax Base

The tax base is the overall number of weighted equivalent Band D properties that each of the five local councils can collect council tax from, a change in the tax base is usually the result of:

- The building and completion of new housing
- Changes in council tax banding due to adjustment and appeals
- Discounts, exemptions, and reliefs, for example, changes in the council tax support scheme
- Ending of the discount period on empty properties or their reoccupation.

Both central government and Local Authority finance directors assume that the tax base will increase each year, which is primarily due to the increase in house building.

5.2.8 The five district councils have declared an average tax base increase of 0.97% in 2023/24 which is lower than the 1.5% forecast increase included in the 2022/23 MTFP. The lowest increase was Bradford at 0.35% and the highest been Leeds at 1.52%.

This slowdown in the growth of the tax base may be indicative of the inflationary and supply pressures that are facing the housing sector.

5.3 Referendum Principles

5.3.1 The Draft Local Government Finance Settlement has set the basic referendum limit for local authorities (including fire) at 2.99% for 2023/24 and 2024/25, plus a referendum principle of £5 on a Band D property for 2023/24 for all English fire and rescue authorities.

5.3.2 For information, local authorities are able to increase the precept by an additional 2.0% for adult social care, and shire district councils in two-tier areas will be allowed increases of up to 2.99% or up to and including £5 whichever is higher.

The referendum threshold for the Police and Crime Commissioners has been set at £15 (£10 in 2022/23).

There are no council tax referendum principles for Mayoral Combined Authorities or parish councils.

5.4 Business Rates

5.4.1 All business rates used to be paid directly from central government. In order to devolve responsibility locally, from 2013/14 local councils maintain 50% of business income, with the other 50% being redistributed by government via a business rates pool. The fire authorities receive 1% of the business rates collected by the district councils.

5.4.2 The settlement indicates the Authority will receive £25.662m in business rate income with £17.737m paid directly from central government in the form of top up grant and the balance of £7.925m being paid by the five district councils which equates to 1% of the income they collect.

5.4.3 The Authority in addition receives Section 31 grant to compensate for any policy changes introduced around local business rates. The size of grant is confirmed by the district councils when they submit their National Non-Domestic Rate returns (NNDR1) to the DLUHC by the 31st of January. The government has provided local councils with a number of grants to ease the burden of coronavirus and the cost-of-living crises on businesses, this means that the size of section 31 grant attributable to fire may be significantly different than that included in the funding estimates in the MTFP. The budget report will include the actual section 31 grants declared by the district councils. Any funding shortfalls as a result of these estimates will be managed by the use of earmarked reserves or adversely if the result is favourable by making increased revenue contributions to capital.

5.5 Precept Income

5.5.1 As Members are aware, the Authority is also dependent upon precept income from the five districts which will provide £43.952m of its income in 2022/23. This income is dependent upon two factors, namely the size of the tax base and the precept set by the Authority.

5.5.2 The precept flexibility of £5, would generate an estimated additional £3.91m of precept income from that generated in 2022/23. In comparison, a precept increase of 2.99% would result in an estimated additional precept income of £1.98m.

6 Positive Assurance Statement

6.1 Under Section 25 of the Local Government Act (2003) the statutory Chief Financial Officer is required to give positive assurance statements in the robustness of budget estimates and the adequacy of reserves and balances.

6.2 If Members approve the recommendations in this report on the level of specific reserves and the strategy for use of balances, I can give the Authority positive assurance on the adequacy of reserves and balances. This assurance is given having considered the following matters: -

a) This Authority has robust risk management arrangements, and the Chief Finance and Procurement Officer uses a Risk Management Matrix to calculate the minimum level of balances.

b) The Authority is single purpose and does not face a full a range of risks to manage as a multi-purpose authority.

c) The Authority's revenue reserves have not generally been consumed during the year by overspendings but have been maintained throughout the year.

6.3 I can also give you positive assurance on the accuracy and robustness of all the forecasts and estimates in the budget proposals.

In giving these assurances I have considered the following matters: -

a) The internal control environment and, in particular, the checks and balances within our budget process and our arrangements for budgetary control. In addition, I am satisfied that the Authority's financial systems provide a sound basis for accurate financial information.

b) The detailed work on risk assessments.

c) The long-term tradition and track record of the Authority in managing its overall budget Financial Implications

7 Medium Term Financial Planning

7.1 The MTFP sets out the framework for understanding the financial challenges faced by the Authority over the medium term. Although the MTFP is a four-year plan it is updated at least annually to consider financial forecasts and factors external to the organisation.

7.1.1 As mentioned in the introduction to the report, the Authority will be asked to approve a four-year MTFP, including the revenue budget for 2023/24. The MTFP will address the key issues of central government funding, precept strategy, cost pressures and the use of balances. This will be discussed with political groups and presented to the Authority within the final budget report to the Authority in February.

7.1.3 The table below shows the revenue budget and estimated funding for 2023/24 and shows the impact of a precept freeze, an increase in precept of 2.99% and an increase of £5. Based on estimated funding, if members decide to freeze or increase the precept by 2.99%, the Authority will need use reserves or find efficiency savings totalling £2.200m and £0.742m respectively. If the Authority approves an increase to the precept of £5, the Authority will be able to invest £1.206m into delivering services to the communities of West Yorkshire. Once the NNDR1 returns have been completed by the five district councils, the final funding position will be determined.

	Precept Freeze	2.99%	£5
Revenue Budget	**£m**	**£m**	**£m**
Standstill Budget	96.392	96.392	96.392
Recruitment and Retirements	0.032	0.032	0.032
Growth and Savings	3.447	3.447	3.447
Cost pressures	3.466	3.466	3.466
Budget 2023/24	**103.337**	**103.337**	**103.337**
Funding			
Revenue Support Grant	15.472	15.472	15.472
Business Rates - Top Up	17.737	17.737	17.737
Business Rates - Local Share	7.925	7.925	7.925
Section 31 Grant	3.021	3.021	3.021
Section 31 Grant - Local Share *	3.000	3.000	3.000
Services Grant	0.961	0.961	0.961
Pension Grant	4.286	4.286	4.286
Precept income	48.735	50.193	52.141
Collection Fund Deficit *	0.000	0.000	0.000
Business Rates Deficit (net) *	0.000	0	0
Funding 2023/24	**101.137**	**102.595**	**104.543**
Budget Deficit	**-2.200**	**-0.742**	**1.206**
Service Investment			
Use of Reserves	**2.200**	**0.742**	**0**

* Provisional grant, actual grant will be confirmed after the submission of NNDR1 returns to DLUHC.
* Collection fund and business rates deficit/surplus to be confirmed

7.1.4 Service Investment

Management Board propose the following areas of service investment, if the £5 precept was applied:

- Due to budget constraints, minor refurbishment of fire stations has taken a low priority and as a result many have fallen into a state of disrepair. The Property Department have commissioned condition and equality surveys that have been completed and are subsequently being reviewed to prioritise capital works upgrades across the estate, which are included in the capital plan. Many of the stations pre 1990 require significant upgrades to building fundamentals such as electrical and mechanical services as well as building fabric elements such as roofs doors and windows. The newer stations built between 1997 to 2017 require minimal upgrades with regards these elements but require investment with regards cosmetic finishes in the way of painting and decorating and flooring replacement. Fire Stations are heavily used buildings and quickly fall into a state of untidiness and general cosmetic wear and tear due to the nature of their use. It is proposed that some of the additional funding will be used to refresh the buildings from 1990 by undertaking a programme of redecoration and flooring replacements along with repairs to existing suspended ceilings. Currently there is a piece of work looking at standardising a corporate palette colour scheme starting at HQ to be rolled out across the Authority. Additional funds will enable the Authority to roll this out across stations, thus providing the fresher modern cooperate image. It is also proposed that upgrades to building signage including room numbering, way finding, and room naming be standardised across the estate.

- The remaining funding will be used to make additional revenue contributions to the Capital Finance Reserve. The capital finance reserve is used to fund the rebuilds and the major re-development of our buildings. This reserve does not cover the total cost of the FSHQ development, meaning that some of the capital investment at FSHQ will needed to be funded from borrowing and hence will require MRP contributions to be applied.

  The Authority has included provision in the capital plan to rebuild Huddersfield and Halifax fire stations within the next four years, and due to inflation, it is likely that these estimates will increase; the cost of both FSHQ and Keighley Fire Station rebuild increased by 40% from estimates. If the Authority does not use reserves for the replacement of assets, it means that MRP charges will need to be applied to the rebuilds, which will be charged over the life of the asset (40 years).
  It is thus important that the capital finance reserve is topped up, so that it can fund future station rebuilds. It is recommended that the balance of funding once the final funding is determined is transferred to the reserve in 2023/24.

7.1.3 The table below shows the effect on the precept to a Band A to a Band D council taxpayer based on a 2.99% and £5 precept increase:

Precept Increase £5

	Annual	Per month	Per Week	Increase from 22/23
Band A	£51.45	£4.29	£0.99	£3.33
Band B	£60.03	£5.00	£1.15	£3.89
Band C	£68.60	£5.72	£1.32	£4.44
Band D	£77.18	£6.43	£1.48	£5.00

Precept Increase 2.99%

	Annual	Per month	Per Week	Increase from 22/23
Band A	£49.56	£4.12	£0.95	£1.44
Band B	£57.82	£4.82	£1.11	£1.68
Band C	£66.08	£5.51	£1.27	£1.92
Band D	£74.34	£6.20	£1.43	£2.16

7.2 Budget Calculations

7.2.1 The Authority had a balanced budget in 2023/24 meaning that expenditure was matched by income.

A more detailed budget monitoring system was introduced in 2018/19 which is based on a RAG rating method of reporting. The intention being to make budget holders and managers more accountable for their budgets. Explanations for the variances on the RAG ratings have to be reported to the Chief Finance and Procurement Officer accompanied with an action plan for correction or re-alignment.

7.2.2 The transfer of budgets to contingencies that were approved at Finance and Resources in July and October 2022 and pending committee approval in February 2022 and increases and changes to employee budgets approved at Human Resources Committee in March, July and, October 2022 have been incorporated into the base budget for 2023/24.

7.2.3 The budget is not calculated in isolation as it reflects the Workforce Plan, the Community Risk Management Plan (CRMP) and the Programme of Change which ensures that the capital and revenue budget support the Authority's Your Fire and Rescue Service.

7.2.4 Budget holders are actively involved directly in the budget setting process and a system of capital and revenue bids are used to identify areas of growth and savings. This is a thorough process which commences in October and is finalised in January when Management Board meet at a special meeting called the Star Chamber and agree the budget to present to members for approval. Each capital and revenue bid are scrutinised by Management Board to ensure that it meets the service priorities.

7.2.5 Recruitment and Retirements

There are twenty-seven planned retirements and forty new recruits in 2023/24, these are phased during the year, but due to external factors are subject to variation. The operational employee budget is calculated using the workforce plan which underpins the Community Risk Management Plan (CRMP). The workforce plan manages the recruitment process so that employee strength is aligned to the establishment, which is currently 937 wholetime employees.

7.3 Budget Growth, Savings and Cost Pressures 2023/24

7.3.1 In addition to the budget adjustments approved at committee during 2022/23 there are a number of areas of growth, savings and cost pressures that have been identified as part of the budget planning process. £2.1m of this growth is unavoidable plus, the £3.466m identified as cost pressures would have to be met regardless of funding levels.

Employee Budgets

a) £0.641m has been included for the continuation of the training and maintenance of the competence of contingency resilience fire crews who will provide fire cover during periods of industrial action.

b) £0.452m has been included for staff that will manage the FSHQ transition project, this is a large project that will require detailed planning and co-ordination as teams are transitioned into the new building.

c) £0.101m has been included for increases to budgets for specialist teams, such as drone operators, Marauding Terrorist Firearms Attack (MTFA) and Joint Emergency Service Interoperability Programme (JESIP) for increased training and resilience. In addition, a provision has been included for honorarium payments and the extension of fixed terms contracts.

d) £0.105m has been included for three new support posts which will be subject to a separate report presented to the Human Resources Committee

Non-Employee Budgets

e) £0.423m has been allocated to the FSHQ transition budget, this is for the cost of the relocating of employees back to Birkenshaw, the majority of the cost (£0.390m) is for the breathing apparatus training at the Fire Service College as the smoke house at FSHQ is unavailable for training during the rebuild. The transition budget will reduce in 2024/25, once all staff have fully migrated to the new FSHQ.

f) £0.250m has been added to training budgets, the training budget has been reduced over a number of years, resulting in the number of training bids that have been submitted for 2023/24 has exceeded budget provision. The Authority has a back log of training resulting from the pandemic.

g) The electricity and gas budgets have been increased by £0.977m which are a result of inflationary increases. The increase to gas is relatively small at £0.098m as this is due to increases in standing charges only, the contract for gas is not due for renewal until Autumn 2025.

h) The vehicle fuel budget has been increased by £0.162m which reflects the inflationary increase in fuel prices.

i) Further increases have been required to transport related budgets of £0.102m. These are for the initial start-up costs of a car salary sacrifice scheme for employees, inflationary increases to spare parts and an increase in vehicle and plant hire costs relating to the moving of employees around sites during periods of industrial action and the development of FSHQ.

j) There are a number of smaller growth requests for staff advertising, equipment, consultancy fees, extension to the cleaning contract and increased audit fees, totalling £0.234m.

Cost Pressures

A cost pressure is a cost that is known that it will occur, but the timing and the actual cost are subject to variation.

k) From the 1st of April 2023, the Authority will become a member of the Fire and Rescue Indemnity Company (FRIC) for the majority of our insurance provision. This will save an estimated (£0.285m) per annum compared to the current cost of insurance provision.

l) (£0.259m) has been deducted from employee budgets for vacancy management for support staff.

m) The ill health retirements budget has been reduced by (£0.100m) which reflects current expenditure.

n) The pay award for 2022/23 has yet to be settled, for budget planning purposes it has been assumed that a 6% pay award will be paid to fire fighters. This will cost an additional £0.609m in 2023/24 (a 5% provision is included in 2023/24 base budgets). The back dated cost will also need to be factored into the MTFP, in 2022/23 a provision of 4% was included in base budgets, so a 6% pay award will cost £0.830m.

o) The overtime and detached duty budgets are forecast to overspend in 2022/23, this is due to increase in sickness, attendance on training courses and staff vacancies. A provision of £0.500m has been included to support the employee budgets if overtime and detached duties remain at a high level in 2023/24. Moreover, the Covid grant will be fully expended in 2022/23 so it can no longer support the payment of overtime which is undertaken to cover leave that was cancelled during the early stages of the pandemic.

p) As detailed in section 4.3.2 of the report, there is a possibility that a flat amount will be offered again as a pay award to support staff in 2023/24. This would ease the issue of complying with the National Living Wage in April 2024. Assuming a similar pay award is offered in 2023/24, this would cost an additional £0.200m over the 5% budget provision.

q) £0.102m has been added to employee contingency budgets to cover the cost of three employees who have exceeded their projected retirement date and are still in employment at the time of budget setting.

r) £0.100m has been included for retained recruitment in order to increase retained availability.

s) A provision of £0.132m has been included in employer pension contributions to fund the cost of those firefighters who have opted out of a pension scheme, re-joining. This provision assumes that 25% may decide to opt back in.

t) Although the ongoing revenue costs of the new control system will not take effect until 2024/25, there will be an increase in maintenance of the existing system of £0.088m in 2023/24. Once the new system is fully implemented in 2024/25, the increase in revenue costs will be significant with an estimated additional cost of £0.690m per annum.

u) A provision of £0.303m has been made for a change in policy of charging of some operational capital expenditure to revenue.

v) The income budgets have been reduced by £0.049m to meet the anticipated reduction in enhanced logistics grant and telephone mast rental.

w) The Authority's payroll is managed by Kirklees Council through a Service Level Agreement (SLA) agreement. From March 2024, the council will no longer maintain 4-weekly payrolls. If the Authority decides to continue with 4-weekly pay rather than move to monthly pay, this will incur an additional annual SLA charge of £0.040m

x) A provision of £0.107m has been included in employee budgets for increases to support staff grades due to job evaluation and the payment of honorariums following the implementation of the pay spine review and for temporary staff to undertake project work.

y) £1.050m has been included for additional revenue contributions to capital expenditure which will reduce the Authority's capital financing requirement

Budget Calculation Assumptions

7.4.1 The main financial assumptions underpinning both spending and funding forecasts in the MTFP are:

- A precept increase of £5 in 2023/24, 2.99% in 2024/25 and 1.99% each year thereafter.
- Tax base increases in 2023/24 of 0.97% and 1.1% increase each year thereafter.
- Pay increases for all staff groups of 5% in 2023/24, 3% in 2024/25 and 2% each year onwards.
- General price inflation of 5% in 2023/24, 3% in 2024/25 and 2% each year after
- Central government grant to increase by September CPI inflation, estimated to be 5.0% in 2024/25 and 2% each year thereafter
- Employees retire as per their projected retirement date and the Authority continues to recruit in order to maintain establishment at 937 whole time employees.

As with any assumptions, those built into the MTFP will be at risk from factors beyond the Authority's control, these can have the effect of increasing or decreasing the projected deficit.

The largest risk to the MTFP is the uncertainty of the outstanding fire fighters pay award, as already noted earlier in the report, each 1% above provision will cost an additional £0.609m. A 5% pay award for 2022/23 has been assumed in the budget calculations for the 2023/24 employee budget, but any increase in this will have to be funded from the increased precept income from the £5 precept.

7.5 Financial Planning April 2024 Onwards

7.5.1 Although members will be asked to approve the budget for 2023/24, the longer-term impact on the MTFP also needs to be considered.

The table below shows the impact of a precept freeze, a 2.99% precept increase, and a £5 precept increase over the next three financial years, with three pay award scenarios.

The MTFP has been prepared taking into account the assumptions outlined in 7.4.1.

It has been assumed there will be no cuts to funding in the next Comprehensive Spending Review from 2025/26.

		Precept Freeze 23/24 £m	2.99% £m	£5 £m
2024/25	Deficit /Surplus 5%	-£2.869	-£1.351	£1.301
	Deficit /Surplus 6%	-£3.496	-£1.979	£0.673
	Deficit /Surplus 7%	-£4.123	-£2.606	£0.046
2025/26	Deficit /Surplus 5%	-£3.035	-£1.820	£0.907
	Deficit /Surplus 6%	-£3.681	-£2.466	£0.261
	Deficit /Surplus 7%	-£4.327	-£3.112	-£0.385
2026/27	Deficit /Surplus 5%	-£3.309	-£2.039	£0.774
	Deficit /Surplus 6%	-£3.974	-£2.705	£0.109
	Deficit /Surplus 7%	-£4.639	-£3.370	-£0.557

7.5.2 The table shows that the deficit from a precept freeze, and a 2.99% precept increase will require the Authority to use reserves or find efficiency savings, even if the pay award is not increased above that this is currently on the table.

Only the £5 precept option, will enable the Authority to balance its books over the four-year period to 2026/27.

Due to recent periods of high inflation, increases in the cost of delivering the capital plan, uncertainty about the 2022/23 final fire fighter pay award and the potential cost of industrial action means that the deficit and surplus could be subject to large variation and the managing of a deficit through the use of reserves would be difficult.

7.5.3 The Government has clarified that the Review of Relative Needs and Resources (The Fair Funding Review) and a reset of accumulated business growth will not be implemented until the next spending review in 2025/26. Although the fire sector falls outside the review, there is to be a separate review into the allocation of fire resources. This could have an unfavourable impact on this Authority if current formula is changed significantly as a large proportion of funding is related to population and deprivation.

7.5.4 It has been assumed that there will be no cuts to central base line funding from 2025/26 and that government grant will continue to rise in line with September CPI inflation. There has been no guarantee that the Authority will continue to receive the annual grants to cover the costs falling out of Grenfell and the Building Safety Bill for which the Authority received £0.350m in 2022/23, if these grants were ceased the Authority would have to meet these costs from existing budgets or stop the work on these projects.

7.5.5 It has been assumed that the Services grant and the Under Indexing of Business Rates grant, for which the Authority will receive a total of £3.02m in 2023/24 will remain at the same level in future settlements, because these are not built into the base budget, continuation at the same level cannot be guaranteed. The 2023/24 settlement has seen that the Services Grant is subject to variation, as this grant has been reduced by 44% from 2022/23.

7.5.6 The effect on the cost of goods and services from inflation and ongoing supply issues due to the world economy may add further pressure to the revenue budget.

7.5.7 As detailed in section 4.3 of this report the Authority is facing a number of cost pressures particularly around pay which constitutes 74% of total expenditure. These are the pressures on pay awards, increased pay as a result of the White Paper on Fire Service Reform and the increase in fire fighter employer contributions from the actuarial valuation of pensions. The financial burden is currently unknown but could have a significant impact on the revenue budget.

A precept increase, of £5 will enable the Authority to continue to invest in service delivery over the longer term.

7.5.8 As Chief Finance and Procurement Officer and as Section 73 officer there is a statutory duty to present a balanced budget as the use of reserves cannot be sustained over the longer term.

7.5.9 An assessment against the Financial Resilience Index has been carried out to assess the financial risk facing the Authority. The Financial Resilience Index is a tool developed by CIPFA which is made up of a set of indicators which take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance.

There is a mandatory requirement for a local authority to undertake an assessment of their financial resilience, however this is not compulsory for fire and rescue services. CIPFA have devised a model to facilitate the financial resilience. An assessment of the Authority's financial reliance was undertaken prior to the setting of the 2023/24 budget which included an assessment against the three indicators in the CIPFA model. These indicators are usable reserve levels, social care ratio and gross external debt. Based on these indicators, the CFPO has assessed that WYFRS has strong financial resilience, in that, usable reserves amount to 44% of the 2022/23 annual revenue budget, there is no social care requirement, and the Authority has a low level of debt.

7.6 <u>Reserves</u>

7.6.1 Finance and Resources Committee approved the Reserves Strategy in October 2022

There are two types of reserves: general fund and earmarked reserves.

- General Fund – this reserve is necessary to fund any day-to-day cash flow requirements and also to provide a contingency in the event of any unexpected events or emergencies; and
- Earmarked Reserves – these have been created for specific purposes and involve funds being set aside to meet known or predicted future liabilities. By establishing such reserves, it will smooth the expenditure profile and avoid liabilities being met from Council Tax in the year that payments are made.

7.6.2 It is proposed that reserves will be used to support the MTFP over the next four years as summarised in the table below:

Reserve Description	Origin	Balance £m	Planned Use 2022/23 £m	Planned Use 2023/24 £m	Planned Use 2024/25 £m	Planned Use 2025/26 £m	Planned Use 2026/27 £m	Balance 31/03/2027 £m
General Fund		-£5,000						-£5,000
Transparancy	Government Grant	-£62						-£62
Regional Control Funding	Government Grant	-£563	£563					£0
Enhanced Logistical Support	Government Grant	-£202				£202		£0
Decontamination of Body Bags	Government Grant	-£40						-£40
Council Tax Reform	Government Grant	-£27						-£27
Business Rate Appeals	Internal & Grant	-£1,301						-£1,301
Tax Income Guarantee	Government Grant	-£604	£302	£302				£0
COVID19	Government Grant	-£675	£675					£0
Pension Admin Remedy	Government Grant	-£145	£15	£65	£65			£0
Insurance Claims	Internal	-£388						-£388
Service Support Reserve	Internal	-£248	£50	£50				-£148
Pension Equalisation Reserve	Internal	-£4,022			£469	£479	£488	-£2,586
Provision for pay and prices	Internal	-£2,127	£1,154	£900				-£73
Industrial Action	Internal	-£1,000	£450	£550				£0
Capital Financing Reserve	Internal	-£24,137	£6,975	£12,000	£5,162			£0
ESMCP	Internal	-£258			£258			£0
Medium Term Funding Impact	Internal	-£2,000				£2,000		£0
Total Earmarked		-£37,799	£10,184	£13,867	£5,954	£2,681	£488	-£4,625
TOTAL USABLE RESERVES		-£42,799	£10,184	£13,867	£5,954	£2,681	£488	-£9,625

It is worth noting that those earmarked reserves highlighted in orange in the table are the result of the receipt of a government grant and as such will have to be spent on the purpose specified in the grant terms and conditions. These reserves cannot be used to fund expenditure in other areas.

It's important to note that reserves can only be used once and cannot be used in the medium to long term to fund ongoing expenditure.

The rest of the earmarked reserves will be used to support the MTFP as follows.

a) It is recommended that costs associated with the implementation of the performance management system and the data and digital strategy are met from the Service Support Reserve. It is expected that these projects will generate ongoing revenue benefits over the longer term even though they will need initial investment in the first instance.

b) The pension equalisation reserve will be called upon from 2024/25 to fund any increase in cost resulting from the increase in firefighter pension contributions that will not be met by government grant. This is explained in further detail in paragraph 4.3.3. £1.0m of this reserve was transferred to establish the Industrial Action reserve.

c) The pay and prices reserve will be used to pay for the back pay relating to the payment of holiday pay in overtime (Bear v Scotland). This reserve will also be used to fund any inflationary increases in contracts that are not included in base budgets.

d) Dependant on the length of industrial action, the reserve allocation of £1.0m may not be adequate and further calls on other earmarked reserves may be required. This will be monitored closely and reported to Finance and Resources Committee.

e) The capital finance reserve will be fully spent on the FSHQ redevelopment. Any underspends on the revenue budget will be moved to this reserve. If rebuilds are paid from reserves, it will mean that capital financing charges in the form of statutory Minimum Revenue Provision is not charged to this £24.1m of capital investment resulting in revenue savings over many years. This is because Minimum Revenue Provision is chargeable to revenue over the life of the asset, in the case of a new fire station, 40 years. It is proposed that the capital finance reserve is maintained and “topped up”, although the reserve will be fully used for the FSHQ development, it is intended this reserve will be used to fund station rebuilds that are in the capital plan.

f) Until confirmation is received from the Home Office regarding the funding of the replacement of control room servers, the ESMCP reserve has been forecast to be used for this purchase.

g) Although the Authority has some certainty in that funding will be increased by CPI inflation in 2024/25, if from 2025/26 the funding settlement is not as favourable as forecast in the MTFP and results in real terms funding cuts, the Authority will need to call upon its reserves in order to achieve a balanced budget. This will be met from the Medium-Term Funding Impact reserve.

8 Financial Implications

The financial implications are included within main body of the report.

9 Legal Implications

The Monitoring Officer has considered this report and is satisfied it is presented in compliance with the Authority’s Constitution.

10 Human Resource and Diversity Implications

There are no human resource and diversity implications within this report

11 Health, Safety and Wellbeing Implications

There are no human resource and diversity implications within this report

12 Environmental Implications

There are no environmental implications within this report

13 Your Fire and Rescue Service Priorities

The revenue and capital budget and the medium-term financial plan under pin all the fire and rescue service priorities

14 Conclusions

This report provides members with the prosed revenue and capital budgets for 2022/23 to 2026/27 and a MTFP to 2026/27. This will be brought to Full Authority Committee on the 24th of February for approval.

Department	Description	Estimated Total Capital Cost	Capital Budget Required 23/24	Agreed Slippage 22/23	Estimated Slippage 22/23	Agreed 23/24 from 22/23 (Schemes over 2 years)	Capital Bids 23/24	Requested Capital budget 24/25	Requested Capital budget 25/26	Requested Capital budget 26/27	Requested Capital budget 27/28
Operations	New Control Project	£3,000,000	£2,000,000	£750,000	£250,000	£1,000,000	£0	£1,000,000	£0	£0	£0
Operations	Hose Reels	£43,000	£32,500	£0	£0	£0	£32,500	£10,500	£0	£0	£0
Operations	BA Ancillary Equipment	£275,000	£0	£0	£0	£0	£0	£275,000	£0	£0	£0
Operations	BA Cylinders	£450,000	£450,000	£0	£0	£0	£450,000	£0	£0	£0	£0
Operations	BA Sets & Charging Kits	£837,000	£0	£0	£0	£0	£0	£837,000	£0	£0	£0
Operations	BA Compressors	£130,000	£130,000	£0	£0	£0	£130,000	£0	£0	£0	£0
Operations	Dividing Breeches	£30,000	£30,000	£0	£0	£0	£30,000	£0	£0	£0	£0
Operations	Gas Tight Suits	£10,000	£10,000	£0	£0	£0	£10,000	£0	£0	£0	£0
Operations	Hydrants	£2,070,000	£450,000	£0	£0	£0	£450,000	£360,000	£450,000	£360,000	£450,000
Operations	Ladders	£247,000	£190,000	£50,000	£20,000	£0	£120,000	£57,000	£0	£0	£0
Operations	PPV Fans	£42,000	£42,000	£0	£0	£0	£42,000	£0	£0	£0	£0
Operations	Vehicle Stabilisation strut	£48,500	£35,500	£0	£0	£0	£35,500	£13,000	£0	£0	£0
Operations	2nd Thermal Image Camera	£290,000	£220,000	£0	£0	£0	£220,000	£70,000	£0	£0	£0
Operations	Water Rescue Equip	£12,000	£12,000	£0	£0	£0	£12,000	£0	£0	£0	£0
Operations	Wildfire PPE	£476,500	£476,500	£0	£0	£0	£476,500	£0	£0	£0	£0
Operations	Layflat Hose	£250,000	£50,000	£0	£0	£0	£50,000	£50,000	£50,000	£50,000	£50,000
Operations	Particulate Flash hoods	£210,000	£210,000	£0	£210,000	£0	£0	£0	£0	£0	£0
Operations	Wildfire Vehicle	£112,000	£112,000	£0	£112,000	£0	£0	£0	£0	£0	£0
Operations	Body Worn Camera	£60,000	£60,000	£0	£60,000	£0	£0	£0	£0	£0	£0
Operations	Expansion Foam Concrete	£15,742	£15,742	£0	£15,742	£0	£0	£0	£0	£0	£0
CRMP		£42,464,973	£25,792,814	£8,114,420	£1,646,986	£0	£16,031,408				
Transport	Vehicle Replacement	£20,645,178	£13,770,178	£6,325,178	£0	£0	£7,445,000	£4,800,000	£375,000	£700,000	£1,000,000
Transport	Airwave hardware	£250,000	£250,000	£0	£0	£0	£250,000	£0	£0	£0	£0
Operations	BA Cleaning drying units	£40,000	£40,000	£0	£0	£40,000	£0	£0	£0	£0	£0
Property	Cookridge	£22,380	£22,380	£0	£0	£22,380	£0	£0	£0	£0	£0
ICT	Purchase Order System	£100,000	£100,000	£0	£0	£0	£100,000	£0	£0	£0	£0
ICT	WIFI replacement	£90,000	£0	£0	£0	£0	£0	£0	£90,000	£0	£0
ICT	Kemp virtual Load balancers	£20,000	£0	£0	£0	£0	£0	£20,000	£0	£0	£0
ICT	PA Systems	£410,000	£0	£0	£0	£0	£0	£410,000	£0	£0	£0
ICT	MDT Software	£150,000	£100,000	£0	£0	£0	£100,000	£50,000	£0	£0	£0
ICT	Visitor Management Solution	£11,000	£11,000	£0	£0	£0	£11,000	£0	£0	£0	£0
ICT	Resource Booking Solution	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ICT	Prevention tablet refresh	£50,000	£50,000	£0	£0	£0	£50,000	£0	£0	£0	£0
ICT	Data centre transfer	£250,000	£250,000	£0	£0	£0	£250,000	£0	£0	£0	£0
ICT	Backup Solution	£120,000	£0	£0	£0	£0	£0	£0	£120,000	£0	£0
ICT	ESN/DSN Server	£40,000	£40,000	£0	£0	£0	£40,000	£0	£0	£0	£0
ICT	Firewalls HQ	£90,000	£0	£0	£0	£0	£0	£0	£90,000	£0	£0
ICT	DMZ server replacement	£40,000	£0	£0	£0	£0	£0	£40,000	£0	£0	£0
ICT	Nimble Storage replacement	£85,000	£0	£0	£0	£0	£0	£85,000	£0	£0	£0
ICT	VDI Solution	£80,000	£0	£0	£0	£0	£0	£80,000	£0	£0	£0
ICT	VMware server	£140,000	£0	£0	£0	£0	£0	£140,000	£0	£0	£0
ICT	Autopilot	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ICT	Mobile phones	£225,000	£0	£0	£0	£0	£0	£125,000	£100,000	£0	£0
ICT	Laptop & Desktop refresh	£830,000	£0	£0	£0	£0	£0	£200,000	£210,000	£210,000	£210,000
ICT	Digital Humans	£50,000	£50,000	£0	£0	£50,000	£0	£0	£0	£0	£0
ICT	One View	£25,000	£25,000	£0	£0	£25,000	£0	£0	£0	£0	£0
ICT	WAN	£250,000	£250,000	£0	£250,000	£0	£0	£0	£0	£0	£0
ICT	MDT Software	£215,000	£215,000	£0	£215,000	£0	£0	£0	£0	£0	£0
ICT	Print Solution	£74,000	£74,000	£0	£74,000	£0	£0	£0	£0	£0	£0
Property	Rawdon - Facilities upgrade	£240,000	£240,000	£0	£0	£0	£240,000	£0	£0	£0	£0
Property	Otley - Showers	£65,000	£65,000	£0	£0	£0	£65,000	£0	£0	£0	£0
Property	Odsal boundary fence	£150,000	£150,000	£0	£0	£0	£150,000	£0	£0	£0	£0
Property	Ludo charging points	£300,000	£300,000	£0	£0	£0	£300,000	£0	£0	£0	£0
Property	Fire alarm upgrades	£40,000	£40,000	£0	£0	£0	£40,000	£0	£0	£0	£0
Property	Bradford EV Charging points	£90,000	£90,000	£0	£0	£0	£90,000	£0	£0	£0	£0
Property	Dewsbury Showers	£50,000	£50,000	£0	£0	£0	£50,000	0	£0	£0	£0
Property	Bingley - Upgrade works	£770,000	£770,000	£0	£0	£0	£770,000	£0	£0	£0	£0
Property	Fuel tanks - Garforth & Rawdon	£100,000	£100,000	£0	£0	£0	£100,000	£0	£0	£0	£0
Property	Mytholmroyd - drainage	£25,000	£25,000	£0	£0	£0	£25,000	£0	£0	£0	£0
Property	Wetherby - Kitchen	£50,000	£50,000	£0	£0	£0	50,000	£0	£0	£0	£0
Property	Capital Program future years	£8,450,500	£0	£0	£0	£0.00	£0.00	£2,230,500	£2,220,000	£2,000,000	£2,000,000
Fire safety	Smoke alarms	£2,000,000	£400,000	£0	£0	£0	£400,000	£400,000	£400,000	£400,000	£400,000
Property	Cookridge	£100,000	£100,000	£0	£100,000	£0	£0	£0	£0	£0	£0
		£87,806,773	£47,946,614	£15,239,598	£2,953,728	£1,137,380	£28,615,908	£11,253,000	£4,105,000	£3,720,000	£4,110,000

Appendix B

2022/23 £m	STANDSTILL REVENUE BUDGET	2023/24 £m
56.176	Firefighters	60.889
12.286	Support Staff	13.665
1.800	Pensions	1.700
1.093	Other Employees	1.138
4.717	Premises	4.885
2.249	Transport	2.241
5.764	Supplies and Services	6.571
0.285	Lead Authority Charges	0.327
7.005	Capital Financing	7.005
0.450	Contingency	0.450
91.825	GROSS EXPENDITURE	98.870
-2.433	Less Income	-2.534
89.392	NET EXPENDITURE	96.336