West Yorkshire Fire & Rescue Authority

OFFICIAL

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

Finance & Resources Committee

Date: 2 February 2024

Agenda Item: **06**

Submitted By: Chief Finance and Procurement Officer

Purpose

To present a draft capital investment plan, a draft revenue budget and Medium-Term Financial Plan 2024/25

Recommendations

That the report be noted as the basis for the political groups to consider their budget proposals
Members approve the transfer of £0.700m from the Pension Equalisation Reserve to the General Fund Reserve.

Summary

This report presents details of the draft revenue budget for 2024/25 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 2024/25, a standstill budget, and a summary of activity in the 2023/24 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:	None
Annexes:	Appendix A - Capital Bids Appendix B – Standstill Budget 2024/25

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 2028/2029.
(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 £67.936m which includes expenditure of £35.587m in 2024/2025. This is analysed by department in the table overleaf.

2.2.2 The largest capital schemes in 2024/25 are the completion of the re-development of FSHQ, the rebuild of Keighley Fire Station, the replacement of the appliance fleet with clean cab technology and the implementation of the new command and control system.

The 2024/25 capital plan also includes:

- Mobile phone replacement
- Commencement of the rebuild of Huddersfield Fire Station
- Refurbishment of Hunslet Fire Station
- Refurbishment of Illingworth Fire Station
- Bradford Fire Station dormitories and showers
- Upgrade to fire station boilers
- PC replacement programme
- Replacement of defibrillators
- Replacement rescue jackets

2.2.3 Capital Schemes Slipped from 2023/24

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	**2024/25**	**Slippage to 2024/25**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
Property New Builds	**£25,461,669**	£1,100,000	£12,004,169	£13,104,169	£2,753,750	£3,753,750	£3,096,250	£2,753,750
Transport	**£16,604,129**	£3,780,000	£7,689,129	£11,469,129	£1,140,000	£1,465,000	£1,765,000	£765,000
Property	**£10,994,000**	£2,654,000	£350,000	£3,004,000	£2,320,000	£1,670,000	£2,000,000	£2,000,000
ICT	**£4,313,538**	£716,000	£632,538	£1,348,538	£1,045,000	£520,000	£1,160,000	£240,000
Operations	**£8,544,814**	£1,469,000	£4,774,814	£6,243,814	£590,000	£492,000	£648,000	£571,000
Fire Safety	**£2,000,000**	£400,000	£0	£400,000	£400,000	£400,000	£400,000	£400,000
Employment Services	**£17,745**	£17,745	£0	£17,745	£0	£0	£0	£0
TOTAL	**£67,935,895**	**£10,136,745**	**£25,450,650**	**£35,587,395**	**£8,248,750**	**£8,300,750**	**£9,069,250**	**£6,729,750**
Financed by								
Borrowing (Internal/External)	**£52,695,336**			£29,646,836	£3,298,750	£6,850,750	£7,619,250	£5,279,750
Reserves	**£6,790,559**			£4,790,559	£500,000	£500,000	£500,000	£500,000
Capital Receipts	**£3,700,000**			£200,000	£3,500,000		£0	£0
Revenue Contributions	**£4,750,000**			£950,000	£950,000	£950,000	£950,000	£950,000
TOTAL	**£67,935,895**	**£0**	**£0**	**£35,587,395**	**£8,248,750**	**£8,300,750**	**£9,069,250**	**£6,729,750**

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 2024/25.

2.3.2 Capital Receipts

Capital receipts are used to either purchase new capital assets or repay outstanding loans. The Authority will sell the appliances that will be replaced in the fleet replacement programme; however, the size of the capital receipt is difficult to quantify at this time.

In 2025/26 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 £52.695m 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 external borrowing in Spring 2024, 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 £1m with an estimated life of 40 years the average annual charge of MRP and interest in revenue would be £67k per annum, this saving means that the Authority can spend this money on other areas. To put this into financial context, if the Authority had to borrow in full the cost of the FSHQ development of £31m, the annual cost to revenue would be £2.077m. over the life of the asset which is 40 years this would amount to £83m.

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 £25.08m, will be used in full on the re-development of FSHQ. If the Authority underspends the revenue budget in 2023/24, 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 2024/25 £000's	**Estimate 2025/26 £000's**	**Estimate 2026/27 £000's**	**Estimate 2027/28 £000's**
CFR	79,332	78,162	80,428	83,324

The table shows an estimated borrowing requirement of £83.324m by 2027/28 which reflects the size of the capital plan and the need to take out external borrowing in 2024/25

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 2023/24 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 2022/23, 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.

	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Authorised Limit for External Debt	76	79	86	94
Operational Boundary for External Debt	71	74	81	89

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 Ratio of financing costs to net revenue stream.

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):

	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28
Ratio of Financing costs to net revenue stream	5.81%	6.02%	5.87%	5.98%	6.08%

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 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 2024/25 it is important that the Authority consider the medium-term impact of the decision.

This section is split into five key areas: -

1 Review of the economy, cost pressures and the current year's budget position
2 The cost of a standstill budget for 2024/25
3 The draft Local Government Finance Settlement
4 Medium-Term Financial Plan
5 Reserves

4.2 National Overview

4.2.1 The country is continuing to face difficult economic times with high inflation, the highest interest rates in fifteen years and the general cost of living crisis. The financial impacts of inflation 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.

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 2023 to reflect the current inflationary pressures affecting Fire and Rescue Authorities and was submitted to the Treasury to support an increase to funding for the fire sector. This was backed up with evidence from an inflation survey which was conducted in August 2023 which identified that inflationary pressures have not abated. The result of the survey showed inflationary pressures of £141m across the fire sector in 2023/24 giving a combined two-year inflationary pressure of £286m.

4.2.2 In terms of the overall economic position, the Consumer Price Inflation (CPI) has decreased steadily from 8.7% in April to 3.9% in November. The Bank of England expect a continuation of the downward trend in the annual inflation rate, with an average rate of 2.1% in 2024 which is down from their November forecast of 3.1%. Inflation 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 14th of December voted to keep interest rates at 5.25% for the third month in a row. Our treasury management consultants, Link Group, forecast that the bank rate has reached its peak, and the Bank of England will reduce rates in Q2 2024.

The increase in interest rates is having a favourable effect on the Authority's investment income, it is forecast that in 2023/24 £1.700m will be earned in investment income. This is significantly higher than that received when interest rates were low which was £0.100m in 2021/22. This increase in investment income is used to support the capital plan.

It must be recognised that the Authority is using its cash reserves to pay for the development of FSHQ and as such the amount earned in investment interest will be somewhat reduced in 2024/25.

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 at Marsden Moor in Spring 2023 which saw fire appliances and specialist resources deployed over 1,300 hours during the period. The occurrence of wildfires and flooding and the associated financial pressures it brings has increased over the past few years, however, government funding has not increased to reflect this financial burden.

4.3.1 The Authority considered its revenue budget and precept strategy on the 23rd of February 2023 and approved a precept increase of £5 resulting in a Band D property precept of £77.18. Dispensation to increase the precept on a Band D property by £5 was given to all 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:

4.3.2 Pay Awards

Because employee costs constitute 75% of our expenditure, the impact of pay awards has a significant impact on the revenue budget. The grey book pay award in 2022/23 and 2023/24 was higher than that provided for in the base budget with the additional cost being £1.245m which had to be met from existing budgets.

For every 1% increase in the pay award over and above budget provision costs an additional £0.611m for all staff groups.

In 2023/24 Support Staff accepted a pay offer of £1,925 per pay point or 3.86% (whichever is the highest) rather than a % uplift across all grades. The authority included a provision of a 5% pay award in 2023/24 which covered the cost of the pay award.

Unison have submitted a pay claim to the National Joint Council for 2024/25 which is an increase of £3,000 per pay point or 10% (whichever is the highest). The revenue budget includes a provision for a 5% pay award across all grades, if the pay claim is accepted, this would be an additional cost of £0.565m.

Increases to the National Living Wage will also impact on the support staff budget. Although the Authority's lowest grade pays higher than the National Living Wage (NLW), the margin is becoming reduced, and it is expected that in April 2025 an uplift to those on the lowest grades will be required. The NLW is to increase to £11.44 from the 1st of April 2024 and the lowest grade employee receives an hourly rate of £11.98.

4.3.3 Industrial Action

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. There is currently a balance of £0.610m in the reserve. In addition the Authority has continued to train and employ contingency crews albeit on a much-reduced level. The threat of industrial action has not gone away, the implementation of the Minimum Services Level Bill could impact on industrial relations in 2024/25 and the Authority needs to ensure that it has the funding to manage this. If such costs from industrial action could not be met from existing budgets the Authority would need to call upon its reserves. If the reserve were fully spent, funding from existing revenue budgets would be required. More detail on reserves is provided in section 7 of this report.

4.3.4 Pensions

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 outcome of the 2020 GAD actuarial review has seen an increase in the firefighter's employer contribution rate of 8.8% which is payable from the 1st of April 2024. This has increased employer contributions by £3.590m which has been built into base budgets.

The Home Office announced that the increase in employers pension contributions from the 1st of April will be reimbursed fully by grant. The grant is not going to be based on actual costs incurred but will be calculated on a four-year average using the top up grant data for each fire authority. As with any formula this is subject to "winners and losers." Initial calculations based on the proportion the Authority received from the existing pensions grant show a potential shortfall of £0.411m. The amount of grant to be paid is expected to be released in early February.

This grant will be paid as an annual grant from the Home Office and will not be rolled into core funding, so receiving the grant going forward is subject to uncertainty.

In addition there are the financial burdens from the O'Brien/Matthews case which effects our on-call firefighters. The Matthews case will introduce a second options exercise for on-call 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 2024, actuarial valuation explained in the previous paragraph.

4.3.5 Pension Remedy

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.

4.3.6 New Burdens

The Authority has received one off grants in 2023/24, to fund the financial pressures of the implementation of the Building Safety Bill, totalling £0.378m. 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.

The introduction of more thorough DBS checks for employees and the need to comply with the new Driver Training Fire Standard has resulted in additional financial burden for the Authority, amounting to £0.250m per annum. The Authority has received no additional funding to meet these new burdens. This has been brought to the attention of the Home Office and lobbying will continue for financial support.

Moreover, the Authority received notification from the Home Office in June 2022 that the Fire Link Grant is to be reduced by 20% each year over the next five years. The loss of grant in 2024/25 is £0.081m.

The introduction of the Building Safety Regulator could pose further funding challenges for the sector. The Hackitt Review stated that the new regulatory regime should be cost neutral. However, because of continuing uncertainty over how the regime will work in practice, combined with concerns that the secondary legislation underpinning the Building Safety Act (which has established that commercial parts of mixed-use buildings are no longer within scope), the NFCC is not convinced that all new burdens will be rechargeable. This would be at a cost to the Authority.

4.3.7 Inflationary Pressures

Although inflation is reducing, the impact of inflation is continuing to have an impact on the Authority. The budgets for electricity and vehicle fuel were increased by £1.041m in 2023/24 and there has been no reduction in the cost of goods and services during the year.

There have been large increases in the cost of capital schemes over the past two years, with both the re-development of the FSHQ site and the rebuild of Keighley Fire Station realising a 40% increase in cost against estimates. Moreover the fleet replacement programme has been subject to increases as the contract is linked to CPI.

The capital plan includes provision to rebuild Huddersfield and Halifax fire stations over the next three years which may experience prices increases. In addition, unless the capital finance reserve is “topped up,” the Authority will have to borrow to pay for the rebuilds. This increases the capital financing charges to the revenue budget.

4.3.8 Data and Digital Strategy

The implementation of the data and digital strategy and the introduction of new technology is creating an increasing cost pressure on the revenue budget. This is because the purchase of software licences and ICT development is chargeable to revenue and cannot be capitalised. Previously, the Authority would purchase the system and host it on authority owned servers which is a capital cost but now most systems are accessed via the cloud and as such the Authority does not own the system.

If the Authority is to continue in its ICT transformation there will need to be ongoing increases in the revenue budget in the Medium-Term Financial Plan to facilitate this.

4.3.9 Commitment to Net Zero

The Environmental Sustainability Strategy 2023-25 sets out how the Authority will reduce its impact on the environment. The new FSHQ has been designed to have the latest energy efficient technologies including LED lighting, smart thermostats, solar panels, water- saving fixture to name a few. Although these will reduce the cost of electricity, these advanced systems will require detailed management and maintenance which was not required in the previous HQ. This will require an increase to the revenue budget from 2025/26, which has been identified as a cost pressure.

It is planned that the Authority will move to the use of biodiesel in the fleet which is more environmentally friendly but costs 20p more per litre. This will require an increase to the vehicle fuel budget if approved.

4.3.10 Financial Position 2023/24

In terms of the financial outturn, the Authority is forecast to under-spend the revenue budget by a forecast £0.160m 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 five 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 increase to fire fighter pension contribution employer rates from the 1st of April 2024.

4.5 A Standstill Budget for 2024/25 – Maintaining the current level of service.

4.5.1 A standstill budget has been prepared for 2024/25, for the purpose of providing a baseline from which to measure changes in the proposed budget. This is calculated by updating the 2023/24 budget for increases in pay and prices, new capital financing charges and other budget calculation adjustments. A standstill budget for 2024/25 would amount to £108.278m.

The changes from the 2023/24 budget are detailed in the table below.

	£m
2023/24 approved revenue budget	**104.300**
Pay and price increase 2024/25	
Employee Inflation	3.147
Non Employee Inflation	0.595
Pension Increase	3.590
Budget Adjustments	-1.557
Contingency Adjustments	-0.646
One off Revenue Bids in 2023/24	-0.444
Revenue Grants	-0.707
2024/25 Standstill Budget	**108.278**

The above table shows standstill budgets and do not include areas for growth and savings which are identified separately in the Medium-Term Financial Plan.

The main changes to the 2023/24 budget are explained below:

a) **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.

b) **Pension Increase** This is the increase in firefighter employer pension contributions payable from the 1st of April 2024 following the 2020 GAD Valuation.

c) **Budget Adjustments** The revenue budget is calculated on a zero-based budget basis, so the budget adjustments represent the changes between the budget calculations in 2023/24 and 2024/25.
For example, the changes could be one off costs, reductions in costs due to contract renewals, demand changes etc.

d) **One off Revenue Bids** In the budget setting process managers are asked to submit revenue bids for expenditure that is not included within the base budget. Some of these bids may be for one off purchases and as such do not need budget provision in the following year. For example, the purchase of equipment, employment of temporary staff and attendance on training courses.

e) **Revenue Grants** In 2024/25, the Fire Protection Grant and the Building Safety Regulator have been included in the income section in the revenue budget. In previous years, these grants have been included in the funding section of the budget report.

A subjective analysis of the Standstill budget for 2024/25 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 2023 and is published on the Authority's website.

The strategy for the use of reserves to support the Medium-Term Financial Plan 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 of the 1st of April 2023 the Authority had £5.00m of general fund reserves and £35.99m 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.

Following a review of the risk register during the budget setting process. it is recommended that the General Fund reserve is increased to £5.700m which represents 5% of the revenue budget, which is in line with the National Framework guidance on balances. This increase will be funded by a transfer of £0.700m from the pension equalisation earmarked reserve which had a balance of £3.822m on the 1st of April 2023.

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.

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 Department for Levelling Up Housing and Communities (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, national resilience, and fire protection.

5.2 Draft Settlement

The provisional Local Government Settlement was published on the 18th of December 2023 and is subject to a four-week consultation period which closed on the 15th of January 2023.

The provisional grant allocations for 2024/25 are shown in the table below.

	2023/24 Actual £m	2024/25 Draft £m
Settlement Funding Assessment:		
Revenue Support Grant	15.472	20.782
	15.472	**20.782**
Base line funding (business rates)		
Top Up Grant (Central Pool)	17.737	18.500
Top Up (Local)	7.925	8.273
Local Government Finance Settlement	**41.134**	**47.555**

The revenue support grant has increased in line with September CPI, which is 6.7% and overall baseline funding has increased by 4.3% which is the inflationary uplift remaining in the small business rates multiplier in 2023/24 after the multiplier was frozen.

The local government finance settlement for 2024/25 has increased by £6.421m. This may seem like a large increase but the pension grant for which the Authority receives £4.286m per annum has been rolled into the revenue support grant. If you exclude this, the total additional funding in 2024/25 is £2.135m. Unfortunately the £4.286m pension grant has been rolled into revenue support grant as a cash flat grant for 2024/25 but will be subject to CPI uplift from 2025/26 onwards.

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 for all standalone Fire Authorities has increased by 4.6%. The 2024/25 core spending power for West Yorkshire has increased from £102.9m in 2023/24 to £107.4m in 2024/25, an increase of 4.4%. This increase comprises inflationary increases to revenue support grant, allocation of the Services and Funding Guarantee Grants, an assumed tax base growth of 1.0%, a precept increase of 2.99% and increases for the under indexing of the business rates multiplier.

5.2.2 Service Grant 2024/25

The Services 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. The grant is distributed using the 2013/14 shares of the Settlement Funding Assessment.

The grant has reduced significantly from when it was first paid; in 2022/23 the Authority received £1.700m, in 2023/24 the amount received was £1.000m and for 2024/25 the amount of grant will be £0.157m. This is a 90% reduction over the two years. As in 2023/24, the Service Grant has been “top sliced” to fund increases in Revenue Support Grant, the Social Care Grant, and additional Funding Guarantee grants.

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

The Non-Domestic (NDR) Act received Royal Assent on the 26th of October 2023. The Act created a number of changes to the way business rate multipliers are calculated and applied. The Act has decoupled the small business rating and the standard rating multipliers which will change the calculation to the compensation for the freezing of business rates. At successive Autumn Statements since 2013 the Chancellor has announced changes to business rates. In any year, the financial impact of these measures is met by central government to ensure that authorities will be in the same financial position in which they would have been if these measures have not been made.

The government announced in the Autumn Statement that the small business rate multiplier for 2024/25 will be frozen at 49.9p and the standard business rates multiplier will be frozen at 54.6p. Local authorities are compensated from this freeze by a Section 31 grant called the Under Index Grant.

In 2024/25, the Authority will receive £4.597m of under index grant direct from central government but the amount due from the five district councils is unknown until the National Non- Domestic Rates return (NNDR1) is submitted on the 31st of January 2024.

5.2.4 Funding Guarantee

For the first time in 2023/24 the government introduced a funding guarantee to ensure that all local authorities will see at least a 3% increase in core spending power before any decisions about organisational efficiencies, use of reserves or council tax levels are made.

In 2024/25, thirty one out of the forty-four English fire and rescue services will receive an allocation from the Funding Guarantee, of which West Yorkshire is one of them. The Authority did not receive an allocation in 2023/24 but will receive £0.398m in 2024/25.

As with the Services Grant this is not built into base line funding and is thus subject to variation. A prudent approach will be taken when building this into the Medium-Term Financial Plan in future years.

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.

Returns from three district councils are currently declaring a council tax and business rates deficit of £0.156m, this position will change once all returns have been received.

For prudency, an estimated surplus is not factored into the Medium-Term Financial Plan due to the potential volatility caused by the fact that the collection rate and policy is beyond our control.

5.2.6 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.

5.2.7 The five district councils have declared an average tax base increase of 1.34% in 2024/25 which is higher than the 1.1% forecast increase included in the 2023/24 Medium-Term Financial Plan, this has generated an additional £0.130m of precept income than that forecast. The lowest increase was Bradford at 0.67% and the highest been Kirklees at 2.54%.

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 2024/25.

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 £13 (£15 in 2023/24).

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 £26.773m in business rate income with £18.500m paid directly from central government in the form of top up grant and the balance of £8.273m 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 district councils confirm the size of grant 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 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 Medium-Term Financial Plan. 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 £52.110m of its income in 2023/24. This income is dependent upon two factors, namely the size of the tax base and the precept set by the Authority.

5.5.2 A precept increase of 2.99%, would generate an additional £2.278m in 2024/25 of precept income from that generated in 2023/24.

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 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.

The detailed work on risk assessments.

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

7 Medium Term Financial Planning (MTFP)

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 2024/25. 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.

7.1.2 The table below shows the revenue budget and estimated funding for 2024/25 and shows the impact of a precept freeze and an increase in precept of 2.99%. 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 £2.805m and £0.457m, respectively.

Once the NNDR1 returns have been completed by the five district councils, the final funding position will be determined.

	Precept Freeze	2.99%
Revenue Budget	**£m**	**£m**
Standstill Budget	108.278	108.278
Recruitment and Retirements	0.466	0.466
Revenue Bids	3.349	3.349
Cost pressures	1.291	1.291
Budget 2023/24	**113.384**	**113.384**
Funding		
Revenue Support Grant	20.783	20.783
Business Rates - Top Up	18.500	18.500
Business Rates - Local Share *	8.274	8.274
Business Rates - Local Share Adjustment *	-0.335	-0.335
Collection Fund Deficit *	-0.150	-0.150
Business Rates Deficit (net) *	-0.075	-0.075
Under Index Grant	4.597	4.597
Section 31 Grant - Local Share *	3.144	3.144
Services Grant	0.157	0.157
Funding Guarantee	0.398	0.398
Pension Grant	3.411	3.411
Precept income	52.810	54.389
Funding 2023/24	**111.514**	**113.093**
Budget Deficit	**-1.870**	**-0.291**
Service Investment		
Use of Reserves	**1.870**	**0.291**

* 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.

Although, both scenarios show a budget deficit, this includes growth revenue bids of £3.349m. Once the final funding position is known, Management Board will decide on which revenue bids are to be included within the revenue budget so that a balanced budget is delivered.

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 long-life 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 2024/25.

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% precept increase:

	Annual	Per month	Per Week	Increase from 23/24
Band A	£53.00	£4.42	£1.02	£1.55
Band B	£61.83	£5.15	£1.19	£1.80
Band C	£70.66	£5.89	£1.36	£2.06
Band D	£79.49	£6.62	£1.53	£2.32

7.2 <u>Budget Calculations</u>

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 2023 and pending committee approval in February 2024 and increases and changes to employee budgets approved at Human Resources Committee in March, July 2023 and, January 2024 have been incorporated into the base budget for 2024/25.

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 priorities.

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 <u>Recruitment and Retirements</u>

There are thirty-eight planned retirements and fifty-four new recruits in 2024/25, these are phased during the year, but due to external factors timings 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 2024/25

7.3.1 In addition to the budget adjustments approved at committee during 2023/24 there are a number of areas of growth, savings and cost pressures that have been identified as part of the budget planning process. £1.6m of this growth is unavoidable plus, the £1.291m identified as cost pressures would have to be met regardless of funding levels.

Employee Budgets

a) £0.161m 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.

b) A Scania Familiarisation team has been established costing £0.108m who will train crews on the new appliances that are being rolled out to stations during the year.

c) £0.356m has been included for an apprentice vehicle technician and apprentice financial accountant, administrators in procurement and HR, driving standards and wellbeing officers, an ICT security engineer, and an increase in hours to two posts. There is also provision for an additional crew commander at the training centre. These posts will be subject to a separate report presented to the Human Resources Committee early in the new financial year.

Non-Employee Budgets

d) £0.653m has been allocated to the FSHQ transition budget, this is for the cost of the relocation of employees back to Birkenshaw. This includes £0.050m which has been included for the payment of rates in the new build.

e) £0.581m 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 2024/25 has exceeded budget provision. The Authority continues to have a back log of training resulting from the pandemic.

f) £0.482m has been included for new software licences, Mobile Data Terminal (MDT) licences and the continuation of the development and roll out of Power Apps across the organisation.

g) £0.533m has been included for the implementation of National Operational Guidance (NOG) within the organisation. This project will involve updating the way the organisation accesses and uses the content of NOG. It will require a multi-disciplinary team that will fundamentally review and update the existing suite of NOG and training materials along with aligning other electronic systems and processes to streamline how the information is accessed and used. This is a project that will span over three financial years.

h) £0.160m has been included for the production of a Carbon Reduction Roadmap. The funding will enable a specialist to map out the WYFRS estate, identifying what can be achieved at each station to reduce our carbon footprint. The work will feed directly into us being able to apply for SALIX funding and form the basis of which buildings are chosen and in which order to achieve net zero. The information will also be fed into future up and coming projects.

i) Further increases have been required to transport related budgets of £0.183m. This includes an increase to vehicle maintenance budgets as result of the delay to the fleet replacement programme we now have an aged fleet. The purchase of appliance tools and diagnostics which are required to support the new Scania fleet to ensure first line diagnosis and repair to maximise appliance availability and reduce downtime. A provision for insurance claims excess as the limit for claims is higher now the Authority has joined the Fire and Rescue Indemnity Company for its insurance provision.

j) There are a number of smaller growth requests for increase in external audit fees, equipment maintenance and purchases of new equipment totalling £0.132m.

<u>Cost Pressures</u>

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) (£0.212m) has been deducted from employee budgets for vacancy management for support staff.

l) The cost of facility management at the new FSHQ has been included as a cost pressure from 2025/26 totalling £0.150m. This is an estimated cost and there will be a thorough piece of work undertaken during 2024 to ascertain the additional costs of facilities management when the site is fully operational. This will then be subject to a revenue bid for inclusion in the 2025/26 revenue budget.

m) The overtime budget is forecast to overspend in 2023/24, this is due to increase in sickness, attendance on training courses and staff vacancies. A cost pressure was included in 2023/24 to fund this scenario which has been duly called upon to support the employee budget in this financial year. For prudency, a provision of £0.200m has been included to support the employee budgets if overtime remains at a high level in 2024/25.

n) As detailed in section 4.3.3 of this report, there is an increase in employer fire fighter pension contributions from the 1st of April 2024. It has been assumed that the government will fund 95% of this increase leaving a shortfall of £0.180m which will have to be met by the Authority.

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

p) A provision of £0.128m 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.

q) £0.050m has been included for pension abatement costs for retired operational employees that join the Authority in a support staff role. This is primarily for fire protection posts.

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

s) 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 £0.043m

t) £0.500m has been included for additional revenue contributions to capital expenditure which will reduce the Authority's capital financing requirement

7.4 Budget Calculation Assumptions

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

- A precept increase of 2.99% in 2024/25, 1.99% in 2025/26 and each year thereafter.

- Tax base increases in 2024/25 of 1.34% and 1.1% increase each year thereafter.

- Pay increases for all staff groups of 5% in 2024/25, 3% in 2025/26 and 2% each year onwards.

- General price inflation of 3% in 2024/25, 2% in 2025/26 and each year there after

- Central government grant to increase by September CPI inflation, estimated to be 3.0% in 2024/25 and 2% each year thereafter.

- Employees retire as per their budgeted projected retirement date and the Authority continues to recruit in order to maintain establishment at 937 whole time employees.

- The Authority will fully recover the costs associated with the Building Safety Regulator.

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 financial position.

7.5 Financial Planning April 2025 Onwards

7.5.1 Although members will be asked to approve the budget for 2024/25, the longer-term impact on the MTFP also needs to be considered.

The table below shows the impact of a precept freeze and a 2.99% precept increase over the next three financial years.

The MTFP has been prepared considering 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.

	2025/26 £000's	2026/27 £000's	2027/28 £000's
Employees	90,791	92,754	94,577
Non Employee expenditure	16,103	16,416	16,735
Capital Financing Charges	7,755	8,054	8,355
Income	-2,998	-2,857	-2,787
Revenue Budget	**111,651**	**114,367**	**116,880**
Cost Pressures	1,741	2,005	1,993
Revenue Growth			
Firefighter Recruitment (net cost)	774	727	741
Employees	673	603	374
Training	66	67	0
Non Employee budgets	1,500	1,510	1,550
Use of Reserves	**-382**	**-380**	**202**
Net Budget Requirement	**116,023**	**118,899**	**121,740**
Funded by:			
Council Tax Precept	56,081	57,827	59,627
Collection Fund Deficits	-300	-100	0
Local Business rates	8,522	8,692	8,866
Revenue Support Grant	21,406	21,834	22,271
Top Up grant	19,055	19,436	19,824
Section 31 Grants	7,741	7,741	7,741
Pension Grant	3,411	3,411	3,411
Services Grant	107	58	0
Funding Guaratee	0	0	0
Total Funding	**116,023**	**118,899**	**121,740**

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 in 2025/26 and 2026/27.

The funding position is unknown until after the 31st of January, so the deficit position is likely to change.

7.5.3 Local Government Funding Projections

The Autumn Statement and the Economic and Fiscal Outlook laid out the Government's spending plans over the next spending review period. Resource Department Expenditure Levels (RDELs) which is day to day spending shows that the cost envelope grows by just 0.9% in real terms in the next spending review which is lower than the March budget forecast of 1.1%.

The Office of Budget Responsibility has considered the impact on unprotected departments in the next spending review period in 2025/26. So, taking into account commitments on protected departments (NHS, defence, education, and overseas aid) the actual impact on unprotected departments is a fall of 3.4% in real terms each year from 2025/26. In order to avoid these cuts the government would need to spend an extra £20 billion in the next review period.

The effect of a 3.4% reduction in the Authority's core funding would amount to a reduction in grant of £1.094m per annum.

7.5.4 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 at the earliest. 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.

7.5.5 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 £0.380m in 2023/24, if these grants were ceased the Authority would have to meet these costs from existing budgets or stop the work on these projects.

7.5.6 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 £4.597m in 2024/25 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 2024/25 settlement has seen that the Services Grant is subject to variation, as this grant has been reduced by 44% from 2022/23 and 84% from 2023/24.

7.5.7 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.

7.5.8 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, the threat of industrial unrest as a result of the implementation of the Minimum Services Level Bill and the increase in fire fighter employer contributions from the actuarial valuation of pensions.

7.5.9 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.

7.5.10 An assessment against the Financial Resilience Index has been conducted 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.

7.5.11 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 2024/25 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 42% of the 2023/24 annual revenue budget, there is no social care requirement, and the Authority has a low level of debt.

7.6 Reserves

7.6.1 Finance and Resources Committee approved the Reserves Strategy in October 2023.

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	Opening Balance 01/04/2023	Transfers	Revised	Planned Use 2023/24	Planned Use 2024/25	Planned Use 2025/26	Planned Use 2026/27	Planned Use 2027/28	Closing Balance 31/03/2028
General Fund		-£5,000,000	-£700,000	-£5,700,000						**-£5,700,000**
Transparancy	Government Grant	-£69,211		-£69,211						**-£69,211**
Regional Control Funding	Government Grant	-£83,936		-£83,936	£83,936					**£0**
Enhanced Logistical Support	Government Grant	-£191,219		-£191,219			£191,219			**£0**
Decontamination of Body Bags	Government Grant	-£40,000		-£40,000						**-£40,000**
Council Tax Reform	Government Grant	-£27,000		-£27,000						**-£27,000**
Business Rate Appeals	Internal & Grant	-£1,301,160		-£1,301,160						**-£1,301,160**
Tax Income Guarantee	Government Grant	-£302,216		-£302,216	£302,216					**£0**
COVID19	Government Grant	-£44,788		-£44,788	£44,788					**£0**
Pension Admin Remedy	Government Grant	-£142,141		-£142,141	£35,000	£70,000	£37,141			**£0**
Serious Violence Duty	Government Grant	-£4,592		-£4,592	£4,592					**£0**
Insurance Claims	Internal	-£393,017		-£393,017						**-£393,017**
Service Support Reserve	Internal	-£49,832	-£500,000	-£549,832	£150,000	£150,000	£150,000	£100,000		**£168**
Pension Equalisation Reserve	Internal	-£3,821,633	£700,000	-£3,121,633	£200,000	£200,000	£200,000	£200,000	£200,000	**-£2,121,633**
Provision for pay and prices	Internal	-£1,569,075	£500,000	-£1,069,075	£500,000					**-£569,075**
Industrial Action	Internal	-£610,302		-£610,302						**-£610,302**
Capital Financing Reserve	Internal	-£25,079,641		-£25,079,641	£18,961,888	£1,637,321	£4,480,432			**£0**
Emergency Services Network	Internal	-£258,000		-£258,000			£258,000			**£0**
Medium Term Funding Impact	Internal	-£2,000,000		-£2,000,000		£700,000	£1,300,000			**£0**
Total Earmarked		**-£35,987,763**	**£700,000**	**-£35,287,763**	**£20,282,420**	**£2,757,321**	**£6,616,792**	**£300,000**	**£200,000**	**-£5,131,230**
TOTAL USABLE RESERVES		**-£40,987,763**		**-£40,987,763**	**£20,282,420**	**£2,757,321**	**£6,616,792**	**£300,000**	**£200,000**	**-£10,831,230**

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

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

a) It is recommended that one off 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 may 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. As explained in paragraph 4.3.3, the amount included as a cost pressure may be insufficient to pay for the increase in cost.
In addition, the financial impact of the Matthews exercise which is for on-call employees will be included in the firefighters' pension actuarial valuation in 2024. This could once again lead to an increase in employers pension contributions from April 2026.

c) The pay and prices reserve may be called upon to fund any inflationary increases in contracts that are not included in base budgets or pay awards that are over and above budget provision. To put this into financial context, for each additional 1% pay award costs £0.611m per annum.

d) The introduction of the Minimum Service Levels Bill may cause industrial unrest at some point in the future. For prudency, it is recommended that the industrial action reserve is maintained at its current level.

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 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.

   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).

f) The Emergency Services Network (ESN) reserve may be called upon to fund the replacement of control room servers if the funding from the Home Office is less than the cost. There is currently a halt on the implementation of the Emergency Services Network (ESN) programme with the Home Office requesting a return of unspent ESN grants by the 1st of April 2024. It is thus prudent to maintain this reserve at its current level as funding going forward remains uncertain.

g) As explained in paragraph 7.5.2, it is expected that there may be a return to austerity in the next spending review period. 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. Moreover, as explained in the funding section of the report there are some grants that are not rolled in core funding and as such are subject to variation.

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 2042/25 to 2028/29 and a MTFP to 2027/28. This will be brought to Full Authority Committee on the 29th of February for approval.

Appendix A

Directorate	Description	Capital Budget Required 24/25	Agreed Slippage 23/24	Estimated Slippage 23/24	Agreed 24/25 from 23/24(Schemes over 2 years)	Capital Bids 24/25	Requested Capital budget 25/26	Requested Capital budget 26/27	Requested Capital budget 27/28	Requested Capital budget 28/29
Employment Services	OHU Equipment	£17,745	£0	£0	£0	£17,745	£0	£0	£0	£0
Service Support	VM Server Hardware	£140,000	£0	£0	£0	£140,000	£0	£0	£0	£0
Service Support	VDI server replacement	£80,000	£0	£0	£0	£80,000	£0	£0	£0	£0
Service Support	Mobile Phone replacement	£225,000	£0	£0	£0	£225,000	£0	£0	£0	£0
Service Support	DMZ server replacement	£40,000	£0	£0	£0	£40,000	£0	£0	£0	£0
Service Support	PC replacement programme	£200,000	£0	£0	£0	£200,000	£210,000	£220,000	£230,000	£240,000
Service Support	ICT CH8 Data Centres (D&D Strategy)	£0	£0	£0	£0	£0	£0	£0	£0	£0
Service Support	Kemp Virtual Load balances	£20,000	£0	£0	£0	£20,000	£0	£0	£0	£0
Service Support		£0	£0	£0	£0	£0	£835,000	£300,000	£930,000	£0
Service Support	MDT Software	£240,000	£0	£240,000	£0	£0	£0	£0	£0	£0
Service Support	Visitor Management Solution	£11,000	£0	£0	£0	£11,000	£0	£0	£0	£0
Service Support	Print Solution	£102,538	£102,538	£0	£0	£0	£0	£0	£0	£0
Service Support	Data Transfer centre	£250,000	£250,000	£0	£0	£0	£0	£0	£0	£0
Service Support	ESN/DSN Server	£40,000	£40,000	£0	£0	£0	£0	£0	£0	£0
Service Support	Keighley	£3,190,215	£1,289,215	£1,901,000	£0	£0	£0	£0	£0	£0
Service Support	Build 1	£1,150,000	£100,000	£0	£0	£1,050,000	£2,753,750	£2,753,750	£342,500	£0
Service Support	Build 2	£150,000	£100,000	£0	£0	£50,000	£0	£1,000,000	£2,753,750	£2,753,750
Service Support	FSHQ	£8,613,954	£2,154,340	£4,359,672	£2,099,942	£0	£0	£0	£0	£0
Service Delivery	Ladders	£50,000	£50,000	£0	£0	£0	£0	£0	£0	£0
Service Delivery	Hydrants	£360,000	£0	£0	£0	£360,000	£450,000	£360,000	£450,000	£360,000
Service Delivery	Defibrillators	£250,000	£0	£0	£0	£250,000	£0	£0	£0	£0
Service Delivery	Featherweight/Light portable pumps	£120,000	£0	£0	£0	£120,000	£0	£0	£0	£0
Service Delivery	Foam Branches and Ancillary equipment	£45,000	£0	£0	£0	£45,000	£0	£0	£0	£0
Service Delivery	Gas tight suit replacement	£24,000	£0	£0	£0	£24,000	£10,000	£0	£10,000	£20,000
Service Delivery	Lay flat hose and Hose reel tubing	£65,000	£0	£0	£0	£65,000	£70,000	£70,000	£70,000	£70,000
Service Delivery	Lockers	£60,000	£0	£0	£0	£60,000	£0	£0	£0	£0
Service Delivery	Mainline Branches	£20,000	£0	£0	£0	£20,000	£20,000	£22,000	£22,000	£25,000
Service Delivery	MIBS Stretchers	£55,000	£0	£0	£0	£55,000	£0	£0	£0	£0
Service Delivery	Rescue Jackets	£200,000	£0	£0	£0	£200,000	£0	£0	£0	£0
Service Delivery	Tirfors and Ancillary Equipment	£60,000	£0	£0	£0	£60,000	£0	£0	£0	£0
Service Delivery	Trauma bag replacement	£40,000	£0	£0	£0	£40,000	£0	£0	£0	£0
Service Delivery	Water Rescue Equipment	£20,000	£0	£0	£0	£20,000	£15,000	£15,000	£15,000	£15,000
Service Delivery	Breathing Apparatus Mechanical & drying units	£112,000	£0	£0	£0	£112,000	£0	£0	£56,000	£56,000
Service Delivery	Vehicle Stabilisation strut	£13,000	£0	£0	£0	£13,000	£0	£0	£0	£0
Service Delivery	2nd Thermal Image Camera	£25,000	£0	£0	£0	£25,000	£25,000	£25,000	£25,000	£25,000
Service Delivery	New Control Project	£2,708,554	£926,568	£781,986	£1,000,000	£0	£0	£0	£0	£0
Service Delivery	Hose Reels	£10,500	£0	£0	£10,500	£0	£0	£0	£0	£0
Service Delivery	BA Ancillary Equipment	£275,000	£0	£0	£275,000	£0	£0	£0	£0	£0
Service Delivery	BA Sets & Charging Kits	£837,000	£0	£0	£837,000	£0	£0	£0	£0	£0
Service Delivery	Vehicle Stabilisation strut	£0	£0	£0	£0	£0	£0	£0	£0	£0
Service Delivery	2nd Thermal Image Camera	£0	£0	£0	£0	£0	£0	£0	£0	£0
Service Delivery	Wildfire PPE - Estimated Slippage	£760,960	£0	£760,960	£0	£0	£0	£0	£0	£0
Service Delivery	Body Worn Cameras Estimated Slippage	£67,515	£0	£67,515	£0	£0	£0	£0	£0	£0
Service Delivery	Command Support Estimated Slippage	£65,285	£0	£65,285	£0	£0	£0	£0	£0	£0
Service Delivery	Smoke Alarms	£400,000	£0	£0	£0	£400,000	£400,000	£400,000	£400,000	£400,000
Service Support	Property Schemes	£0	£0	£0	£0	£0	£2,320,000	£1,670,000	£2,000,000	£2,000,000
Service Support	EV Chargers	£80,000	£0	£0	£0	£80,000	£0	£0	£0	£0
Service Support	Hunslet Refurbishment	£800,000	£0	£0	£0	£800,000	£0	£0	£0	£0
Service Support	Bradford F/S Dorms & Showers	£450,000	£0	£0	£0	£450,000	£0	£0	£0	£0
Service Support	Slaithwaite fire escape	£85,000	£0	£0	£0	£85,000	£0	£0	£0	£0
Service Support	Illingworth	£875,500	£0	£0	£0	£875,500	£0	£0	£0	£0
Service Support	Meltham Fire Station - Fabric	£70,000	£0	£0	£0	£70,000	£0	£0	£0	£0
Service Support	Boiler Upgrade Schemes	£200,000	£0	£0	£0	£200,000	£0	£0	£0	£0
Service Support	Rastrick ventilation	£73,500	£0	£0	£0	£73,500	£0	£0	£0	£0
Service Support	Bingley Estimated Slippage	£350,000	£0	£350,000	£0	£0	£0	£0	£0	£0
Service Support	Scaffolding	£0	£0	£0	£0	£0	£0	£0	£0	£0
Service Support	Virtual Reality	£20,000	£0	£0	£0	£20,000	£0	£0	£0	£0
Service Support	Development of district base training exercise Facilities	£0	£0	£0	£0	£0	£0	£0	£0	£0
Service Support		£765,000	£0	£0	£0	£765,000	£765,000	£765,000	£765,000	£765,000
Service Support	Vehicle Replacement	£7,689,129	£0	£4,286,129	£3,403,000	£0	£375,000	£700,000	£1,000,000	£0
Service Support	Ladders	£15,000	£0	£0	£0	£15,000	£0	£0	£0	£0
Service Support	Vehicle Replacement	£3,000,000	£0	£0	£0	£3,000,000	£0	£0	£0	£0
		£35,587,395	**£5,012,661**	**£12,812,547**	**£7,625,442**	**£10,136,745**	**£8,248,750**	**£8,300,750**	**£9,069,250**	**£6,729,750**

Appendix B

2023/24	STANDSTILL REVENUE BUDGET	2024/25
£60.906	Firefighters	£69.028
£13.704	Support Staff	£15.487
£1.700	Pensions	£1.600
£1.138	Other Employees	£1.760
£4.885	Premises	£5.921
£2.241	Transport	£2.521
£6.571	Supplies and Services	£6.500
£0.327	Lead Authority Charges	£0.349
£7.005	Capital Financing	£7.755
£0.450	Contingency	£0.450
£98.927	GROSS EXPENDITURE	£111.370
-£2.534	Less Income	-£3.092
£96.393	NET EXPENDITURE	£108.278

OFFICIAL

Quarterly Financial Review

Finance & Resources Committee

Date: 2 February 2024

Agenda Item: **07**

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

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 **from** the general contingency budget:

a) Due to increased leavers and sickness levels, there is a forecast overspend on fire fighters' overtime of £0.111m. Included within the revenue budget is a cost pressure of £0.400m for such an eventuality which is kept within contingencies. Expenditure on overtime is closely monitored, so a further transfer may be required prior to the end of the financial year.

b) In order to ease the burden on employees been unable to take their annual leave, a policy whereby employees can sell five days annual leave back to the Authority was introduced. This was originally paid from the Covid grant, now the grant has been fully expended, a budget allocation for all staff groups of £0.122m is required.

c) The budget for Fire Protection staff vacancies is held in the contingency budget until the posts are filled. This ensures budget monitoring is not distorted. Some £0.227m of these posts have been filled requiring a transfer from contingencies.

d) Delays to the fleet replacement capital scheme, whereby the whole fleet is to be replaced within the next twelve months has meant that there has been an increase in repairs, maintenance, and tyre costs for the existing aging fleet. This was not factored into the current revenue budget. These additional costs amount to £0.169m. In addition, there has been an overspend on vehicle leasing for the Fire Protection Team of £0.102m which was not included in the base budget.

e) £0.058m of budget needs transferring for a forecast overspend on legal expenses which is due to the provision of external legal advice on procurement contract claims and advise relating to employment tribunals which were not included in the base budget for 2023/24.

f) The Authority joined the Public Sector Audit Appointments (PSAA) procurement process for the appointment of external auditors from the 1st of April 2023.The outcome of the tender process was a 151% increase in the external audit fee from our existing contract amounting to an additional £0.043m.

g) There is a reduction in the generation of false alarm income and secondment income totalling £0.050m. The reduction in false alarm income is due to a change in policy which was approved at Full Authority in September and the reduction in secondment income is due to a secondee leaving the organisation.

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

h) The Safe to Command firefighter role was approved at Human Resources Committee in August and its associated funding of £0.245m was approved at Finance and Resources Committee in July. Following a lengthy consultation and selection process it is expected that the first fire fighter to be appointed to this role will be in January 2024. This means that £0.190m of the funding is not required in 2023/24.

i) Analysis of the on-call firefighter budget has shown a forecast underspend of £0.100m in 20232/24 which has been transferred to contingencies. There were six on call fire fighters who were successful in the wholetime recruitment process which has in turn caused vacancies within the on-call budget.

j) As in previous years, there have been a number of vacancies within support staff budgets during the year. Due to the time lag in making appointments and the difficulty of filling some specialist roles, an underspend of £0.135m will occur in 2023/24 which can be transferred to contingencies.

k) The electricity and gas budgets can be reduced by £0.374m, the budget for electricity was increased by £0.974m in 2023/24 to take account of the inflationary increase in the supply of electricity. The increase in the cost of electricity was difficult to estimate as the contract was signed with Npower after the budget was approved in February 2023.

l) Following a detailed budget review of the ICT maintenance budget which totals £1.678m in 2023/24 it has been identified that £0.166m of this budget will be underspent and as such can be transferred to contingencies.

m) The feasibility study budget totalling £0.096m which is for the rebuild of fire stations will be managed through contingencies going forward. It is accounting policy that the cost of feasibility studies is carried forward into the following financial year for capital schemes not agreed and are then charged to capital once the capital contract is signed.

n) A saving of £0.064m has been realised following the annual renewal of the insurance provision with Fire and Rescue Indemnity Company (FRIC) on the 1st of November.

o) There has been an increase in the generation of Telecom Licence income of £0.041m.

p) A budget review of corporate communications consultancy budget has identified a saving of £0.015m in 2023/24. An external review of the structure of the department was estimated to cost £0.020m but the actual cost was significantly less at £0.005m.

2.2 The table below details the current contingencies budget position following the above transfers detailed in (a) to (p):

	Opening Balance 1/10/23 £000	Transfer to/from Contingencies £000	Closing Balance £000
General Contingency	4,682	300	4,982
Employee Contingency	0		0
TOTAL CONTINGENCIES	4,682	300	4,982

2.3 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 and to fund the planned rebuild of fire stations, 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 22nd of December 2023 and includes eight salary payments of 2023/24. 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 £0.160m 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	57,279	57,249	-30
On-Call	2,434	2,405	-29
Control	2,479	2,463	-16
Support Staff	12,906	12,879	-27
Contingency Crews	200	213	13
Employee Contingency	0	0	0
Pensions	1,600	1,600	0
Training	1,189	1,159	-30
Other Employee	778	766	-12
TOTAL	78,865	78,734	-131
Premises	5,529	5,525	-4
Transport	2,786	2,786	0
Supplies and Services	6,358	6,337	-21
Contingency - General	4,982	4,982	0
Support Services	327	328	1
Capital Charges	8,055	8,055	0
Income	-2,602	-2,607	-5
Net Expenditure	104,300	104,140	-160

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

3.4 **Employees** **-£131,000**

3.4.1 Wholetime Employees -£30,000

There is currently a forecast underspending of £30,000 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 -£29,000.

There still remains a forecast underspend on retained staff following budget revisions detailed in 2.1, 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 -£27,000

Although the budget has been revised there is still a projected under spend on support staff which is due to posts that are currently been advertised. There are currently five posts that are currently out to advert and four posts that have been appointed but are subject to pre-employments checks. The budget for posts that were vacant on the 1st of April 2023 and have yet to be advertised are held in the general contingency budget, so as not to distort budget monitoring.

3.4.4 Training -£30,000

There is a forecast underspend on external training. During Covid the majority of training courses were cancelled, during last year and this year, employees are catching up with training that was missed. In order to address this expected increase in training, an additional budget of £0.250m was approved for 2023/24. Training is subject to detailed budget monitoring and is reviewed on a monthly basis.

3.5 Non-Employee Budgets

Due to the budget reviewed detailed in section 2.1 of the report, there are no major variances on non-employee budgets.

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 1/4/23	
General Fund	5,000
Earmarked Reserves	35,998
Forecast use of reserves in 2023/24	-20,282
Impact of forecast	160
Forecast Usable Reserves at 31/3/2024	**20,876**

5 Contact Procedure Rules

5.1 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.

In the third quarter of 2023/24, there have been three waivers that have been signed either by the Chief Finance and Procurement Officer or another member of Management Board which are for:

- The Authority's current lease vehicle provider is with Lex Auto lease. The Authority introduced a salary sacrifice scheme in late Summer for the provision of electric vehicles which is open to all employees providing certain criteria are met. Rather than go out to tender to seek a new supplier of these vehicles under the sacrifice scheme, it was deemed to be more cost effective to enter into an agreement with Lex Auto Lease. As Lex Auto Lease repair and maintain all the lease vehicle fleet it makes economic and practical sense to contract with them for the salary sacrifice scheme. The length of the exemption is two years at a total cost of £0.090m.

- An exemption totalling £0.250m has been signed for the supply of fuel cards with our incumbent provider Allstar. Fuel cards are issued to fire stations and departments for the provision of diesel for our "red" fleet. This contract expired in November 2023 and the exemption is to cover the period of the procurement process only. The Authority has joined the new national NFCC Blue Light Commercial contract for the provision of fuel cards.

- A waiver totalling £0.141m for three years has been approved for the increase in cost of our Airwave network connections. This service is provided by the Home Office through Motorola who is the sole supplier of Airwave connectivity and as such competition is not possible.

6 Capital Expenditure Monitoring

6.1 Introduction

At its meeting on the 23rd of February 2023 the Authority approved a five-year capital programme of £87.807m which included slipped schemes from 2022/23 totalling £19.330m, £1.137m of schemes approved in 2022/23 and £28.617m of new schemes in 2023/24 adding to a total capital budget of £47.947m for the current financial year.

6.2 Revisions to Capital Plan

Following a review of capital schemes by budget holders In December, the following revisions are required to the 2023/24 capital plan:

- The upgrade to facilities at Rawdon Fire Station will not be fully completed in 2023/24 requiring the slipping of £0.150m into the next financial year.

- Due to delays in the awarding of the tender for the upgrade to Bingley Fire Station £0.714m requires slipping into 2024/25.

- £0.270m of the Mobile Data Terminal replacement is required to be slipped into 2024/25, the completion of this scheme is dependent on the new control system replacement which is expected to go live in early 2025.

- The One View System and the Gartan upgrade capital schemes do not require any capital expenditure in 2023/24, the development costs incurred are chargeable to revenue and the scheme requires removing from the capital plan.

- There will be no further expenditure on body worn cameras, command support, hose reels, dividing breeches, wildfire PPE, particulate flash hoods and unform in 2024/25 the balance of which can thus be slipped into 2024/25.

Appendix A provides further detail of these schemes.

6.2.1 In addition, members are asked to approve an increase to two capital schemes in the 2023/24 capital plan.

- The Ludo charging budget capital scheme budget requires an additional £0.100m. An increase is required to enable the roll out of Ludo charging points in preparation for the delivery of the new fleet of appliances to all fire stations. The works were procured based on a schedule of rates which was forecast at a cost of £6k per station, but this is currently costing between £8k and £9k per station charging point.

- An increase for the purchase of Station End Equipment (SEE) for the new control system of £0.100m. This scheme was approved at October F&R with a budget of £0.800m, the cost of SEE was based on estimated costs following market research and discussion with the provider of the new mobilising system.
  Following a formal tender process, the contract to provide SEE has been awarded to Telent, a recognised market leader in this area and a contract is being prepared for approval. As part of that tender process actual costs have now been confirmed as £899,813. Although higher than original estimates this still represents a significant saving compared against the original estimates provided by the mobilising system providers which were all in the region of £1.200m.

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6.4 **Capital Payments 2023/24**

6.4.1 The actual capital payments to date total £19.55m, which represents 39.30% of the revised capital plan. If commitments are included in this, the actual expenditure to date is £37.26m, which equates to 74.89% of the capital plan.

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

6.4.2 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 B, which shows details of expenditure on each individual scheme. This includes the approvals and revisions detailed in sections 6.2 and 6.5 of the report.

6.5 Approvals under financial procedure 3.11

6.5.1 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.

6.5.2 Since the last Finance and Resources Committee in October, the Management Board have approved a number of virements between capital schemes.

These are detailed in the table below:

Schemes Approved by Management Board

Date	Directorate	Scheme	Approval	Virement
06/12/2023	Service Delivery	Washing Machines		£21,500
	Service Delivery	Command Support		-£21,500
17/01/2024	Service Support	Cookridge Refurbishment		£59,472
		Odsal Boundary Fencing		-£40,000
		Mytholmroyd Drainage		-£19,472
17/01/2024	Service Support	Mirfield Asbestos Removal		£10,000
		Fire Alarm Upgardes		-£10,000
17/01/2024	Service Support	Bingley Refurbishment		£88,000
		Fuel Tank Replacement		-£88,000
17/01/2024	Service Support	PPE Storage Shelters		£30,249
		Health & Safety Upgrades		-£22,792
		L8 Upgrades		-£7,457
17/01/2024	Service Support	Bradford EV Chargers		£1,241
		Ilkley Dormitory Facilities		-£1,241
			£0	**£0**

6.6 Capital Receipts

There have been no capital receipts received in this financial year.

7 Treasury Management

The Authority approved its Treasury Management Strategy on the 23rd of February 2023 in accordance with the CIPFA Code of Practice on Treasury Management.

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 twelve years.

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.

8 Debtors

8.1 The Authority receives income for services provided; these include special services, lift rescues, 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.

8.2 The level of outstanding debt owed to the Authority to the end of December 2023 is £265,623 which can be profiled as follows:

Less than 60 days -	£211,026
Greater than 60 days -	£ 54,596

8.3 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

8.4 As detailed above, there is currently £89,296 of debt which is at the recovery stage. However, previous experience suggests that the Authority will recover all of the outstanding debts.

9 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 7,095 invoices and paid 95% of them within 28 days, of which 61% were autopaid.

10 Financial Implications

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

11 Legal Implications

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

12 Human Resource and Diversity Implications

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

13 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**

14 Health, Safety and Wellbeing Implications

There are no health, safety, and wellbeing implications.

15 Environmental Implications

There are no environmental implications.

16 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.

17 Conclusions

This report identifies that the Authority is currently forecast to under spend its revenue budget in 2023/24 by £0.160m. Both the revenue and capital budgets will continue to be monitored closely during the year in conjunction with directors and budget holders.

Appendix A

Scheme	Original Capital Plan 2023/34	Slippage to 2023/24 £	Removal from Plan £
Rawdon - Facilities Upgrade	£240,000	£150,000	
Bingley - Upgrade Works	£770,000	£714,731	
MDT Software	£440,000	£270,471	
One View	£25,000		£25,000
Gartan Upgrade	£50,000		£50,000
Body Worn Cameras	£67,515	£67,515	
Command Support	£69,802	£43,785	
Hose Reels	£32,500	£32,500	
Dividing Breeches	£30,000	£30,000	
Wildfire PPE	£476,500	£200,000	
Particulate Flash Hoods	£210,000	£80,000	
Uniform	£343,124	£100,000	
TOTAL	**£2,754,441**	**£1,689,002**	**£75,000**

Appendix B

CAPITAL BUDGET MONITORING 2023/24 SUMMARY

Directorate	Capital Plan 2023/24							Capital Expenditure 2023/24			
	2023/24 Original Capital Plan	2022/23 Slippage b/f	2023/24 Removal from Plan	2023/24 Virement	2023/24 Increase to Capital Plan	2023/24 Slippage c/f	2023/24 Total	2023/24 Commitments Opex	2023/24 Total Exp SAP	2023/24 Total	2023/24 Over/(Under) spend to date
Property services	£1,902,380	£837,204	£0	£0	£0	-£864,731	£1,874,853	£560,969	£800,840	£1,361,808	-£513,045
CRMP	£18,132,408	£11,190,716	-£200,000	£0	£1,073,763	-£3,643,555	£26,553,332	£10,723,047	£10,098,106	£20,821,153	-£5,732,179
ICT	£526,000	£791,540	-£170,315	£0	£50,000	-£663,009	£534,216	£82,258	£240,054	£322,312	-£211,904
Procurement	£100,000	£0	-£100,000	£0	£0	£0	£0	£0	£0	£0	£0
Employment Services	£0	£144,969	-£17,969	£0	£0	£0	£127,000	£0	£127,500	£127,500	£500
Transport	£7,695,000	£6,244,200	£0	£0	£1,397,700	£0	£15,336,900	£4,837,401	£6,059,220	£10,896,621	-£4,440,279
Operations	£3,098,500	£2,122,901	-£25,000	£0	£1,362,555	-£1,530,368	£5,028,588	£1,504,200	£2,011,349	£3,515,548	-£1,513,040
Fire Safety	£400,000	£0	-£100,000	£0	£0	£0	£300,000	£0	£216,679	£216,679	-£83,321
	£31,854,288	**£21,331,530**	**-£613,284**	**£0**	**£3,884,018**	**-£6,701,663**	**£49,754,889**	**£17,707,875**	**£19,553,748**	**£37,261,622**	**-£12,493,267**

CAPITAL BUDGET MONITORING 2023/24
SERVICE SUPPORT - PROPERTY

Committee Approval	Details of Scheme	Year Approved	Capital Plan 2023/24							Capital Expenditure 2023/24			
			2023/24	2022/23	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24
			Original Capital Plan	Slippage b/f	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Capital total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
F & R 14/04/2023	Rawdon - Facilities upgrade	2023/24	£240,000	£0	£0	£0	£0	-£150,000	**£90,000**	£22,331	£17,411	£39,742	**-£50,258**
F & R 14/04/2023	Otley - Showers	2023/24	£65,000	£0	£0	£0	£0	£0	**£65,000**	£0	£0	£0	**-£65,000**
F & R 14/04/2023	Odsal boundary fence	2023/24	£150,000	£0	£0	-£40,000	£0	£0	**£110,000**	£97,524	£0	£97,524	**-£12,476**
F & R 14/04/2023	Ludo charging points	2023/24	£300,000	£0	£0	-£24,000	£0	£0	**£276,000**	£204,000	£43,697	£247,697	**-£28,303**
F & R 14/04/2023	Fire alarm upgrades	2023/24	£40,000	£0	£0	-£10,000	£0	£0	**£30,000**	£24,481	£0	£24,481	**-£5,519**
F & R 14/04/2023	Bradford EV Charging points	2023/24	£90,000	£0	£0	-£39,759	£0	£0	**£50,241**	£17,600	£32,654	£50,254	**£13**
F & R 14/04/2023	Dewsbury Showers	2023/24	£50,000	£0	£0	£0	£0	£0	**£50,000**	£0	£0	£0	**-£50,000**
F & R 14/04/2023	Bingley - Upgrade works	2023/24	£770,000	£0	£0	£88,000	£0	-£714,731	**£143,269**	£25,295	£29,974	£55,269	**-£88,000**
F & R 14/04/2023	Fuel tanks - Garforth & Rawdon	2023/24	£100,000	£0	£0	-£88,000	£0	£0	**£12,000**	£0	£11,167	£11,167	**-£833**
F & R 14/04/2023	Mytholmroyd - drainage	2023/24	£25,000	£0	£0	-£19,472	£0	£0	**£5,528**	£0	£5,528	£5,528	**£0**
F & R 14/04/2023	Wetherby - Kitchen	2023/24	£50,000	£0	£0	£0	£0	£0	**£50,000**	£35,940	£423	£36,363	**-£13,637**
F&R 08/04/2022	Cookridge	2022/23	£22,380	£464,754	£0	£59,472	£0	£0	**£546,606**	£71,363	£393,008	£464,371	**-£82,235**
MB 03/05/2023	Leeds BA room	2023/24	£0	£0	£0	£55,000	£0	£0	**£55,000**	£1,237	£47,630	£48,867	**-£6,133**
MB 03/05/2023	Illingworth Boiler Replacement	2023/24	£0	£0	£0	£67,000	£0	£0	**£67,000**	£0	£66,784	£66,784	**-£216**
MB 09/08/2023	Infill vehicle pits	2023/24	£0	£0	£0	£17,000	£0	£0	**£17,000**	£14,933	£0	£14,933	**-£2,067**
F&R 08/04/2022	CCTV Upgrades	2022/23	£0	£144,199	£0	-£86,000	£0	£0	**£58,199**	£21,294	£31,425	£52,719	**-£5,480**
F&R 08/04/2022	Health & Safety Upgrades	2022/23	£0	£22,792	£0	-£22,792	£0	£0	**£0**	£0	£0	£0	**£0**
MB 13/04/2022	L8 Upgrades	2022/23	£0	£14,084	£0	-£14,084	£0	£0	**£0**	£0	£0	£0	**£0**
F&R 08/04/2022	Mirfield Asbestos Removal	2022/23	£0	£0	£0	£10,000	£0	£0	**£10,000**	£722	£8,459	£9,181	**-£819**
F&R 08/04/2022	EV Charging Points	2022/23	£0	£65,000	£0	£41,000	£0	£0	**£106,000**	£16,600	£21,995	£38,595	**-£67,405**
MB 13/04/2022	Stanningley Boiler	2022/23	£0	£27,323	£0	-£22,373	£0	£0	**£4,950**	£0	£0	£0	**-£4,950**
F&R 08/04/2022	Stanningley Charging Points	2022/23	£0	£3,171	£0	£0	£0	£0	**£3,171**	£1,467	£1,704	£3,171	**-£0**
F & R 16/04/2021	Odsal Fire Station	2021/22	£0	£34,452	£0	£0	£0	£0	**£34,452**	£0	£14,242	£14,242	**-£20,210**
F & R 16/04/2021	Ilkley Dormitory Facilities	2021/22	£0	£4,545	£0	-£1,241	£0	£0	**£3,304**	£0	£3,304	£3,304	**-£0**
F & R 16/04/2021	Todmorden	2021/22	£0	£12,324	£0	£0	£0	£0	**£12,324**	£6,182	£2,399	£8,582	**-£3,742**
F & R 16/07/2021	PPE Storage Shelters	2021/22	£0	£44,560	£0	£30,249	£0	£0	**£74,809**	£0	£69,037	£69,037	**-£5,772**
	Total Capital Expenditure 2023/24		**£1,902,380**	**£837,204**	**£0**	**£0**	**£0**	**-£864,731**	**£1,874,853**	**£560,969**	**£800,840**	**£1,361,808**	**-£513,045**

CAPITAL BUDGET MONITORING 2023/24
CRMP

Committee Approval	Details of Scheme	Year Approved	Capital Plan 2023/24							Capital Expenditure 2023/24			
			2023/24	2022/23	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24
			Original Capital Plan	Slippage b/f	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Capital total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
	Halifax	2023/24	£0	£200,000	-£100,000	£0	£0	-£100,000	**£0**	£0	£0	£0	**£0**
F & R 15/10/2022	Keighley	2022/23	£1,901,000	£4,290,208	£0	£0	£0	-£1,289,215	**£4,901,993**	£1,963,308	£1,037,684	£3,000,992	**-£1,901,001**
	Huddersfield	2023/24	£0	£200,000	-£100,000	£0	£0	-£100,000	**£0**	£0	£0	£0	**£0**
Full Authority 15/07/22	FSHQ Rebuild	2022/23	£16,231,408	£6,500,508	£0	£0	£1,073,763	-£2,154,340	**£21,651,339**	£8,710,067	£7,952,033	£16,662,100	**-£4,989,239**
Full Authority 15/07/22	FSHQ Fire Station/USAR	2022/24	£0	£0	£0	£0	£0	£0	**£0**	£0	£961,203	£961,203	**£961,203**
Full Authority 15/07/22	FSHQ TRTC refurbishment	2022/25	£0	£0	£0	£0	£0	£0	**£0**	£49,672	£109,603	£159,275	**£159,275**
Full Authority 15/07/22	FSHQ BA/ICT buildings	2022/26	£0	£0	£0	£0	£0	£0	**£0**	£0	£37,583	£37,583	**£37,583**
	Total New Schemes 2023/24		**£18,132,408**	**£11,190,716**	**-£200,000**	**£0**	**£1,073,763**	**-£3,643,555**	**£26,553,332**	**£10,723,047**	**£10,098,106**	**£20,821,153**	**-£5,732,179**

CAPITAL BUDGET MONITORING 2023/24
SERVICE SUPPORT - ICT

Committee Approval	Details of Scheme	Year Approved	Capital Plan 2023/24							Capital Expenditure 2023/24			
			2023/24	2022/23	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24
			Original Capital Plan	Slippage b/f	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Capital total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
F&R 14.04.23	MDT Software	2023/24	£100,000	£290,000	£0	£0	£50,000	-£270,471	**£169,529**	£61,711	£107,818	£169,529	-£0
	Visitor Management Solution	2023/24	£11,000	£0	£0	£0	£0	£0	**£11,000**	£0	£0	£0	-£11,000
	Prevention tablet refresh	2023/24	£50,000	£0	£0	£0	£0	£0	**£50,000**	£0	£0	£0	-£50,000
F&R 20/10/23	Data centre transfer	2023/24	£250,000	£0	£0	£0	£0	-£250,000	**£0**	£0	£0	£0	£0
F&R 20/10/23	ESN/DSN Server	2023/24	£40,000	£0	£0	£0	£0	-£40,000	**£0**	£0	£0	£0	£0
F&R 20/10/23	Digital Humans	2022/23	£50,000	£20,000	-£70,000	£0	£0	£0	**£0**	£0	£0	£0	£0
	One View	2022/23	£25,000	£0	-£25,000	£0	£0	£0	**£0**	£0	£0	£0	£0
F & R 08/04/2022	WAN	2022/23	£0	£74,284	£0	£0	£0	£0	**£74,284**	£0	£35,476	£35,476	-£38,808
F & R 15/07/2022 & F & R 16/07/2021	UPS on Stations	2022/23	£0	£88,599	£0	£0	£0	£0	**£88,599**	£0	£0	£0	-£88,599
MT 13/09/20222	SIP Lines	2022/23	£0	£15,000	£0	£0	£0	£0	**£15,000**	£0	£15,707	£15,707	£707
	Upgrade of Gartan	2021/22	£0	£50,000	-£50,000	£0	£0	£0	**£0**	£0	£0	£0	£0
MB 01/12/2021 & F&R 20/10/23	Enterprise Service Management Implemer	2021/22	£0	£25,315	-£25,315	£0	£0	£0	**£0**	£0	£0	£0	£0
F & R 05/02/2021 & F&R 20/10/23	Print Solution	2021/22	£0	£174,000	£0	£0	£0	-£102,538	**£71,462**	£12,663	£71,462	£84,126	£12,664
EC 19/07/19	ICT Station Equipment	2019/20	£0	£35,687	£0	£0	£0	£0	**£35,687**	£1,689	£9,590	£11,279	-£24,408
	Additional resource for HR & Rostering	2018/19	£0	£18,655	£0	£0	£0	£0	**£18,655**	£6,195	£0	£6,195	-£12,460
	Total Capital Expenditure 2023/24		**£526,000**	**£791,540**	**-£170,315**	**£0**	**£50,000**	**-£663,009**	**£534,216**	**£82,258**	**£240,054**	**£322,312**	**-£211,904**

CAPITAL BUDGET MONITORING 2023/24
SERVICE SUPPORT - EMPLOYMENT SERVICES

Committee Approval	Details of Scheme	Year Approved	Capital Plan 23/24							Capital Expenditure 2023/24			
			2023/24	2022/23	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24
			Original Capital Plan	Slippage b/f	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Capital total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
MB 18/08/2020	Assist Technology	2020/21	£0	£17,969	-£17,969	£0	£0	£0	**£0**	£0	£0	£0	£0
F & R 15/07/2022	Treadmills	2022/23	£0	£127,000	£0	£0	£0	£0	**£127,000**	£0	£127,500	£127,500	£500
	Total Capital Expenditure 2023/24		**£0**	**£144,969**	**-£17,969**	**£0**	**£0**	**£0**	**£127,000**	**£0**	**£127,500**	**£127,500**	**£500**

CAPITAL BUDGET MONITORING 2023/24
SERVICE SUPPORT- TRANSPORT

Committee Approval	Details of Scheme	Year Approved	Capital Plan 23/24							Capital Expenditure 23/24			
			2023/24	2022/23	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24
			Original Capital Plan	Slippage b/f	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Capital total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
F & R 14/04/2023	Vehicle Replacement	2022/23	£7,445,000	£3,650,183	£0	-£11,095,183	£0	£0	£0	£0	£0	£0	£0
	Airwave hardware	2022/23	£250,000	£0	£0	£0	£0	£0	£250,000	£0	£0	£0	-£250,000
F & R 16/04/2021	Vehicle Replacement	2022/23	£0	£2,204,995	£0	£11,348,638	£1,397,700	£0	£14,951,333	£4,720,635	£6,059,220	£10,779,855	-£4,171,478
F & R 08/04/2022	Vehicle Telematics Upgrade	2022/23	£0	£100,000	£0	-£99,999	£0	£0	£1	£0	£0	£0	-£1
F & R 12/04/19	Vehicle replacement project	2022/23	£0	£135,565	£0	£0	£0	£0	£135,565	£116,766	£0	£116,766	-£18,799
	Telematics Upgrade	2022/23	£0	£100,000	£0	-£99,999	£0	£0	£1	£0	£0	£0	-£1
F & R 17/07/2020	Vehicle CCTV	2022/23	£0	£53,457	£0	-£53,457	£0	£0	£0	£0	£0	£0	£0
	Total Capital Expenditure 2023/24		**£7,695,000**	**£6,244,200**	**£0**	**£0**	**£1,397,700**	**£0**	**£15,336,900**	**£4,837,401**	**£6,059,220**	**£10,896,621**	**-£4,440,279**

CAPITAL BUDGET MONITORING 23/24
SERVICE DELIVERY - OPERATIONS

Committee Approval	Details of Scheme	Year Approved	Capital Plan 2023/24							Capital Expenditure 2023/24			
			2023/24	2022/23	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24
			Original Capital Plan	Slippage b/f	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
F&R 21/07/2023	New Control project	2022/23	£1,000,000	£1,000,000	£0	£0	£1,362,555	-£926,568	£2,435,987	£1,047,673	£506,329	£1,554,001	-£881,986
MB 30/05/2023	Hose Reels	2023/24	£32,500	£0	£0	£0	£0	-£32,500	£0	£0	£0	£0	£0
	BA Ancillary	2023/24	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
F&R 14/04/2023	BA Cylinders	2023/24	£450,000	£0	£0	£0	£0	£0	£450,000	£23,740	£409,013	£432,753	-£17,247
F&R 14/04/2023	BA Compressors	2023/24	£130,000	£0	£0	£0	£0	£0	£130,000	£147,593	£0	£147,593	£17,593
MB 30/05/2023	Dividing Breeches	2023/24	£30,000	£0	£0	£0	£0	-£30,000	£0	£0	£0	£0	£0
MB 30/05/2023	Gas Tight Suits	2023/24	£10,000	£0	£0	£0	£0	£0	£10,000	£9,690	£0	£9,690	-£310
N/A	Hydrants	2023/24	£450,000	£0	£0	£0	£0	£0	£450,000	£0	£282,326	£282,326	-£167,674
F&R 14/04/2023	Ladders	2022/23	£120,000	£75,513	£0	£0	£0	-£50,000	£145,513	£137,119	£0	£137,119	-£8,394
MB 30/05/2023	PPV Fans	2023/24	£42,000	£0	£0	£0	£0	£0	£42,000	£0	£41,760	£41,760	-£240
MB 30/05/2023	Vehicle Stabilisation strut	2023/24	£35,500	£0	£0	£0	£0	£0	£35,500	£0	£38,321	£38,321	£2,821
F&R 14/04/2023	2nd Thermal Image Camera	2023/24	£220,000	£0	£0	£35,400	£0	£0	£255,400	£0	£247,588	£247,588	-£7,813
MB 30/05/2023	Water Rescue Equip	2023/24	£12,000	£0	£0	£0	£0	£0	£12,000	£0	£0	£0	-£12,000
F&R 21/07/2023	Wildfire PPE	2023/24	£476,500	£0	£0	£0	£0	-£200,000	£276,500	£0	£0	£0	-£276,500
MB 30/05/2023	Layflat Hose	2023/24	£50,000	£0	£0	£0	£0	£0	£50,000	£31,255	£29,543	£60,797	£10,797
MB 20/04/2022	BA Cleaning & drying Units	2022/23	£40,000	£40,000	£0	£0	£0	£0	£80,000	£43,980	£43,980	£87,961	£7,961
	BA Sets & Charging Kits		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
F & R 03/02/2023	Particulate Flash Hoods	2022/23	£0	£210,000	£0	£0	£0	-£80,000	£130,000	£0	£130,000	£130,000	£0
MB 14/12/2022 & £112K approved at F & R 03/02/2023	Wildfire Vehicle	2022/23	£0	£106,175	£0	£0	£0	£0	£106,175	£0	£1,475	£1,475	-£104,700
£200k approved at F & R 04/02/2022, £100k approved at F & R 03/02/2023	Uniform	2022/23	£0	£343,124	£0	£0	£0	-£100,000	£243,124	£117	£179,534	£179,651	-£63,473
MB 01/06/2022	Body Worn Cameras	2022/23	£0	£67,515	£0	£0	£0	-£67,515	£0	£0	£0	£0	£0
MB 01/02/2023	Gas Detector	2022/23	£0	£35,100	£0	£0	£0	£0	£35,100	£42,998	£0	£42,998	£7,898
MB 01/06/2022	Ballistic Helmets	2022/23	£0	£25,000	-£25,000	£0	£0	£0	£0	£0	£0	£0	£0
MB 27/07/2022	Wildfire Helmets	2022/23	£0	£35,200	£0	£0	£0	£0	£35,200	£0	£36,127	£36,127	£927
F&R 04/02/2022	Portable Scene Lighting	2021/22	£0	£64,330	£0	£0	£0	£0	£64,330	£20,035	£9,450	£29,485	-£34,845
F&R 04/02/2022	Command Support	2021/22	£0	£69,802	£0	-£21,500	£0	-£43,785	£4,517	£0	£4,517	£4,517	£0
MB 25/05/2021	Expansion Foam concrete	2021/22	£0	£15,742	£0	£0	£0	£0	£15,742	£0	£10,200	£10,200	-£5,542
F&R 04/02/2022	Thermal Image	2020/21	£0	£35,400	£0	-£35,400	£0	£0	£0	£0	£0	£0	£0
	Ops Contingency		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
F & R 07/02/19	Replacement of Operational PPE	2018/19	£0	£0	£0	£0	£0	£0	£0	£0	£41,187	£41,187	£41,187
N/A	Water Hydrant	2022/23	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
MB 06/12/2023	Washing Machines	2023/24	£0	£0	£0	£21,500	£0	£0	£21,500	£0	£0	£0	-£21,500
	Total Capital Expenditure 2023/24		**£3,098,500**	**£2,122,901**	**-£25,000**	**£0**	**£1,362,555**	**-£1,530,368**	**£5,028,588**	**£1,504,200**	**£2,011,349**	**£3,515,548**	**-£1,513,040**

CAPITAL BUDGET MONITORING 2023/24
SERVICE DELIVERY - FIRE SAFETY

Committee Approval	Details of Scheme	Year Approved	Capital Plan 2023/24							Capital Expenditure 2023/24			
			2023/24	2022/23	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24
			Original Capital Plan	Slippage b/f	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Total	Commitments Opex	Total Exp SAP	Total	Over/(Under) spend to Date
N/A	Smoke Alarms	2023/24	£400,000	£0	-£100,000	£0	£0	£0	£300,000	£0	£216,679	£216,679	-£83,321
	Total Capital Expenditure 2023/24		**£400,000**	**£0**	**-£100,000**	**£0**	**£0**	**£0**	**£300,000**	**£0**	**£216,679**	**£216,679**	**-£83,321**

West Yorkshire Fire & Rescue Authority

OFFICIAL

Draft Treasury Management Strategy 2024/25

Finance & Resources Committee

Date: 2 February 2024

Agenda Item: **08**

Submitted By: Chief Finance and Procurement Officer

Purpose To present the Draft Treasury Management Strategy 2024/25

Recommendations That members approve the Treasury Management Strategy 2024/25 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 2024/25 – 2028/29 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
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 2024/25 -2028/29

Summary

The Treasury Management Strategy Statement is an annual statement that sets out the expected treasury activities for the forthcoming year 2024/25. 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

1.1 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

1.10 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.

Training

1.11 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**

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. The capital schemes that tend to be charged to revenue are for the purchase of operational equipment, for example, gas tight suits and water rescue equipment. The annual financial impact in the revenue budget is a maximum of £19,998.

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 2024 are as follows:

	Estimate 2023/24 £000's	Estimate 2024/25 £000's	Estimate 2025/26 £000's	Estimate 2026/27 £000's
CFR	53,195	79,332	78,162	80,428

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	41,437	53,195	79,332	78,162
Capital Expt	36,497	35,587	8,249	8,301
Capital Receipts		0	-3,500	0
Earmarked Reserve	-20,289	-4,791	-500	-500
Revenue Contribution	-2,000	-1,700	-950	-950
MRP	-2,450	-2,959	-4,469	-4,585
Closing CFR	**53,195**	**79,332**	**78,162**	**80,428**

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 prior to the beginning of 2022, 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 year with the average rate been at 5.37%, 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 Spring 2024, which is dependent on the delivery of the capital plan.

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 2024, the Authority will have total external borrowing and other long-term liabilities of around £41.9 million.

This is analysed as follows:

	Estimated Debt 31 March 2024 £m	%
PWLB Loans	39.9	95.2%
LOBO	2.0	4.8%
TOTAL	41.9	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 2024/25.

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 (4.63%) 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, it is proposed to take out short term temporary borrowing until the long term PWLB rate reduces to previous levels which is forecast to be Q3 2025.

The table below shows the forecast for PWLB bank rates to March 2026

PWLB	Dec-23 %	Mar-24 %	Sep-24 %	Mar-25 %	Sep-25 %	Mar-26 %
5 year	5.00%	4.90%	4.70%	4.20%	3.80%	3.60%
10 year	5.10%	5.00%	4.70%	4.20%	3.80%	3.70%
25 year	5.50%	5.30%	4.90%	4.50%	4.20%	4.10%
50 year	5.30%	5.10%	4.70%	4.30%	4.00%	3.90%

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 2024, the Authority is expected to have around £14.0 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.

- <u>Specified investments</u> 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”.
- <u>Non-specified investments</u> 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 £35million 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 end of December 2023.

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 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.

2.3.14 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.

2.3.15 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.

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

2.3.17 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? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk))	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 There are no environmental implications associated with this report.

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 strategic 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), 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 prudential indicators included within the treasury management strategy..

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.

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 treasury management strategy.

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 capital strategy included in section 2.1 of this report. 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 section 2.1 of 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.

8. **TMP8 Cash and cash flow management**
Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Authority 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.

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 Authority's constitution.

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 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.

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 2023
	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, Royal London
UK Government (Fixed Term Deposits)	-	-	-	Unlimited	<6mth	
UK local authorities (Fixed Term Deposits)	-	-	-	Unlimited	Up to 364 days	Lancashire CC, Central Bedfordshire Council, Dover District Council, Aberdeen City Council.

Non-Specified (4)

	Short-term Credit Ratings Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at December 2023
	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.

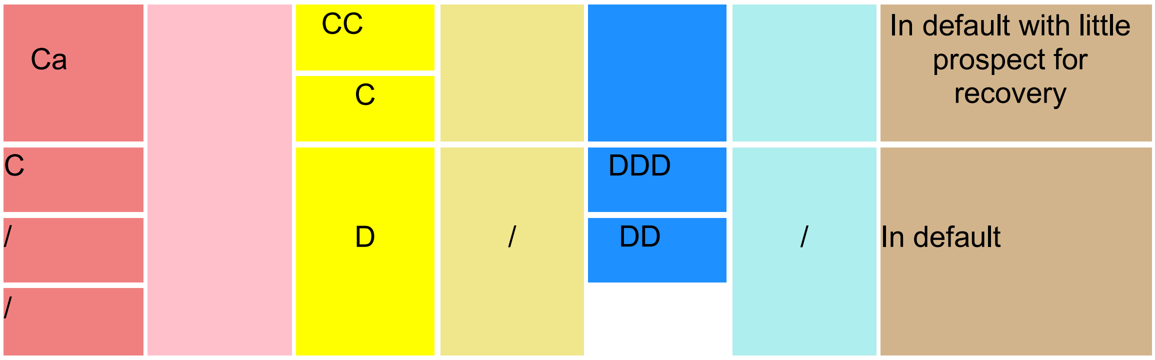
(3) Overall limit for investments in MMFs of £24 million.

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


Ca
CC
C
In default with little prospect for recovery
C
DDD
/
D
/
DD
/
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 2023 the total VRP overpayments were £6.7m. 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 2024/25

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 15-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 2024/25. 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.

TREASURY MANAGEMENT INDICATORS

Gross Debt and the Capital Financing Requirement (CFR)

The Code requires that where gross debt is greater than the CFR, the reasons 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 2024/25, 2025/26 and 2026/27 of 100% of net interest payments. It is further recommended that the Authority sets an upper limit on its variable interest rate exposures for 2024/25, 2025/26 and 2026/27 of 40% of its net interest payments.

	Limit Set 2023/24	Forecasted Actual 2023/24
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 2023/24	Forecast Actual 2023/24	Limit Set 2024/25
Under 12 months	0% - 20%	2.4%	0% - 20%
12 months to 2 years	0% - 20%	1.8%	0% - 20%
2 years to 5 years	0% - 60%	10.7%	0% - 60%
5 years to 10 years	0% - 80%	5.4%	0% - 80%
More than 10 years	20% - 100%	79.7%	20% - 100%

*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.

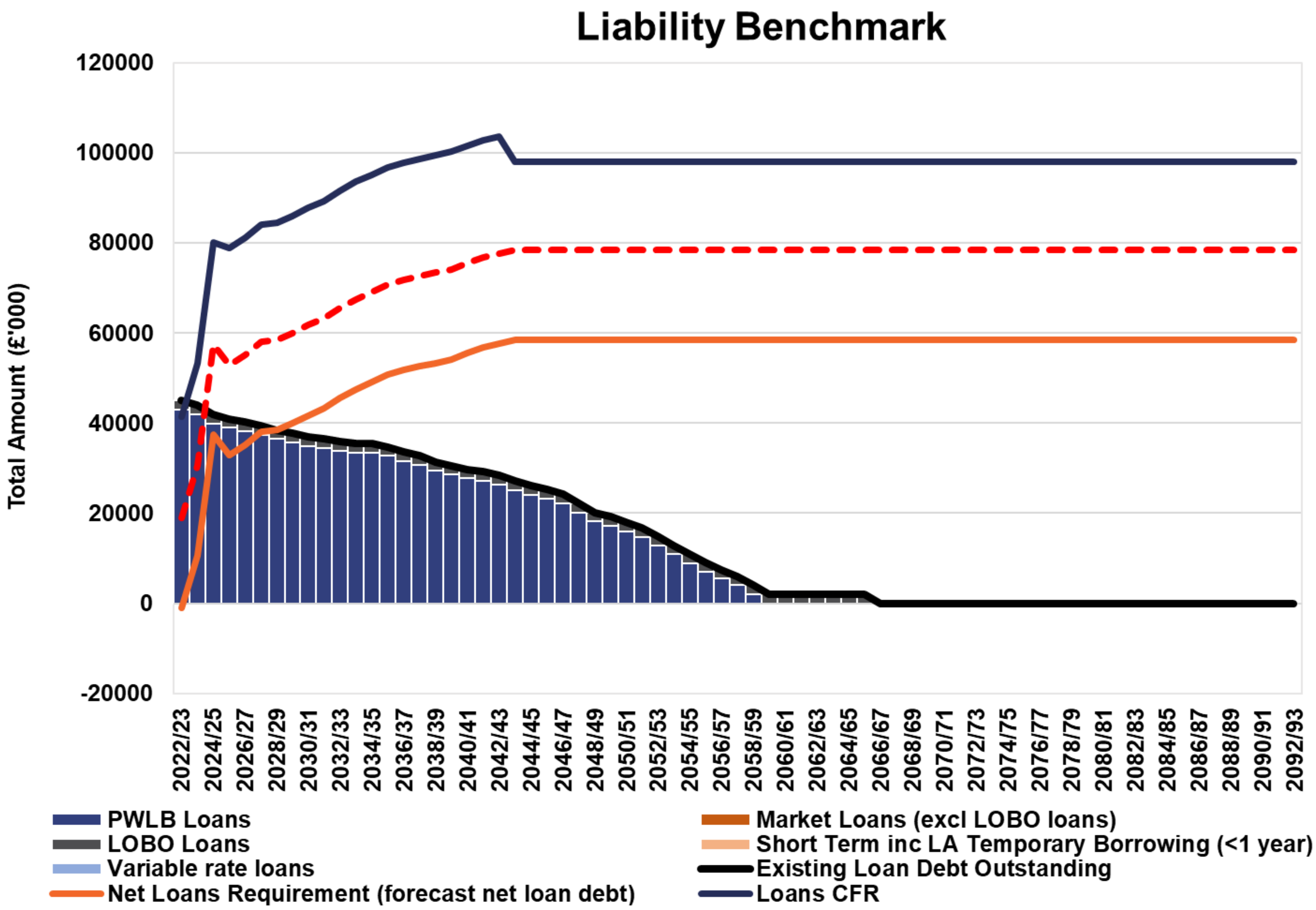
Liability Benchmark

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
Total Amount (£'000)
120000
100000
80000
60000
40000
20000
0
-20000
2022/23
2024/25
2026/27
2028/29
2030/31
2032/33
2034/35
2036/37
2038/39
2040/41
2042/43
2044/45
2046/47
2048/49
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2070/71
2072/73
2074/75
2076/77
2078/79
2080/81
2082/83
2084/85
2086/87
2088/89
2090/91
2092/93
PWLB Loans
LOBO Loans
Variable rate loans
Net Loans Requirement (forecast net loan debt)
Market Loans (excl LOBO loans)
Short Term inc LA Temporary Borrowing (<1 year)
Existing Loan Debt Outstanding
Loans CFR

Appendix F

	5 Year TOTAL	2024/25	Slippage to 2024/25	2024/25	2025/26	2026/27	2027/28	2028/29
Property New Builds	**£25,461,669**	£1,100,000	£12,004,169	£13,104,169	£2,753,750	£3,753,750	£3,096,250	£2,753,750
Transport	**£16,604,129**	£3,780,000	£7,689,129	£11,469,129	£1,140,000	£1,465,000	£1,765,000	£765,000
Property	**£10,994,000**	£2,654,000	£350,000	£3,004,000	£2,320,000	£1,670,000	£2,000,000	£2,000,000
ICT	**£4,313,538**	£716,000	£632,538	£1,348,538	£1,045,000	£520,000	£1,160,000	£240,000
Operations	**£8,544,814**	£1,469,000	£4,774,814	£6,243,814	£590,000	£492,000	£648,000	£571,000
Fire Safety	**£2,000,000**	£400,000	£0	£400,000	£400,000	£400,000	£400,000	£400,000
Employment Services	**£17,745**	£17,745	£0	£17,745	£0	£0	£0	£0
TOTAL	**£67,935,895**	**£10,136,745**	**£25,450,650**	**£35,587,395**	**£8,248,750**	**£8,300,750**	**£9,069,250**	**£6,729,750**
Financed by								
Borrowing (Internal/External)	**£52,895,336**			£29,846,836	£3,298,750	£6,850,750	£7,619,250	£5,279,750
Reserves	**£6,790,559**			£4,790,559	£500,000	£500,000	£500,000	£500,000
Capital Receipts	**£3,500,000**			£0	£3,500,000		£0	£0
Revenue Contributions	**£4,750,000**			£950,000	£950,000	£950,000	£950,000	£950,000
TOTAL	**£67,935,895**	**£0**	**£0**	**£35,587,395**	**£8,248,750**	**£8,300,750**	**£9,069,250**	**£6,729,750**

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Vehicle Replacement Programme 2024 - 25

Finance & Resources Committee

Date: 2 February 2024

Agenda Item: **09**

Submitted By: Director of Service Support

Purpose

To highlight to Members the Vehicle Replacement Programme for 2024/25

Recommendations

That Members approve the purchase of the vehicles detailed in the report and approve an increase in total project costs.

Summary

The attached report highlights to Members all vehicles requiring replacement within the financial year 2024/25 as a continuation of the appliance replacement programme.
Subject to approval, the remaining 16 fire appliances will be replaced at their end of useful life, continuing the use of new technologies and 'clean cab' ways of working to increase firefighter safety, well-being and operational effectiveness.
This appliance renewal project has been a multi-year programme and has incurred additional costs through design changes and cpi increases and these require approval to enable the complete scheme to be delivered.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Glynn Richardson: Head of Transport & Logistics E: glynn.richardson@westyorksfire.gov.uk T: 01274 682311 X 660455
Background papers open to inspection:	None
Annexes:	None

1 Introduction

1.1 This report highlights the vehicle replacement element of the organisation's capital plan, detailing costs for vehicle replacements within the financial year 2024/25.

2 Information

2.1 The 2024/25 replacement cycle sees the completion of a multi-year project to replace our front-line fire appliances with those featuring 'clean cab' vehicle layouts. This new way of working provides crew protection from long-term exposure to contaminated PPE and firefighting equipment. These modern vehicles also enable greater effectiveness at incidents with an increase in water capacity to 2,500 litres and feature innovative back-up systems to increase reliability and directly support our ambition of Making West Yorkshire Safer.

2.2 This final phase of the project enables the following activity:

- 10 x Scania appliance builds*
- 6 x MAN Rural (4x4) appliance builds.

*Members will recall the Vehicle Replacement Programme 2023/24 report in which 10 x Scania chassis were brought forward as a cost saving and standardisation measure. This funding approval enables these chassis to be converted to our appliance specification.

2.3 Additionally, approval is required for project cost increases which are the combined result of design changes (additional functionality) to maximise vehicle effectiveness and costs incurred through annual cpi increases payable on the anniversary date of the supplier contract. This annual increase came in June 2023 with cpi at 10.2% and had a significant impact on project costs, representing a £32,000 increase for each vehicle delivered.

2.4 All replacement appliances are sourced from Emergency One through a National Fire Chiefs Council (NFCC) procurement framework which is compliant with the Authority's Financial Standing Orders and Contract Procedure Rules.

3 Financial Implications

3.1 Table 3.1 provides costs of the scheme included in the Capital Plan. No additional revenue costs anticipated for vehicle maintenance because these vehicles are intended as a like for like replacement.

Description	Approved Plan	Capital Cost
10 x Appliance (fire engineering)	£2,038,610	£2,038,610
6 x Rural Appliance	£2,100,000	£2,100,000
Additional Project Costs	£0	£1,858,000
	£4,138,610	£5,996,610

Table 3.1 – Financial Implications

3.2 The additional cost will be subject to Minimum Revenue Provision charges over the life of the asset plus external borrowing interest charges. These amount to £0.268m per annum and have been included in the capital financing charges for 2024/25 and beyond.

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 Vehicle procurement through an approved national framework ensures equality and fairness between suppliers and customers. Vehicles build and use is subject to an Equality Impact Assessment (EIA).

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	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

7 Health, Safety and Wellbeing Implications

7.1 The use of the national framework for procurement and detailed vehicle specification ensures that appropriate legislative and performance standards are adopted, with all appliances built to BS EN 1846 standards.

7.2 A power beam gantry will be used to further enhance manual handling.

7.3 Additional air conditioning is fitted to increase crew health, safety and wellbeing when fighting fires in Summer months.

7.4 New appliances are built to comply with recommendations identified in The University of Central Lancashire (UClan) 2020 Interim Best Practice Report sponsored by the FBU "Minimising Firefighters' exposure to toxic fire effluents". These include:

- Seat surfaces that enhance a cleaner environment inside the cab (i.e. easy to wipe down).
- External compartments to store BAs on a pull-out locker for easier access and/or for the storage of fire kit with exterior access only.

8 Environmental Implications

8.1 All new vehicles are built to Euro 6e diesel emission standards with drive routed through an automatic gearbox with internal retarder. This combination reduces stopping distances and reduces brake pad wear. This has a positive environmental impact by reducing tailpipe particulate emissions and minimising the harmful dust generated by brake / clutch friction surfaces being released into the atmosphere.

9 Your Fire and Rescue Service Priorities

9.1 This scheme is linked to the following strategic priorities:

- Improve the safety and effectiveness of our firefighters.
- Promote the health, safety, and wellbeing of all our people.
- Provide ethical governance and value for money.
- Plan and deploy our resources based on risk.
- Continuously improve using digital and data platforms to innovate and work smarter.

10 Conclusions

10.1 That Members note the report and approve the completion of 16 fire appliance chassis at a cost of £4,138,610 and approve additional project costs of £1,858,000 to enable the completion of appliance replacement programme.

West Yorkshire
Fire & Rescue Authority

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Procurement Annual Review

Finance & Resources Committee

Date: 2 February 2024 | Agenda Item: **10**

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: 07816112635
Background papers open to inspection:	None
Annexes:	Annex 1 - Procurement Action Plan Annex 2 - Savings Log Annex 3 - Feedback Annex 4 - PFAS Policy

1 Introduction

1.1 This report provides members with the annual update on procurement activity since the last report on the 3rd of February 2023.

2 Information

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

2.2 The Savings and Efficiencies Log provides a documented record of savings and efficiencies achieved in each financial year, £677,988 is recorded for this financial year to date. Please refer to Annex 2 for the latest savings data.

Examples of recent savings are:

- £304.00 per unit on current price paid for thermal imaging cameras (total saving of £17,632 for purchase of 58 units).
- Annual saving of £35,843 on the new mobile SIM card contract.
- Annual saving of £9,000 on the HR system contract.
- £500 annual saving for the In-Tend procurement system via the national Blue Light Commercial contract.
- Annual saving of £14,148 by not re-procuring mobile security patrols on the HQ site.

2.3 The current Contracts Register records two hundred and twenty seven contract arrangements with an annual value of £25.3m (£16.6m in Feb 2023). As required under Local Government Transparency Code 2015, the Contracts Register is published quarterly on the Authority's website.

2.4 Since the introduction of the E-procurement portal (In-Tend) in October 2020, ninety one formal tender processes have been compliantly published and awarded. This is broken down into:

- Seventeen RfQ (request for quote) processes (£10,000 to £29,999 value).
- Fifteen tender processes (under £75,000 value).
- Forty four tender processes (above £75,000 value).
- Fifteen framework agreement further competition processes.

2.5 Feedback is requested on an annual basis (October), by the Head of Procurement, to obtain satisfaction levels of internal customers and to consider continuous improvement or determine changes required (to process, systems and documents). Some recent feedback from October 2023 is provided in Annex 3.

2.6 Compliance with CPR (Contract Procedure Rules) continues to increase. Regular meetings with Heads of Departments are held by the Procurement Team to review current contracts listed on the Contracts Register and discuss and plans for future procurement requirements. A log has been introduced to record and resolve non-compliance with CPR. Repeated breaches can be escalated to Director level, although this has not been required to date.

2.7 Procurement training continues on an ongoing basis. Comprehensive training has been undertaken on OPEX (the Authority's purchasing and stock system). Seventy five people have now received training and a small number of people have undertaken several refresher sessions. Housekeeping of OPEX is undertaken on a monthly basis and evidences that the training is having an impact as purchase orders are being processed more efficiently (correct placing of purchase orders with accurate pricing) as does the decrease in blocked invoices (managed by Finance). Specific departmental training has been undertaken to improve the tender submission evaluation process, ensuring that evaluation panels are compliantly evaluating and scoring bidder returns.

The Procurement Team are currently looking to provide a series of short videos as additional training aids, for example, tender evaluation, writing a specification, practical application of CPR, use of In-Tend for RfQ processes etc.

2.8 The procurement thresholds are amended by Government every two years and from January 2024 the new thresholds are:

- Works contracts £5,372,609 including VAT (increasing from £5,336,937).
- Goods and Services £214,904 including VAT (increasing from £213,477).

CPR has been updated accordingly.

3 Collaboration

3.1 The regional Yorkshire and Humberside procurement group is well established with one of the four participating members leading on regional procurement projects (one regional procurement instead of four separate ones for commonly bought goods and services).

Examples of positive joint working include:

- A formal regional MoU and Terms of Reference.
- Agreed reporting templates are in place.
- Joint rescue jacket purchase project.
- Joint use of Creditsafe (credit rating system) used by all members.
- Resolution of issues and rejection of price increase for the regional structural fire kit contract.
- Regular pipeline and contracts register reviews.

This group is governed by the regional NFCC strategic group, which is chaired by John Roberts, Chief Fire Officer at WYFRS. A project update report is regularly presented to the NFCC strategic group providing an update on collaborative projects.

Use of national framework agreements has significantly increased. Examples are provided below:

- CCS (Crown Commercial Services) for Multi-Function Devices (MFD) and Print Solutions, Microsoft Enterprise Licencing, Audio Visual Technical Consultancy & Commissioning, HR system extension.
- YPO (Yorkshire Purchasing Organisation), Station wear, Portable Scene Lighting, BA Torches.
- West Midlands Fire and Rescue Service, Smoke Alarms, Servicing and Maintenance (Hose), Hose purchase, Gas Detectors, Thermal Imaging Cameras, PPV Fans.
- ESPO (Eastern Shires Purchasing Organisation) Vehicles Oils and Lubricants, Wildfire PPE.
- Kent Fire and Rescue Service (KCS) for Web and E-mail security, Mobile phone Connectivity, IT Service Management Tool replacement, Firefighting Ladders.
- North West Fire and Rescue Services for Fire Boots, Flash Hoods, Washable Gloves, Flash Hoods.

3.2 The Head of Procurement participated in the NFCC Fire Standards Group for consultation on Finance and Procurement, Estates and Asset Management and Internal Governance and Assurance. Input was requested to draft the Fire Standards. We are currently awaiting the results of the consultation.

3.3 Blue Light Commercial (BLC), established in 2020 by the Home Office, work in collaboration with blue light organisations to help transform commercial services. The NFCC Construction and Estates group is to transfer to BLC and regular updates and workstreams are provided to the Authority to determine if national agreements provide value for money solutions. An example is the current national BLC contract for In-Tend, saving the Authority £500 per annum for the annual subscription and increasing the functionality within the E-procurement system. Regular forums, webinars and training events are offered to the Authority free of charge. The Head of Procurement is now a superuser on the BLC (Blue Light Commercial) forum.

3.4 In April 2023 the Authority became the 13th member of FRIC (Fire and Rescue Indemnity Company). FRIC was formed in 2015 by a group of Fire & Rescue Authorities to implement a set of products that combined the benefits of insurance with those of risk and financial pooling. FRIC is a hybrid discretionary mutual, owned and controlled by its Members, who work together to improve risk management by following best practice and shared learning, with financial savings being used for the benefit of the Member Authorities. FRIC offers a combination of discretionary protection from FRIC backed by supporting insurance for statutory classes and large individual/aggregated losses. Members pay contributions instead of premiums, and these funds are pooled to cover the running costs of the Mutual and agreed claims made by the Members. This has resulted in an annual saving of £285,000 compared with previous traditional insurance provision with the majority of the Authority’s insurance requirement now being provided via FRIC.

4 Key Performance Indicators Update

4.1 2023-24 reported KPIs as of Feb 2024 are as below:

a) Total contracts (and annual value)	227 contracts totalling annual value of £25.3m are recorded on the Contracts Register.
b) No. of “renewable” contracts that expired without being timely relet	No. of “renewable” contracts that expired without being timely relet is 8 (previously 27 in Feb 2023).
c) Efficiencies (revenue budget savings, cost avoidance)	£677,988 (to date for 2023-24)

d) Number of FTS* and Sub-FTS tenders published and progressed (accumulative since Oct 2020)	25 FTS and 50 Sub-FTS (above £30,000) published (*FTS is 'Find a Tender Service' replacing 'OJEU (Official Journal of the European Union)' following Brexit.
(e) % regional spend	20.65% of spend in 2023-24 (to date, Q1 and Q2 2023-24) is within the County of West Yorkshire and 25.94% is within the County of Yorkshire.

5 Social Value

5.1 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 Real Living Wage.

Some working examples are provided below:

- FSHQ rebuild development – The awarded Contractor (Wilmott Dixon) is actively delivering social value outcomes via this project which include:
  - 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.).
- 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.'
- Analysis of spend data to report on increased SMEs (Small to Medium Enterprises) winning contracts. On the current Contracts Register, of the two hundred and twenty seven contracts listed, one hundred and twenty three identify themselves as an SME. This equates to 55.91%.

6 Environmental

6.1 The Head of Procurement actively participates in the Authority's quarterly Environmental Working Group meetings which considers the United Nations Sustainability Goals. There are seventeen goals in total and to ensure the Authority focuses on actual delivery the Authority are concentrating on the following (as these are intrinsically linked to the Authority's CRMP):

6.2 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.

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

6.4 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.

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

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

6.7 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. All goods tenders now request the % of PFAS (Per and Poly Fluoroalkyl Substances). Where two products are available at similar price and quality in which one contains PFAS and one does not, the non PFAS containing product will be selected.

However, where the absence of PFAS has a detrimental effect on the quality or performance and/or increases the cost significantly, all of these factors will be considered in the final purchase decision.

The Head of Occupational Health, Safety & Wellbeing and Head of Procurement have also implemented a PFAS Procurement Policy, please refer to Annex 4.

7 New Procurement Act

7.1 The new Procurement Act was given Royal Assent in October 2023 and go live is planned for October 2024. This new Act represents the biggest change to Procurement legislation and process in 8 years.

The main aims of the new regime are:

- To create a simpler and more flexible, commercial public procurement system. (Concessions, Utilities and Defence regulations will no longer be separate).
- To open up public procurement to new entrants such as Small to Medium Enterprises (SMEs) and Social Enterprises so that they can compete for and win more public contracts.
- To embed transparency throughout the commercial lifecycle so that the spending of taxpayers' money can be properly scrutinised.

7.2 There will be an increased requirement to deliver and evidence value for money, maximising of public benefit and significantly improved transparency, which means there will need to be improved contract management, prevention of misconduct and controls to prevent fraud and corruption. There is also a duty to have regard to the particular barriers facing SMEs, and to consider what can be done to overcome them.

8 Financial Implications

8.1 None to report

9 Legal Implications

9.1 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

10.1 None to report

11 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

12 Health, Safety and Wellbeing Implications

12.1 None to report

13 Environmental Implications

Environmental implications are referenced in paragraph 6.

14 Your Fire and Rescue Service Priorities

14.1 This report links with the Community Risk Management Plan 2022-25 strategic priorities below; (please delete any that aren't relevant to your report);

- Improve the safety and effectiveness of our firefighters.
- Promote the health, safety, and wellbeing of all our people.
- Encourage a learning environment in which we support, develop, and enable all our people to be at their best.
- Provide ethical governance and value for money.
- Collaborate with partners to improve all of our services.
- Work in a sustainable and environmentally friendly way.
- Continuously improve using digital and data platforms to innovate and work smarter.

15 Conclusions

15.1 Compliant procurement continues to deliver benefits to the Authority.

STRATEGIC CATEGORY	CRMP Priority	Objective	Activity Overview	Priority	STATUS (RAG)	START DATE	COMPLETION DATE	LEAD OFFICER	OPERATIONAL OFFICER	RISKS/DEPENDENCIES	PROGRESS/COMMENTS (red text most recent update)
Compliance	P6 Provide ethical governance and value for money	Continue to effectively promote, develop and ensure compliance with policy, legislative and regulatory requirements in regard to procurement and supply chain management	Adherence to internal CPR (and review), External Public Contract Regs, PAD, PPN (Procurement Policy Notes from Cabinet Office, Committee reports, NFCC reports, Contractual disputes liaising with Legal (internal and external), implement white paper recommendations	High	On Track	Apr-23	Mar-24	KL	KL	Non-compliance from staff Non adherence to CPR	Annual report to Finance and Resources Committee each Feb. PPN changes to CPR re change in thresholds - Contracts Finder now increased to £30k. CPR and PAD amended. Website updated. Awaiting reply from NFCC re savings log as there are errors in the spreadsheet. Website request to update Contracts Register sent (Transparency) Accessibility training undertaken and now reviewing procurement docs Non-compliance log for MB drafted (1st version) Legal challenge fought and won for the new cleaning contract. Contract to be signed and await expiry of the extended standstill period. Awaiting Weightman's invoice (now paid). PPN on Cyber Essentials received 20/9/23 so added to procurement strategy document now used for each tender. KL monitoring information in regard to changes to procurement regulations (due to come into force Oct 24). HMI update report provided to AW. Started to draft Feb 24 F&R report. Will need explanation for savings changes from AW. PPN update on payment terms added to SQ. Drafted new procurement Act changes to discuss with Procurement Team. KL attending various BLC events on new procurement Act.
	P6 Provide ethical governance and value for money	Ensure effective insurance requirements are in place	Management of insurance requirements via FRIC utilising the FRIC risk analysis and renewals with Marsh	High	Completed	Apr-23	01/011/2023	KL	KL	Lack of contract management resulting in ineffective insurance arrangements.	FRIC live as of 1/4/23. Marsh and ZM renewals completed. Huge amount of workload and resource to manage this new area of responsibility. Roles and responsibilities to be defined for insurance management Tender being prepared for Transport engineering inspection requirements. Some issues with FRIC and GDPR - excessive amount of information being required by FRIC. MD liaising directly with FRIC. Issues with staff not completing vehicle accident form correctly causing excessive work for Fleet. Liaised with MD who is looking into comms. Commencing renewal process with FRIC for new financial year Nov23-Oct24. Minimal changes should be required although new elements have been added so awaiting a meeting with DW from FRIC. Data being collated and will need AW sign off. FRIC annual renewal approved and signed off for Nov 23 - Oct 24 COMPLETED
Procurement Process	P6 Provide ethical governance and value for money	Continue to develop and deliver effective, efficient and economic contractual arrangements across the organisation	Increase in Contracts Register recorded contracts and accurate spend analysis to reduce off contract spend	High	On Track	Apr-23	Mar-24	KL	Procurement Team	Non-compliance from staff Non adherence to CPR Maverick (off contract) spend	Spend analysis being undertaken to identify and resolve off contract spend. Team tasked with identifying and addressing off contract spend. AW identified Pepperdog - KL attempting to address with Emma in Corp Comms, KL identified low value Property consultants - KL monitoring, SL arranged Property meeting to discuss 2023-24 pipeline to avoid off contract spend. Issue raised with EA in regard to third party spend from Kirklees errors (coding) Looking to spot check quotes for low value spend. WR has identified a compliant route for low value ICT goods via CCS (on-line benchmarked portal). SB working with OPS Equipment to identify where spend is non-complaint (currently only 30% on code 201075). Awaiting Finance amended spend data to allow for accurate comparison and KPI reporting on Contracts Register. Further delay in receiving data, now planned to be provided end of Oct. Finance working on providing data. PCard spend report being drafted by Tracy S. Still not received send data. Spend analysis on hold.
	P7 Collaborate with partners to improve all of our services	Consider and utilise collaborative framework agreements where suitable for WYFRS	Increased use of regional and national contracts/framework agreements (where appropriate for WYFRS)	Medium	On Track	Apr-23	Mar-24	KL	Procurement Team	Specifications not applicable to WYFRS Local and SMEs not on frameworks	Procurement strategies to be agreed regionally and nationally. BA servicing contract to be implemented (WYFRS and SYFR), initial scoping being undertaken. Recent contract awards via West Mids FRS framework for gas detectors and thermal imaging cameras, recent hose purchase and maintenance awards via Greater Manchester framework. KL attending 3 NFCC workshops for new national standards. Regional procurement group looking at aligning pipeline docs to identify future projects. Not progressed last month - regional meeting in Sept. will discuss. Migrated to national In-Tend contract with a saving for the first year's annual fee (paid by NFCC/BLC). WR considering use of YPO portal (compliant route via Amazon) for some stock items (stationery, cleaning consumables etc.). Also introduced CCS portal for ICT products; Dan Brown looking to implement. KL looking to introduce a new KPI from next financial year in regard to % spend via frameworks. KL now a superuser on BLC forum group. BLC/NFCC survey completed and returned. Engineering Inspection Insurance further competition process via YPO being drafted. To publish 1st week Jan 24.
	P4 Encourage a learning environment in which we support, develop, and enable all our people to be at their best	Deliver advice, training and guidance	Improved contract management procedures and continuous improvement	Low	On Track	Apr-23	Mar-24	KL	Procurement Team	Non attendance at training Non adherence to advice and guidance	Tailored training/workshops to be delivered. Implemented new procurement strategy document to consider contract management at the beginning of the procurement project. Used this document recently for OPEX replacement initial meeting and received very good feedback. ICT and Ops Equipment workload docs now implemented (tracks monthly meetings). In-Tend RfQ training has commenced. 4 sessions have been undertaken (16 attendees). Mop up sessions planned, next session 21/9/23. Feedback so far is positive. Team agreeing video content for short videos on procurement and rules. Also drafting PowerPoint slide packs with voice overs as an alternative training aid.

STRATEGIC CATEGORY	CRMP Priority	Objective	Activity Overview	Priority	STATUS (RAG)	START DATE	COMPLETION DATE	LEAD OFFICER	OPERATIONAL OFFICER	RISKS/DEPENDENCIES	PROGRESS/COMMENTS (red text most recent update)
	P10 Continuously improve using digital and data platforms to innovate and work smarter	Implement new PO and Stock system	OPEX system replacement solution - Analyse the market and regional/national FRS solutions, implementing new system	High	Completed	Apr-23	Apr-24	KL	Procurement Team Finance	System failure (OPEX/SAP) Finance and Procurement resource	Procurement strategy drafted. Large market as tends to be software. KL drafting specification of requirements, obtained LFRS and London FS specs to assist. Procurement Strategy document being drafted. PAD completed and approved. Project team meeting held 11th May. Kirklees meeting arranged for 21st June. Version 1 of specification drafted and consultation undertaken with stakeholders. Next meeting to be arranged early July. Meeting with OPEX 30th Aug. to discuss potential enhancements to allow a decision to be made whether exemption for extension or re-tender. Exemption approved. OPEX now working on developments for extended 3 year contract to be completed by 1/4/24. Business Continuity Plan received and confirmation of third party resource being available if required. COMPLETED
	P10 Continuously improve using digital and data platforms to innovate and work smarter	Contribute to OneView project	Improved reporting, data analysis and identifying trends	Medium	On Track	Apr-23	Mar-24	KL	KL		Procurement strategic action plan completed. New report in In-Tend now set up to report on ITTs and RfQs. Migration to TEAMS have been problematic and time consuming. Team regularly attending drop in sessions. Team working well on navigating new ways of working. A few glitches in the system causing some problems but being considered by SharePoint team. KL attended meeting with ICT and Phoenix to implement the Hub. Workshops planned for w/c/ 11 Dec 23
Collaboration	P7 Collaborate with partners to improve all of our services	Support and participate in regional and national procurement groups	Continue to participate in regional Yorkshire and Humber Procurement Group reporting to NFCC Strategic Group	Low	On Track	Apr-23	Mar-24	KL	Procurement Team	Resource to NFCC initiatives is considerable	BA procurement strategy amended due to extension of life of WYFRS kit. Awaiting PAD. Needs an exemption as Draeger stipulate they have to undertake servicing. Assistance provided to North Yorkshire re - tender documents. All region are adopting Creditsafe. Humberside visited WYFRS to run through In-Tend as they are planning to migrate to new national NFCC version. Tyne and Wear FRS visited Control to discuss the procurement process, documentation forwarded. Potential MDT collaboration with NYFRS being considered. No progress to date - awaiting specification from DT. Regional Rescue Jacket tender being drafted. Service issues with structural fire kit contract now being resolved. Considerable supplier management undertaken and improvement action plan implemented. KL now a member of NFCC/BLC forum and engaging with other emergency services procurement contacts, receiving and providing information, sharing of knowledge and experience.
Strategy	P8 Work in a sustainable and environmentally friendly way	Develop, promote and communicate effective procurement strategies including ethical, sustainable, environmental and social value across the organisation	Develop a suite of sustainability boilerplate standards, improve social value reporting, continue to monitor and report on procurement KPI's	Medium	On Track	Apr-23	Mar-24	KL	KL		Early research being undertaken to identify best practise. Awaiting NFCC project group to be set up. Attended a BIP Solution training session. Lacked practical solutions but confirmed we are doing what we should be. KL to continue to look at potential solution. KL input into Sustainability Strategy and updating quarterly action plan to Environmental Group. Each tender process now considering sustainability with specific questions (relevant to contract) included. One size does not fit all so each tender project considers on its own merits.
	P6 Provide ethical governance and value for money	Develop procurement strategies with individual departments.	Identify and develop tailored procurement strategies for customers	Low	On Track	Apr-23	Mar-24	KL	Procurement Team	Resource within departments to actively implement and follow agreed strategies	Now using the new procurement strategy document across the team. This document drives the procurement from day one. ICT now being closely managed, WR managing expectations and challenging preconceived ideas/assumptions. Dan Brown has been particularly helpful and is liaising well with WR. Regular meetings (monthly) now being undertaken with Transport and Ops Equipment. Large improvement made with ICT due to WR efforts and providing flexible and compliant solutions tailored to ICT's needs. Property Services now utilising various routes to market for requirements.
	P4 Encourage a learning environment in which we support, develop, and enable all our people to be at their best	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	Low	On Track	Apr-23	Mar-24	KL	Procurement Team	Non-attendance at training Non adherence to advice and guidance	Plan to request at next MT meeting what training may be required. RfQ via In-Tend - minor amendments to the system to simplify the process, refresher training to be delivered and In-Tend/Spend will be analysed to monitor compliance. Non-compliance will be escalated to department Head and reported to MB quarterly Procurement Team have completed accessibility training so plan to work through all documents to update during this year. 83% completed. All external documents compliant. 100% compliant and register returned to ACT.

KPI's are included in the annual report to Finance and Resources Committee.	End of year status
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) % regional spend	

Also reported to Finance and Resources Committee annually are:
*Progress Statement on collaborative procurements
*Statement on Supply Chain risk management

Priority
Low
Medium
High

CRMP Priorities
P1 Plan and deploy our resources based on risk
P2 Improve the safety and effectiveness of our firefighters
P3 Promote the health, safety and wellbeing of all our people
P4 Encourage a learning environment in which we support, develop, and enable all our people to be at their best
P5 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 all of our services
P8 Work in a sustainable and environmentally friendly way
P9 Achieve a more inclusive workforce, which reflects the diverse communities we serve
P10 Continuously improve using digital and data platforms to innovate and work smarter

Status (RAG)
Not Started
On Track
Completed

Annex 2a

West Yorkshire Fire & Rescue Service

Procurement Savings & Efficiency Log

2023-2024

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)	2023/2024 Annual Saving (£)	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
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 renewal
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
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
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 23	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 maintanance.
Dec 23	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
Jan 23	Wayne Robinson	Saving	ICT	ICT	SOFT FM	Email and Web Security	£ - Cost reduction - goods or services	Framework	3	£1,930	£5,790	Direct award and benchmarking exercise ensured saving
Jan 23	Wayne Robinson	Saving	ICT	ICT	SERVICES	Mobile Sim Cards	£ - Cost reduction - goods or services	Framework	5	£35,843	£179,213	Renewed requirement through framework mini competition - annual saving obtained
Oct 22	Sue Broomhead	Saving	OPS EQUIP	CLOTHING (inc PPE)	UNIFORM (WORKWEAR)	Tee Shirts	£ - Cost reduction - goods or services	Framework	8	£5,658	£45,264	New contract with framework pricing - costing based on annual usage
Oct 22	Sue Broomhead	Saving	OPS EQUIP	CLOTHING (inc PPE)	UNIFORM (WORKWEAR)	Safety Shoes	£ - Cost reduction - goods or services	Framework	8	£1,089	£8,712	New contract with framework pricing - costing based on annual usage
Oct 22	Sue Broomhead	Saving	OPS EQUIP	CLOTHING (inc PPE)	UNIFORM (WORKWEAR)	Safety Boots	£ - Cost reduction - goods or services	Framework	8	£3,500	£28,000	New contract with framework pricing - costing based on annual usage
Oct 22	Sue Broomhead	Saving	OPS EQUIP	CLOTHING (inc PPE)	UNIFORM (WORKWEAR)	Microfleece 1/4 zip top	£ - Cost reduction - goods or services	Framework	8	£804	£6,432	New contract with framework pricing - costing based on annual usage
Oct 22	Sue Broomhead	Saving	OPS EQUIP	CLOTHING (inc PPE)	UNIFORM (WORKWEAR)	3 in 1 Jacket	£ - Cost reduction - goods or services	Framework	8	£2,210	£17,680	Additional saving - reduction of 4 garments issued to Protection/Prevention staff into 1 item
Mar 23	Sophie Littlewood	Saving	Property	CONSTRUCTION & FM	SERVICES	Security Patrols	£ - Cost avoidance	Quotation	2	£14,148	£28,296	Board have decided not to continue with this contract and have decided the services are no longer required.
Apr 23	Kim Larter	Saving	Procurement	PROFESSIONAL SERVICES	PROFESSIONAL SERVICES	Insurance via FRIC	£ - Cost reduction - previous price paid	N/A	1	£300,000	£300,000	New insurance provision via FRIC (Fire and Rescue Indemnity Company)
Jun 23	Wayne Robinson	Saving	ICT	ICT	FRS SOFTWARE	Hydrant Management	£ - Cost reduction - previous price paid	Quotation	3	£800	£2,400	Agreegation over a longer period (3 years) has delivered savings via economies of scale. Cost avoidance also achieved ref on-boarding new supplier.
Jul-23	Sue Broomhead	Saving	OPS EQUIP	OPERATIONAL EQUIPMENT	FIREFIGHTING EQUIPMENT	Thermal Image Camera	£ - Cost reduction - previous price paid	Framework	8	£17,632	£17,632	Framework process identifed a reduction in cost for new Tics. £304.00 per unit on current price paid.
Aug-23	Wayne Robinson	Saving	ICT	ICT	FRS SOFTWARE	HR System	£ - Cost avoidance	Quotation	2	£9,000	£18,000	Overal saving obtained going direct to supplier vs G-Cloud. Cost avoidance obtained by challenging and reducing number of users from 1600 to 1500.
Aug-23	Kim Larter	Saving	ICT	ICT	FRS SOFTWARE	In-Tend (E-procurement portal)	£ - Cost reduction - previous price paid	Framework	4	£500	£2,000	Migration to BLC national NFCC Contract.
Nov-23	Wayne Robinson	Efficiency	ICT	ICT	FRS SOFTWARE	Service Desk	£ - Process/transactional cost saving	Quotation	3	£485	£485	Economies of scale obtained via quotation.
								Total annual savings		**£692,988**	**£2,205,800**	

West Yorkshire Fire & Rescue Service

Procurement Savings & Efficiency Log

2023-2024

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)	2023/2024 Annual Saving (£)	Contract Saving (£) (automatically populates)	Efficiency Saving
Oct 22	Kim Larter	Saving	ICT	ICT	ICT HARDWARE	UPS and PDU on station	£ - Cost reduction on budget (PAD)	Tender	7	£16,873	£118,111	UPS and PDU on station
Feb 23	Sophie Littlewood	Saving	Property	CONSTRUCTION & FM	SERVICES	Grounds Maintenance	£ - Cost reduction on budget (PAD)	Tender	5	£4,393	£21,966	Tendered for Grounds Maintenance and Winter Services. Winning bidder was cheaper than estimated price.
Mar 23	Wayne Robinson	Saving	ICT	ICT	CORPORATE SOFTWARE	Microsoft Licences	£ - Cost reduction on budget (PAD)	Framework	3	£67,154	£201,462	Renewal of Microsoft Licences achieved through national CCS framework with savings obtained.
Mar 23	Sophie Littlewood	Saving	Property	CONSTRUCTION & FM	SERVICES	Illingworth Boiler Replacement	£ - Cost reduction on budget (PAD)	Tender	1	£55,000	£55,000	Tendered for the replacement boiler at Illingworth FS. Winning bidder was cheaper than estimated price.
Mar 23	Sophie Littlewood	Saving	Property	CONSTRUCTION & FM	SERVICES	Mytholmroyd Drains	£ - Cost reduction on budget (PAD)	Quotation	1	£20,000	£20,000	RFQ was put out for the drains at Mytholmroyd. Winning bid came in £20k under than the budget.
Jul23	Wayne Robinson	Saving	Property	CONSTRUCTION & FM	WORKS	Ludo Charging Points	£ - Cost reduction on budget (PAD)	Tender	1	£79,557	£79,557	Tendered with a schedule of rates. Costs may rise/reduce dependant on site specific needs at the time of implementation.
Jul 23	Wayne Robinson	Saving	Safety	PROFESSIONAL SERVICES	PROFESSIONAL SERVICES	Employee Assistance Programme	£ - Cost reduction on budget (PAD)	Tender	5	£7,487	£37,436	Tendered with a schedule of rates. Costs may rise/reduce dependant on employee/dependant specific needs at the time.
Jul-23	Wayne Robinson	Saving	Property	CONSTRUCTION & FM	MAINTENANCE	Servicing, Maintenance And Repairs Relating To Sprinkler Systems	£ - Cost reduction on budget (PAD)	Tender	5	£4,350	£21,748	Open tender achieved a saving, per year for 5 years, including on-going service from an embedded supplier resulting in minimal costs ref implementation.
Sep-23	Frazer Kirkland	Saving	Property	OPERATIONAL EQUIPMENT	FUEL	Fuel Tanks	£ - Cost reduction on budget (PAD)	Tender	1	£88,000	£88,000	£88,000 saving on PAD budget contract value due to in-house solution with supplier
Oct 23	Wayne Robinson	Saving	ICT	ICT	ICT HARDWARE	Audio Visual Equipment and Services	£ - Cost reduction on budget (PAD)	Framework	4	£85,486	£341,944	Design and support services also included in the contract over the term. Install is in the short term.
										£254,814	**£555,279**	

Feedback – Procurement Team

- Head of Transport and Logistics - What works well: Great advice / comms from Head of Procurement and procurement leads on all procurement issues and routes to market. Help with ITT and publishing / notices for tenders and forecasting of contract expiry.
- Head of OHSU - My main involvement has been in the re-tendering of the EAP with Wayne, who I have to say was fantastic. He was happy to support us through the process, take actions away (and actually delivered) and was generally our font of all knowledge regarding the tender process.
- Assistant Occupational Health Safety Manager - Overall I'm massively impressed with procurement. No disrespect to any other department but I have personally found procurement to be the easiest team to work with. Furthermore whilst Wayne and Sue understand the parts we need to do, they are always realistic that we are not procurement experts and don't expect us to be (a breath of fresh air!). They are realistic about the things we would naturally struggle with and are very quick to offer any help. They are also able to balance the needs of procurement with the needs of our department. Can't praise them highly enough.
- ICT Operations Manager - I've found the team to be very helpful and approachable. A common sense approach is always undertaken whilst explaining the guidelines and rules we need to adhere to. I would say the team is a great asset to WYFRS. I've seen the team focus on protecting the organisation from potential future legal challenges and trying your best to get value for money for WYFRS and maintain a fair process.
- Fire Protection Inspector - I would like to leave some positive feedback. I recently had back surgery and require specific office furniture to enable me to work in relative comfort. I had a DSE assessment and felt Occy health didn't quite do enough for me.
  Sue on the other hand was fantastic, Sue guided me through the process step by step. I had never used the non-stock ordering process before, Sue was patient, approachable, and knowledgeable. I understand that Sue had recently changed positions and could have simply palmed me off, I think Sue went above and beyond to help me.
  I think Sue is a credit to your department. I would like to thank Sue and your department for the help you gave me, thank you.
- Operations Support AM - I think we have improved the relationships between Ops Equipment and Procurement have improved over the last 12 months, in the main through the hard work of you and Sue. There remain some "personality" issues, that I hope will again improve with future staff changes.
  The more "normal" the "new" (I mean what we should have always been doing) procurement process is embedded the better we will all be. I know that Sue is chipping away at many of these with the likes of water rescue being high on her to do list in the coming weeks/months.
  We (Ops) still have a tendency to be too reactive, especially when we see shiny new things! That being said, I think there remains a need for the reactive approach to some things, however, this needs to be managed to ensure we are remaining compliant.
- Facilities Manager - Your team has managed a period of change really well with the resignation of our Procurement Officer and distributed work accordingly, which has allowed us to continue with Tenders and preparing documents. Other positive areas are the support provided during tender exercises which has been excellent and some of the training sessions on INTEND, OPEX and other systems have been good too.
  Nothing much more to add, I believe the Property and procurement team have developed excellent relationships and a partnership approach to delivering joint projects.

West Yorkshire
Fire & Rescue Service

PFAS Procurement Policy

[Protective Markings]

Ownership: OHSU

Date Issued: TBC

Version:0.1   Status: Draft

Making West Yorkshire Safer
www.westyorksfire.gov.uk

Revision and Signoff Sheet

Change Record

Date	Author	Version	Comments
22.11.22	M Dixon	0.1	Initial draft

Reviewers

Name	Version Approved	Position	Organisation	Date
K Later	0.1	PM	WYFRS	24.11.22

Distribution

Name	Position	Organisation
Procurement Team		WYFRS

Document Properties

Item	Details
Document Title	PFAS Proc
Author	Mark Dixon
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2 Procurement Policy 3
3 Advice 3

1 Introduction

PFAS (Per and Poly Fluoroalkyl Substances) is a chemical family containing at least 4,700 individual commercially manufactured chemicals, including Perfluorooctane Sulfonate (PFOS) and perfluorooctanoic acid (PFOA). PFOS and PFOA are long chain (C8) and generally considered more harmful than short chain (C6) due to the length of the carbon. These chemicals are also known as “forever chemicals” as they build up in the environment and the human body and are extremely difficult to get rid of. There is an increasing body of evidence to link exposure to PFAS to some serious health conditions, including cancer.

PFAS are present in hundreds of everyday items such as non-stick cookware, fire retardants, stain and water repellents, some furniture, waterproof clothes, fire kit, packaging, firefighting foam, rubbers and plastics and have been around since the 1940’s.

2 Procurement Policy

Due to the adverse health effects from chronic exposure to PFAS, the Authority will consider the presence of PFAS within good it purchases. Potential suppliers of goods will be asked if their products contain PFAs and if so, at what levels. This question will be included within the RFQ and tender process.

Where 2 products are available at similar price and quality in which one contains PFAS and one does not, the non PFAS containing product will be selected.

However, where the absence of PFAS has a detrimental effect on the quality or performance and/or increases the cost significantly, all of these factors will be considered in the final purchase decision, which may result in the PFAS containing product being selected.

3 Advice

Advice may be sought from the Head of Occupational Health, Safety & Wellbeing or the Head of Procurement.

OFFICIAL

Treasury Management Mid-Year Review

Finance & Resources Committee

Date: 2 February 2024

Agenda Item: **11**

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

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, which is 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."

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 2021).

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

The commentary below has been provided by our Treasury Management consultants, Link Group.

2.2.1 The first half of 2023/24 saw:

- Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- Short, medium, and long-dated gilts remain elevated as inflation continually surprised to the upside.
- A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
- CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
- Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).

On the 13th of December, the Bank of England's Monetary Policy Committee (MPC) announced it had maintained interest rates at 5.25% for the fourth month in a row.

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2.2.2 The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

2.2.3 The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.

2.2.4 The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

2.2.5 CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and, in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.

CPI inflation has continued to fall, with the current rate being 3.9% in November, down from 4.6% in October. Unexpectedly the CPI rate has increased slightly for the first time since February 2023 to 4.0% in December 2023.

2.2.6 The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).

2.2.7 Interest Rate Forecasts

The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 25th September sets out a view that short, medium, and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

2.3 Treasury Management Strategy Statement

The Treasury Management Strategy and the Annual Investment Strategy for 2023/24 were approved by Fire Authority in February 2023. 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 22nd of December 2023.

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 £33.0 million externally during the period, generating £1.195 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 of the 22nd of December 2023 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 3.81%, being below the weighted average 7-day London Interbank Offer rate of 4.68%.

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 2023 totalled £41.9 million (£43.9 million at the 31 March 2023). 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 £39.9 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 2023, peaking in mid-October 2023. The 50-year PWLB target rate for new long-term borrowing started in 2023/24 at 4.29%, rose to 5.59% in October and then fell to 5.05% in November. Expected rates in the beginning of 2024 are at 5.30%.

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.

2.5.4 Due to the reprofiling of the fleet replacement programme and the timing of the receipt of central government grants, £5m of short-term investment (3 weeks) was required from the 28th of April to the 23rd of May, this investment was with Cherwell District Council. The interest cost to the Authority was £14.5k but this was offset by interest earned on existing investments of £13.9k, meaning the net cost was £600.

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 2023/24.

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.

Financial Implications

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

Legal Implications

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

Human Resource and Diversity Implications

5.1 None

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

Health, Safety and Wellbeing Implications

7.1 None

Environmental Implications

8.1 None

Your Fire and Rescue Service Priorities

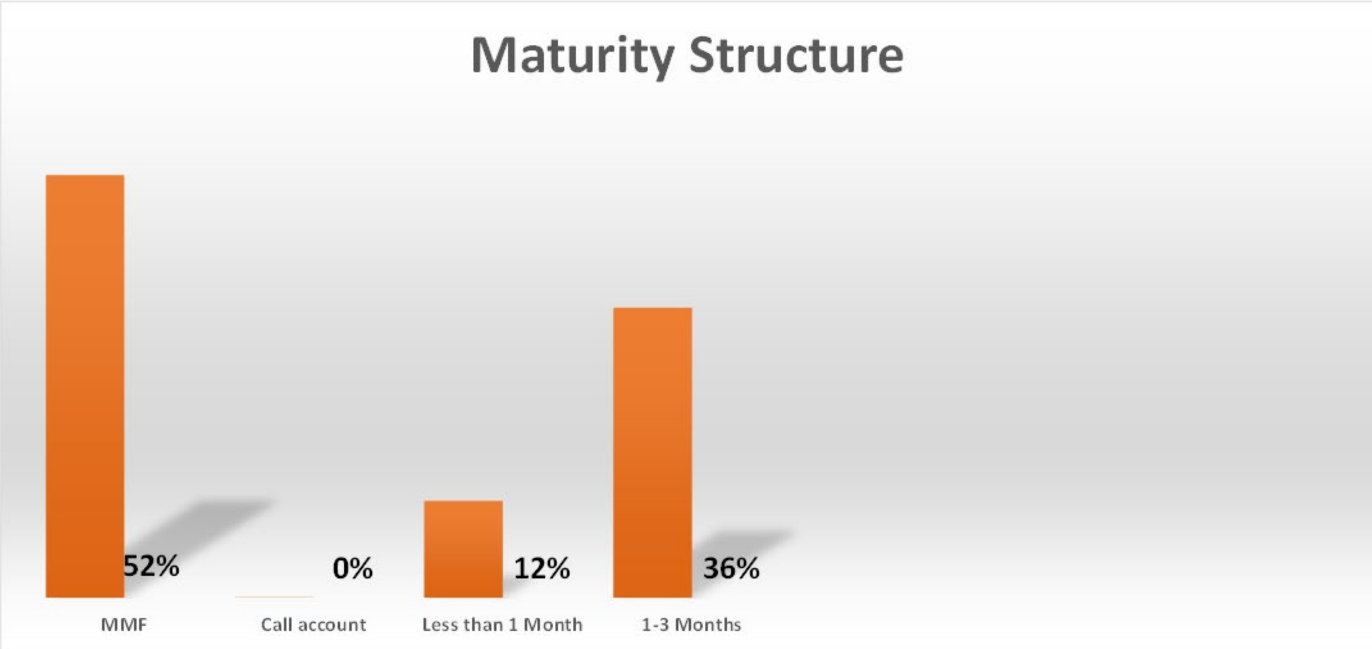
9.1 Treasury management underpins the financial management of the Authority which affects all the fire and rescue service priorities.

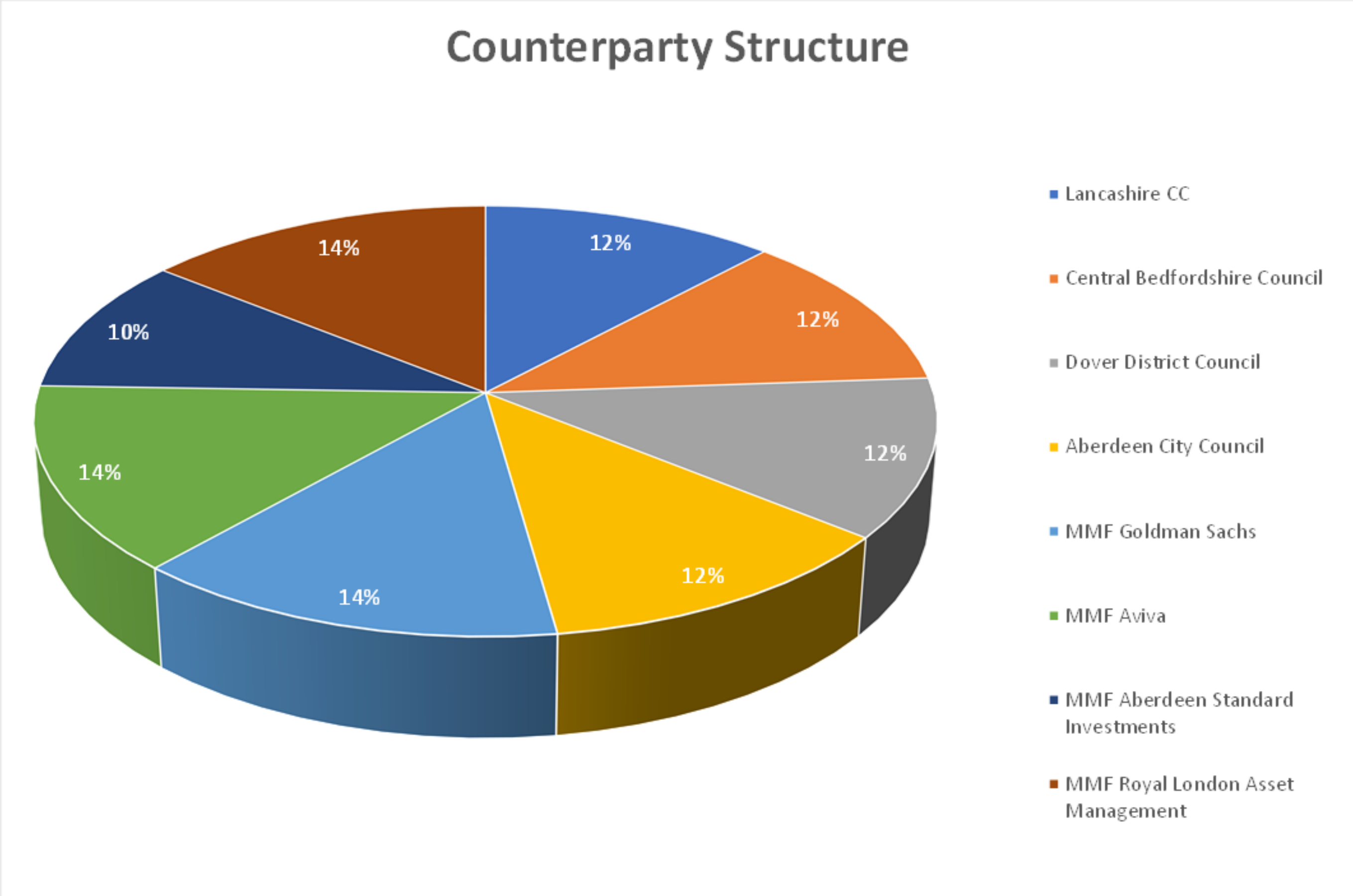
Conclusions

10.1 This report provides Members with an update on Treasury Management activity to the 22nd of December 2023, which demonstrates that the Authority is operating within the Treasury Management Strategy and that activity complied with the approved prudential indicators.

Appendix A

COUNTERPARTY	£	Interest Rate	Date Invested	Maturity Date	Maturity Structure
Lancashire CC	5,000,000	5.65	13/12/2023	12/02/2024	1-3 Months
Central Bedfordshire Council	5,000,000	5.45	22/08/2023	29/12/2023	Less than 1 Month
Dover District Council	5,000,000	5.60	30/11/2023	30/01/2024	1-3 Months
Aberdeen City Council	5,000,000	5.65	04/12/2023	29/02/2024	1-3 Months
Lloyds Bank Plc (RFB)	12,426	2.60	Call account	Call account	Call account
Handelsbanken Plc	488	2.82	Call account	Call account	Call account
MMF Goldman Sachs	5,779,351	5.23	MMF	MMF	MMF
MMF Aviva	5,839,974	5.37	MMF	MMF	MMF
MMF Aberdeen Standard Investments	4,289,749	5.38	MMF	MMF	MMF
MMF Royal London Asset Management	5,959,300	5.32	MMF	MMF	MMF
TOTAL	**41,881,288**				




Counterparty Structure
12%
12%
12%
12%
14%
14%
10%
14%
Lancashire CC
Central Bedfordshire Council
Dover District Council
Aberdeen City Council
MMF Goldman Sachs
MMF Aviva
MMF Aberdeen Standard Investments
MMF Royal London Asset Management

Prudential Indicators

Capital Expenditure

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

	2023/24 Estimate £000's	2023/24 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's
Existing Programme	47,947	53,185	16,525	10,105
New Capital Expenditure		3,784		
Removal from Plan		- 538		
Slipped Capital Expenditure		- 5,013		
Total Capital Expenditure	47,947	51,418	16,525	10,105
Financed by:				
Borrowing	22,859	25,281	12,575	5,655
Reserves	24,137	24,137	3,000	-
Capital Receipts	-	-	-	3,500
Revenue Contributions	950	2,000	950	950
Total Financing	47,946	51,418	16,525	10,105

Capital Financing Requirement

The capital financing requirement for 2023/24 and estimates for future years are as follows: -

	Estimate 2023/24 £000's	Forecast Actual 2023/24 £000's	Estimate 2024/25 £000's	Estimate 2025/26 £000's	Estimate 2026/27 £000's
CFR	66,324	66,324	79,332	78,162	80,428

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:

	Estimate 2023/24 £000's	Forecast Actual 2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
Authorised Limit for External Debt	53	53	76	79	86
Operational Boundary for External Debt	51	51	71	74	81

The Chief Finance and Procurement Officer confirms that both the authorised limit and the operational boundary will not be exceeded during 2023/24 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 2022/23	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27
Ratio of Financing to Net Revenue Stream	6.39%	6.88%	5.81%	6.02%	5.87%	5.98%

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 2023.

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 2023/24	Forecasted Actual 2023/24
Under 12 months	0% - 20%	2.4%
12 months to 2 years	0% - 20%	1.8%
2 years to 5 years	0% - 60%	10.7%
5 years to 10 years	0% - 80%	5.4%
More than 10 years	20% - 100%	79.7%

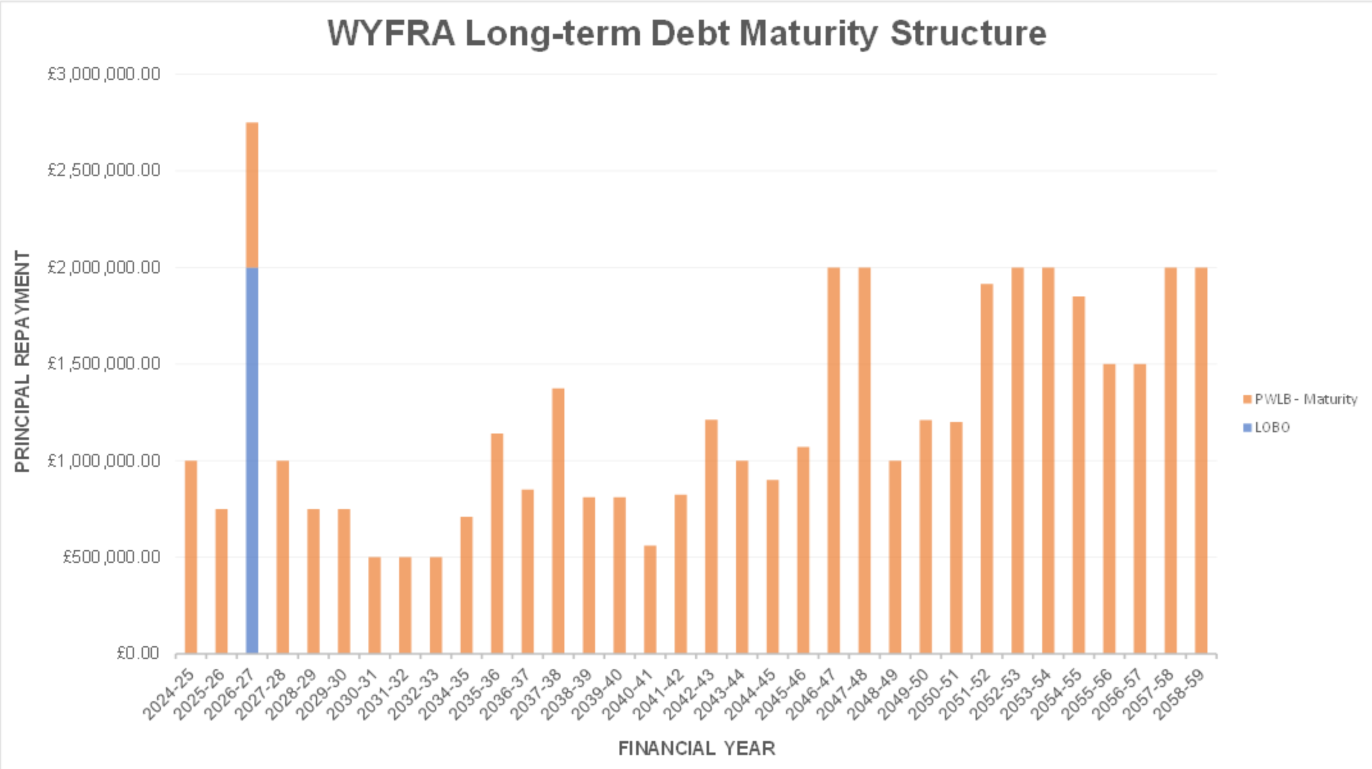
While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio.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

	Limit Set 2023/24	Forecasted Actual 2023/24
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%

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:



Total principal sums invested for periods longer than 364 days.

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