West Yorkshire Fire & Rescue Authority

OFFICIAL

Mid-year review of Treasury Management activity of the Authority

Finance & Resources Committee

Date: 7 February 2020

Agenda Item: **6**

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 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: Nil

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

Annexes:

Annex A Investments at 24 December

Annex B Debt Maturity Structure

Annex C Prudential Indicators

1 Introduction

1.1 The Authority has adopted the CIPFA Code of Practice on Treasury Management. It is a requirement of the Code that regular reports be submitted to Members detailing treasury management operational activity. This report covers the period 1 April to 24 December 2019.

2 Information

2.1 The Authority has adopted the CIPFA Code of Practice on Treasury Management and operates its treasury management service in compliance with this Code and various statutory requirements. The Code recommends monitoring reports on treasury management be submitted. Under Financial Procedure Rules, Full Authority is responsible for the implementation and monitoring of the treasury management policies. Finance & Resources Committee undertake a scrutiny role with regard to treasury management.

The report covers the period 1 April to 24 December 2019, and reports on interest rates, investment and borrowing activities, budget monitoring, prudential indicators, and risk/compliance issues. Reference will be made to the Treasury Management Strategy Report approved by the Authority on 21 February 2019.

The Treasury Management Strategy 2019/20 approved by the Authority on 21 February 2019

The Chief Finance & Procurement Officer believed that the borrowing and investment strategy for 2019/20 should continue to place emphasis on the security of the Authority's balances. The main external influence on the Authority's strategy was the UK's progress in negotiating its exit from the EU and any uncertainty over the future weighing on growth. Economic growth was therefore forecast to remain sluggish throughout 2019/20 as uncertainty could continue for several years.

It was expected that the Authority would have an overall Capital Financing Requirement (CFR) of £57.3m as at 31st March 2020. The CFR represents the Authority's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements. The CFR within the strategy was to be financed via £45.5m of external borrowing after using £11.8m of internal borrowing.

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

Labour market data for July 2019 showed the unemployment rate at 3.8% while employment rate remained at 76.1%. Nominal annual wage growth measured by the 3-month average excluding bonuses was 3.8% and 4.0% including bonuses. Adjusting for inflation, real wages were up 1.9% excluding bonuses and 2.1% including.

The Bank of England has maintained the Bank Rate at 0.75% since August 2018.

Politics, both home and abroad, continued to be a big driver of financial markets over the last quarter. Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period. Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk.

2.3 Investment Performance

The Authority has invested an average balance of £31.4 million externally during the period, generating £0.141 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 (£35.538 million) as a single annual payment. An additional £4.286 million of pension grant was received in June 2019 which is for the increase in employers' pension contributions from April 2019.

Monies have been invested in line with the Treasury Management Strategy using deposit accounts, money market funds and short term deposits. Appendix 1 shows where investments were held at the start of April and at the 24th December by counterparty, by sector and by country.

The Authority's investment performance was monitored during the period, with the average lending rate of 0.91%, being above the weighted average 7 day London Interbank Offer rate of 0.69%.

2.4 Borrowing performance

In terms of borrowing, long-term loans at the end of September totalled £45.5 million (£45.6 million 31 March 2019). Repayments of EIP (equal instalments of principal) loans totalling £0.274 million will be made during the year, including an amount of £0.038 million due in 2018/19 but not collected by the PWLB until April 2019. Current forecasts indicate that there will not be a borrowing requirement for the remainder of the financial year.

Public Works Loan Board (PWLB) loans total £43.5 million of long term loans, with the remaining £2.0m 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 2 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.

There was a 1% increase in PWLB rates overnight on the 9th October 2019. This is likely a result of exceptionally high levels of long term borrowing sector wide over recent months, which was getting close to the statutory PWLB limit of £95bn. As HM Treasury had no appetite to extend the limit, they chose to control demand by increasing rates, thereby preserving the facility. As a result, by way of an example, a 30 year maturity loan on 8th October was 1.96% which increased to 2.97% the following day. PWLB borrowing does however remain available, with most rates at or below 3%. Short term borrowing rates however remain relatively low. Short term local to local funding is available slightly higher than current bank rate, at around 0.84%.

2.5 Revenue Budget Monitoring

The revenue budget contains a sum of £6.998 million for interest and provision for debt repayment for 2019/20 and included provision for funding new borrowing in 2018/19 and 2019/20. However, no new borrowing was required in 2018/19 and the latest cash flow projections show that is unlikely that any will be needed this year. It is therefore probable that a significant underspending will take place. Any underspend on capital financing payments will be used to make additional contributions to debt repayment thus reducing the Authority's overall capital financing requirement and hence reducing the burden on revenue in future years.

2.6 Prudential Indicators

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.

Appendix 3 provides a schedule of the indicators set for treasury management and the latest position.

2.7 Risk and Compliance Issues

a) Banking

There are no issues to report.

b) Treasury Management

Treasury management is provided by Kirklees Council as part of the Service Level Agreement, monthly cash flow and investment position reports are produced for the Chief Finance and Procurement Officer, thus ensuring scrutiny.

c) Authority 'Professional Client Status'

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

3 Financial Implications

3.1 These are included within the main body of the report

4 Legal Implications

4.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

5 Human Resource and Diversity Implications

5.1 None

6 Health, Safety and Wellbeing Implications

6.1 None

7 Environmental Implications

7.1 None

8 Your Fire and Rescue Service Priorities

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

9 Conclusions

9.1 This report provides Members with an update on Treasury Management activity to 24 December 2019, due to the Authority not having a need to borrow externally during 2019, this activity has been limited to investments.

West Yorkshire Fire & Rescue Investments 2019-20

Appendix 1

Counterparty		Approved Strategy Limit £m	Approved Strategy Credit Rating*	Credit Rating September 2019	1 April 2019 £m	1 April 2019 Interest Rate	1 April 2019 Type of Investment	24 December 2019 £m	24 December 2019 Interest Rate	24 December 2019 Type of Investment
Specified Investments										
DMO	Gov't	Unlimited	-	-	0.590	0.51%	5 wks	-	-%	-
Thurrock Borough Council	LA	Unlimited	-	-	10.000	1.00%	6 mth	-	-%	-
Babergh District Council	LA	Unlimited	-	-	3.000	1.00%	3 mth	-	-%	-
Lancashire County Council	LA	Unlimited	-	-	-	-%	-	5.000	1.00%	10 mth
Cherwell District Council	LA	Unlimited	-	-	-	-%	-	4.000	0.88%	7 mth
Coventry BS	Bldg Soc	6.0	AAA - A	A-	-	-%	-	6.000	0.86%	6 mth
Close Brothers	Bank	6.0	AAA - A	A	-	-%	-	6.000	1.15%	9 mth
Lloyds Bank	Bank	6.0	AAA - A	A+	-	-%	32 day notice	5.990	0.90%	32 day notice
Santander UK	Bank	6.0	AAA - A	A+	3.000	1.00%	180 day notice	6.000	1.00%	180 day notice

Handelsbanken UK	Bank	6.0	AAA - A	AA	0.001	0.64%	Instant Access	0.001	0.64%	Instant Access
Handelsbanken UK	Bank	6.0	AAA - A	AA	0.005	0.80%	35 day notice	0.600	0.80%	35 day notice
Aberdeen Standard	MMF**	6.0	-	-	2.088	0.78%	MMF	2.517	0.74%	MMF
Aviva	MMF**	6.0	-	-	2.111	0.79%	MMF	1.536	0.72%	MMF
Goldman Sachs	MMF**	6.0	-	-	2.005	0.71%	MMF	0.727	0.68%	MMF
					22.800			**38.371**		
Sector Analysis										
Bank					3.006	13.2%		18.591	48.5%	
Building Society					-	0.0%		6.000	15.6%	
Local Authorities/Central Gov't					13.590	59.6%		9.000	23.4%	
MMF**					6.204	27.2%		4.780	12.5%	
					22.800	100.0%		**38.371**	100.0%	
Country Analysis										
MMF**					6.204	27.2%		4.780	12.5%	
UK					16.596	72.8%		33.591	87.5%	
					22.800	100.0%		**38.371**	100.0%	

* Based on Fitch's credit ratings. See next page for key. ** MMF – Money Market Fund. These funds are domiciled in other EU countries for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK.

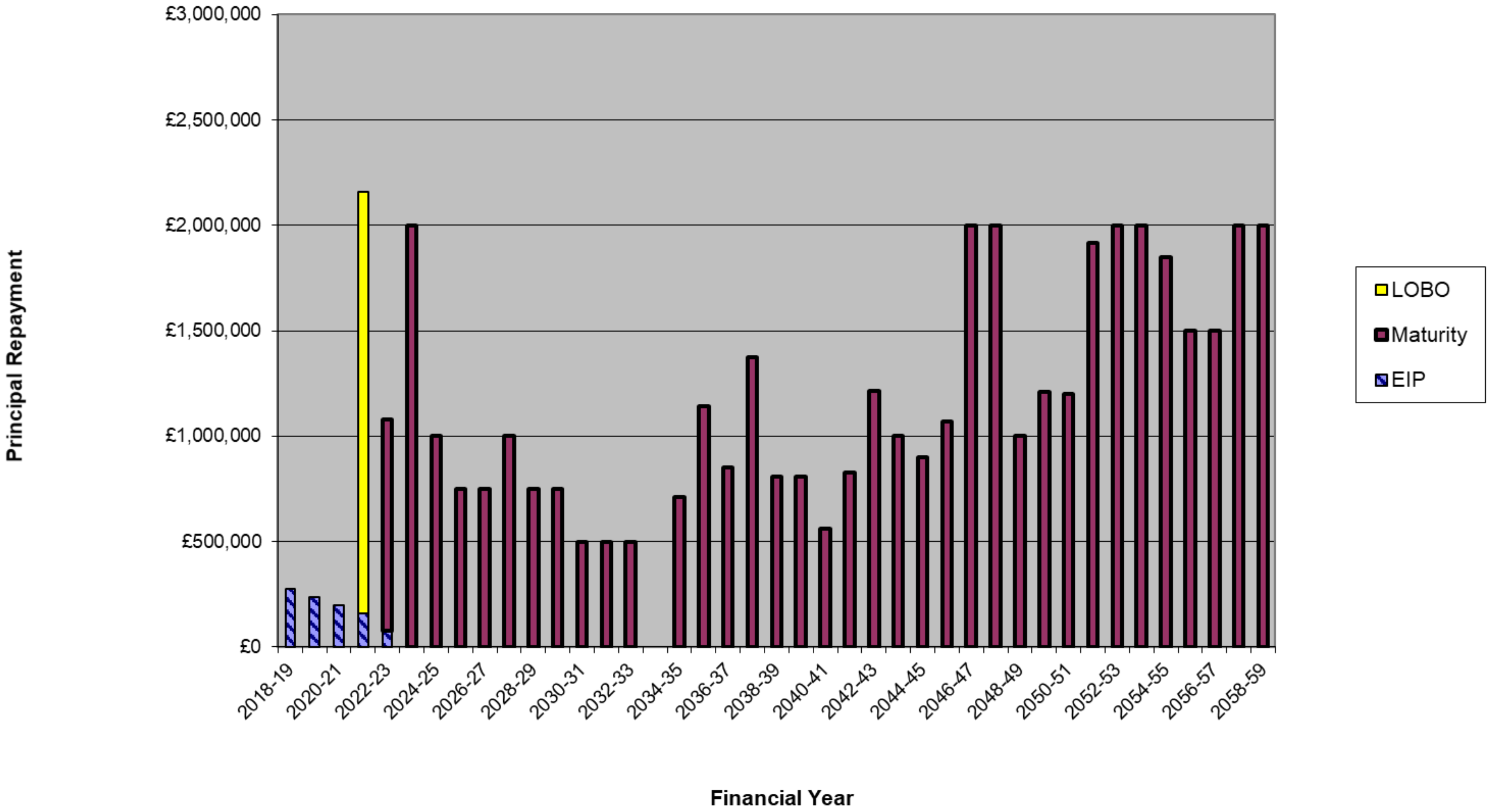
* Based on Fitch's credit ratings. See next page for key. ** MMF – Money Market Fund. These funds are domiciled in other EU countries for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK.

<u>Key – Fitch's credit ratings</u>:

Appendix 1 Continued

		Long	**Short**
Investment Grade	Extremely Strong	AAA	F1+
	Very Strong	AA+	
		AA	
		AA-	
	Strong	A+	
		A	F1
		A-	
	Adequate	BBB+	F2
		BBB	
		BBB-	F3
Speculative Grade	Speculative	BB+	B
		BB	
		BB-	
	Very Speculative	B+	
		B	
		B-	
	Vulnerable	CCC+	C
		CCC	
		CCC-	
		CC	
		C	
	Defaulting	D	D

WYFRA Long-Term Debt Maturity Structure



Treasury Management Prudential Indicators

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 Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2019 – 20	Forecasted Actual 2019 - 20
Interest at fixed rates as a percentage of net interest payments	60% - 100%	100%
Interest at variable rates as a percentage of net interest payments	0% - 40%	0%

The interest payments were within the limits set.

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.

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 2019 - 20	Forecasted Actual 2019 - 20
Under 12 months	0% - 20%	0.5%
12 months to 2 years	0% - 20%	0.5%
2 years to 5 years	0% - 60%	5.5%
5 years to 10 years	0% - 80%	13.1%
More than 10 years	20% - 100%	80.4%

The limits on the proportion of fixed rate debt were adhered to.

Total principal sums invested for periods longer than 364 days

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

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Treasury Management Strategy 2020-21

Finance & Resources Committee

Date: 7 February 2020

Agenda Item: **7**

Submitted By: Chief Finance and Procurement Officer

Purpose

To present the Treasury Management Strategy 2020-21

Recommendations

To recommend to the Full Authority the approval of the Treasury Management Strategy 2020/21 including;
a) the investment strategy in section 2.3 and Appendix A
b) the borrowing strategy outlined in section 2.4
c) the capital strategy outlined in section 2.5
c) the policy for provision of repayment of debt outlined in Appendix C
d) the Treasury Management indicators in Appendix D
e) the Capital Plan 2020 - 2024 at Appendix E

Summary

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.

Local Government (Access to information) Act 1972

Exemption Category: Nil

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

Annexes:
Appendix A – Investment strategy
Appendix B – Credit rating scores
Appendix C – Provision for repayment of debt
Appendix D – Treasury Management indicators
Appendix E – Capital Plan 2020-2024

1 Introduction

1.1 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. CIPFA released an updated version of the Prudential code in December 2017 which has resulted in a new requirement for local authorities to produce a capital strategy. The capital strategy is included within section 2.5 of this report. In addition, the Ministry for Housing, Communities and Local Government (MHCLG) issued guidance on local authority investments in February 2018, which requires the Authority to approve an Investment Strategy before the start of each financial year.

2. Information

2.1 Outlook for the economy, credit risk and interest rates

2.1.1 The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21. UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month. GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth while production was flat and agriculture recorded a fall. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate.

2.1.2 The Bank of England maintained Bank Rate to 0.75% in November 2019. Despite keeping rates on hold, it was confirmed that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections suggest they may now be less convinced of the need to increase rates even if there is a Brexit deal.

Forecasts for interest rates for the next three years is as follows:

Table 1: Interest Rate Forecasts

	Average Base Rate	20 Year PWLB Rate
2020/21	0.75%	3.10%
2021/22	0.75%	3.15%
2022/23	0.75%	3.20%

2.2 Borrowing and Investment – General Strategy for 2020/21

As at 31 March 2020, the Authority is expected to have £45.4 million of external debt liabilities and £25.0 million of investments.

2.2.1 Forecasts for CFR as at 31 March are as follows:

	2020/21 £m	2021/22 £m	2022/23 £m
CFR	59.5	57.7	56.5

2.2.2 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.

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

	2020/21 £m	2021/22 £m	2022/23 £m
CFR b/f previous year	57.3	59.5	57.7
Capital Expenditure (net of Capital Receipts)	10.1	9.9	15.8
CFR Debt Financed via;			
Minimum Revenue Provision (MRP)	-4.4	-5.2	-5.3
Revenue Contribution/Reserve	-3.5	-6.5	-11.7
CFR to c/f to next year	59.5	57.7	56.5

2.2.4 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, less than 0.85%, particularly when compared to the cost of borrowing longer term loans from the PWLB.

2.2.5 The cost of borrowing has been historically low over the past decade. Short term borrowing rates remain relatively low, however, longer term rates have recently increased. There was a 1% increase in PWLB rates overnight on the 9th October 2019. This is likely as a result of exceptionally high levels of sector wide long term borrowing over recent months, which was getting close to the statutory PWLB limit of £95bn. As HM Treasury had no appetite to extend the limit, they chose to control demand by increasing rates, thereby preserving the facility. As a result, by way of an example, a 30 year maturity loan on 8th October was 1.96% which increased to 2.97% the following day. PWLB borrowing does however remain available, with most rates at or below 3%. The average rate for a 10-year maturity loan in 2019/20 after the 9th October 2019 has been around 2.73%.

2.2.6 The Chief Finance & Procurement Officer believes that the borrowing and investment strategy for 2020/21 must continue to place emphasis on the security of the Authority's balances.

2.2.7 As at 31 March 2020, the Authority is expected to have around £25.0 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 organisations maintaining a professional status must keep a minimum of £10 million invested at any point in time.

2.3 Investment Strategy

2.3.1 Investment guidance issued by MHCLG 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 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.

2.3.3 It is estimated that the Authority could have up to £60 million to invest at times during the year; a combination of cash received in advance, reserves and creditors. This is largely due to the payment of Fire Fighters Pension Top Up Grant which is paid in one lump sum in July, which amounts to around £35 million.

2.3.4 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.

2.3.5 The Authority's investment criteria has been slightly adapted over the years but is largely based on a strategy of when the Authority had relatively small investment balances. Since the pensions' payments have increased and the Government has chosen to provide the Authority with an annual grant to cover the costs, the Authority has found itself with more significant levels of investment. Officers carried out a review of the strategy prior to 2015/16 and are confident that it is fit for purpose in terms of the current strategy of prioritising security and liquidity whilst achieving returns above that offered by the Government.

Key features of the strategy are as follows:

<u>Specified Investments</u>

- 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 DMADF for up to 6 months.

<u>Non Specified Investments</u>

- 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.

2.3.6 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, the last column of Appendix A lists which banks and building societies the Authority could invest with based on credit ratings as at the beginning of January 2020.

2.3.7 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. Lloyds have strong enough ratings now to meet the Authority's criteria for specified investments whereas Royal Bank of Scotland (RBS) current ratings would mean that the bank only meets the non-specified criteria. However, the Authority has not invested with RBS for some time anyway as the rates of return offered have been relatively poor.

2.3.8 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.

2.3.9 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 B). 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.

2.3.10 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.

2.3.11 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.

2.3.12 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.

2.3.13 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

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

2.3.15 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.

2.4 Borrowing Requirement and Strategy

2.4.1 As at 31 March 2020, the Authority is expected to have £45.4 million of external debt liabilities and £25.0 million of investments. Forecast changes in these sums for the next three years are shown in the balance sheet analysis below:

Balance Sheet Forecast

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
CFR	57.3	59.5	57.8	56.5
Less: External borrowing	45.4	45.2	45.1	43.9
Internal Borrowing	11.9	14.3	12.7	12.6
Investments	25.0	25.0	25.0	25.0

2.4.2 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.

2.4.3 It is predicted that as at 31 March 2020, the Authority will have total external borrowing and other long-term liabilities of around £45.4 million. This is analysed as follows:

	Estimated Total debt as at 31 March 2020 £m	%
PWLB fixed loans	43.4	95.6
LOBOs	2.0	4.4
TOTAL	45.4	100.0

2.4.4 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 2019/20. Following the 1% increase in PWLB borrowing rates (as noted above in paragraph 2.2.5), PWLB rates are now relatively expensive (albeit reset to the rates they were 12 months previous) compared to alternative longer term funding sources.

2.4.5 The Authority also has a LOBO (Lender's Option, Borrower's Option) loan. The way this loan works is that the Authority pays interest at a fixed rate for an initial period and then the lender has the option in the secondary period to increase the rate. If the option is exercised, the Authority can either accept the new rate or repay the loan. The Authority's loan is in its secondary period with intervals of 5 years between options. The next option date is May 2021. 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.

2.4.6 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 three 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. The company is not yet operational and officers will continue to monitor developments.

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

2.4.8 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.

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

2.5 Capital Strategy

2.5.1 The purpose of the Capital Strategy is to demonstrate that the Authority takes capital expenditure and investment decisions in line with corporate and service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

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

(a) 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.

(b) 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.

(c) Chief Financial Officer's statement

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

Capital Expenditure

Capitalisation Policy

2.5.3 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.

2.5.4 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.

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

Governance

2.5.6 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 four-year Capital Programme which is reviewed annually as part of the budget setting process and reviewed in year as part of financial monitoring arrangements.

2.5.7 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, appropriate authorisations for individual schemes to proceed and facilitate the overall management of the Capital Programme within defined resource parameters.

2.5.8 The Chief Finance and Procurement Officer 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.

2.5.9 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.

2.5.10 The Capital Monitoring Management Group meet on a quarterly basis whereby the capital plan is scrutinised and managers have to report on the progress of each capital scheme for which they are responsible. This is chaired by the Chief Finance and Procurement Officer.

Capital Expenditure and Funding Plans

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

2.5.12 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:

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

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

(c) **Revenue contributions** – amounts set aside from the revenue budget and the earmarked capital reserve.

(d) **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 Officer Statement

2.5.13 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.

2.6 Statement of Policy on the Minimum Revenue Provision (MRP)

2.6.1 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 C**.

2.7 Other Matters

Treasury Management is managed on a day to day basis by Kirklees Council as part of the Authority's Service Level Agreement. Quarterly meetings are held to discuss the treasury management and monthly reports are issued on cash flows and investment balances.

2.7.1 The MHCLG Investment Guidance also requires the Authority to note the following matters each year as part of the investment strategy:

Investment Consultants

Kirklees Council's investment consultant is Arlingclose Limited. The services received include:

a) Advice and guidance on relevant policies, strategies and reports;
b) Advice on investment decisions;
c) Notification of credit ratings and changes;
d) Other information on credit quality;
e) Advice on debt management decisions;
f) Accounting advice;
g) Reports on treasury performance;
h) Forecasts of interest rates; and
i) Training courses.

The quality of the service is monitored on a continuous basis by the Council's treasury management team.

Investment Training

The needs of the Council's treasury management staff for training in investment management are assessed on a continuous basis, and formally on a 6-monthly basis as part of the staff appraisal process. Additionally, training requirements are assessed when the responsibilities of individual members of staff change. Staff attend training courses, seminars and conferences as appropriate.

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.

2.7.2 Banking

The Authority moved its current account banking to Barclays in July 2015. There is nothing to report on the operation of the accounts.

3. Financial Implications

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

4. Legal Implications

4.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

5. Human Resource and Diversity Implications

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

6. Health and Safety Implications

6.1 There are no health and safety implications associated with this report.

7 Environmental Implications

7.1 There are no environmental implications associated with this report

8 Your Fire and Rescue Service Priorities

8.1 Sound treasury management ensures that the authorities financial position is governed and managed.

9 Conclusions

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

APPENDIX A

Specified

	Short-term Credit Ratings / Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at Dec 2019
	Fitch	**Moody's**	**S & P**	**£m**	**Period (1)**	
Banks / Building Societies (Reverse Repurchase Agreements) (2)	F1	P-1	A-1	10	Up to 364 days	Lloyds Group
	AAA,AA+,AA, AA-,A+,A,A-	Aaa,Aa1,Aa2, Aa3,A1,A2,A3	AAA,AA+,AA, AA-,A+,A,A-			
Banks / Building Societies (Deposit accounts, fixed term deposits)	F1	P-1	A-1	6	<100 days	Coventry BS, Close Bros
	AAA,AA+,AA, AA-,A+,A,A-	Aaa,Aa1,Aa2, Aa3,A1,A2,A3	AAA,AA+,AA, AA-,A+,A,A-	6	<6mth	HSBC, Lloyds Group, Santander UK Nationwide BS, Handelsbanken
MMF (3)	-	-	-	6	Instant access/ up to 2 day notice	
UK Government (Fixed term deposits)	-	-	-	Unlimited	<6mth	
UK local authorities (Fixed term deposits)	-	-	-	Unlimited	Up to 364 days	

Non-Specified (4)

	Short-term Credit Ratings / Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at Dec 2019
	Fitch	Moody's	S & P	£m	Period (1)	
UK Banks / Building Societies (Fixed term deposits)	F1,F2	P-1,P-2	A-1,A-2	6	<2mth	Barclays, Leeds BS, RBS Group
	Higher than BBB	Higher than Baa2	Higher than BBB			

(1) The investment period begins from the commitment to invest, rather than 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 B

Credit ratings

<table>
<tr><th colspan="2">Moody's</th><th colspan="2">S&P</th><th colspan="2">Fitch</th><th></th></tr>
<tr><th>Long-term</th><th>Short-term</th><th>Long-term</th><th>Short-term</th><th>Long-term</th><th>Short-term</th><th></th></tr>
<tr><td>Aaa</td><td rowspan="6">P-1</td><td>AAA</td><td rowspan="4">A-1+</td><td>AAA</td><td rowspan="4">F1+</td><td>Prime</td></tr>
<tr><td>Aa1</td><td>AA+</td><td>AA+</td><td rowspan="3">High grade</td></tr>
<tr><td>Aa2</td><td>AA</td><td>AA</td></tr>
<tr><td>Aa3</td><td>AA-</td><td>AA-</td></tr>
<tr><td>A1</td><td>A+</td><td rowspan="2">A-1</td><td>A+</td><td rowspan="2">F1</td><td rowspan="3">Upper medium grade</td></tr>
<tr><td>A2</td><td>A</td><td>A</td></tr>
<tr><td>A3</td><td rowspan="2">P-2</td><td>A-</td><td rowspan="2">A-2</td><td>A-</td><td rowspan="2">F2</td></tr>
<tr><td>Baa1</td><td>BBB+</td><td>BBB+</td><td rowspan="3">Lower medium grade</td></tr>
<tr><td>Baa2</td><td rowspan="2">P-3</td><td>BBB</td><td rowspan="2">A-3</td><td>BBB</td><td rowspan="2">F3</td></tr>
<tr><td>Baa3</td><td>BBB-</td><td>BBB-</td></tr>
<tr><td>Ba1</td><td rowspan="14">Not prime</td><td>BB+</td><td rowspan="6">B</td><td>BB+</td><td rowspan="6">B</td><td rowspan="3">Non-investment grade speculative</td></tr>
<tr><td>Ba2</td><td>BB</td><td>BB</td></tr>
<tr><td>Ba3</td><td>BB-</td><td>BB-</td></tr>
<tr><td>B1</td><td>B+</td><td>B+</td><td rowspan="3">Highly speculative</td></tr>
<tr><td>B2</td><td>B</td><td>B</td></tr>
<tr><td>B3</td><td>B-</td><td>B-</td></tr>
<tr><td>Caa1</td><td>CCC+</td><td rowspan="5">C</td><td rowspan="5">CCC</td><td rowspan="5">C</td><td>Substantial risks</td></tr>
<tr><td>Caa2</td><td>CCC</td><td>Extremely speculative</td></tr>
<tr><td>Caa3</td><td>CCC-</td><td rowspan="3">In default with little prospect for recovery</td></tr>
<tr><td rowspan="2">Ca</td><td>CC</td></tr>
<tr><td>C</td></tr>
<tr><td>C</td><td rowspan="3">D</td><td rowspan="3">/</td><td>DDD</td><td rowspan="3">/</td><td rowspan="3">In default</td></tr>
<tr><td>/</td><td>DD</td></tr>
<tr><td>/</td><td></td></tr>
</table>

APPENDIX C

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. Proposed policy for 2020/21

3.1 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 year period and all new buildings over 50. These additional voluntary contributions covered all debt, not just unsupported, and have been calculated using an annuity method with reference to asset lives.

8.1 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.

8.2 The adoption of IFRS16 from April 2020 means that for leases that are re-categorised as finance leases the MRP requirement is met by making a charge equal to the element of the finance lease rental that goes to write down the Balance Sheet liability under proper accounting practices. The MRP charge is equal to the principal element of the annual rent.

3.2 It is recommended that this policy is adopted for 2020/21. 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

3.3 The continuation of the existing policy is fully accounted for in the proposed three year treasury management budget.

APPENDIX D

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 2020/21, 2021/22 and 2022/23 of 100% of its net interest payments. It is further recommended that the Authority sets an upper limit on its variable interest rate exposures for 2020/21, 2021/22 and 2022/23 of 40% of its net interest payments.

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 percentage of total projected borrowing that is fixed rate		
	Upper Limit (%)	**Lower Limit (%)**
Under 12 months	20	0
Between 1 and 2 years	20	0
Between 2 and 5 years	60	0
Between 5 and 10 years	80	0
More than 10 years	100	20

*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 than 364 days.

APPENDIX E

Capital Plan

	TOTAL	2020/21	2021/22	2022/23	2023/24
Employment Services	£102,000	£102,000			
Fire Safety	£2,500,000	£500,000	£500,000	£500,000	£500,000
ICT	£4,028,000	£2,165,000	£1,080,000	£518,000	£210,000
IRMP	£21,834,000	£1,050,000	£5,050,000	£11,734,000	£4,000,000
Operations	£4,816,000	£658,000	£389,000	£3,482,000	£287,000
Property	£9,360,000	£2,160,000	£1,800,000	£1,800,000	£1,800,000
Transport	£10,854,000	£43,000	£1,920,000	£1,753,000	£3,808,000
TOTAL	**£53,494,000**	**£6,678,000**	**£10,739,000**	**£19,787,000**	**£10,605,000**
Financed by;					
Borrowing	£28,919,000	£3,728,000	£4,739,000	£6,412,000	£9,305,000
Reserves	£17,350,000	£2,000,000	£5,050,000	£10,300,000	
Capital Receipts	£2,475,000			£2,125,000	£350,000
Revenue Contribution	£4,750,000	£950,000	£950,000	£950,000	£950,000
TOTAL	**£53,494,000**	**£6,678,000**	**£10,739,000**	**£19,787,000**	**£10,605,000**

The capital plan does not include allowance for slipped schemes and thus represents the value of capital bids submitted.

Quarterly Financial Review

Finance & Resources Committee

Date: 7 February 2020

Agenda Item: **8**

Submitted By: Chief Finance and Procurement Officer

Purpose

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

Recommendations

That Members note the content of the report
That Members approve the revised capital plan
That Members approve the transfer of budget to contingencies

Summary

The purpose of this report is to present an overview of the financial performance of the Authority up to the end of December 2019. The report deals with revenue and capital expenditure

Local Government (Access to information) Act 1972

Exemption Category: Nil

Contact Officer:

Alison Wood

Alison.wood@westyorksfire.gov.uk

01274655711

Background papers open to inspection: None

Annexes: Appendix A Capital Expenditure 2019/20

1 Introduction

1.1 Expenditure is monitored throughout the year against the approved revenue budget with reports presented to departments, cost centre managers and directors. A high-level summary report is presented to Management Board 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. There have been a number of transfers to contingencies since the last quarterly review report in October.

In order to ensure that budget monitoring is reflective of current expenditure the following have been moved to or from contingencies:

<u>Employee Contingency</u>

The following were transfers of budget from the employee contingency budget to employee budgets:

- The fire fighters pay award was agreed at 2% from the 1st July and was paid in October, which cost £805k. So that budget monitoring is not distorted, the pay award provision is included in contingencies until paid.
- There have been twenty two retained firefighter recruitments since the budget was set in October 2018 amounting to an additional annual cost of £205k.

The following has been a transfer of budget from employees to the contingency budget:

- The support staff budget is currently under spending due to a number of vacancies within fire protection. Due to the length of the recruitment process, these posts will not be filled until the next financial year. The underspend amounts to £300k.

<u>General Contingency</u>

The following are the transfer of budgets to contingencies. These have been identified in the process of budget monitoring:

- Due to the reduction in the number employed in the Operational Resource Pool there has been a saving on the payment of travel allowances. There has also been a reduction in the use of public transport overall.
- Fleet insurance has come in under budget in 2019/20 and there are no costs outstanding, this policy is due for renewal in 20/21.
- There has been no change to the type of uniform issued during 2019/20, this has resulted in a budget under spend. This will be used to fund the new PPE costs of the wildfire team in 2020/21.

- The recharge of the cost of the shared control landlines between West and South Yorkshire Fire and Rescue has not been included within base budgets. The cost of the line is paid by West Yorkshire and then recharged to South Yorkshire. There is also some savings identified in the cost of pagers.
- Due to the renewal of contracts and the end of the SAP human resources system support, there is a saving in ICT maintenance of £24k.
- The feasibility studies for the rebuild of stations included within the capital plan have been completed, resulting in a realised under spend of £55k in 2019/20.
- The legal dispute regarding the payment of the system security invoice has been resolved. A provision of £250k was included in the 2018/19 financial accounts, the costs relating to the dispute total £103k, meaning that there is an overprovision of £147k. As per accounting rules this must be processed through the revenue account.
- There has been £175k more income generated from the youth intervention scheme than originally estimated.
- The Authority receives £35k for the provision of Marauding Terrorist Firearms Attack (MTFA) grant which has not been included within the base revenue budget, thus there is a forecast over achievement of income of £35k.

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

`	Balance 11/10/19	Transfer to Contingencies	Closing Balance
	£000	£000	£000
Employee Contingency	1,551		
Pay Award		-805	
Retained employees		-205	
Support Staff		330	
		-680	871
General Contingency	781		
Public transport travel		40	
Fleet insurance		33	
Clothing		70	
Phones/Pagers		170	
Legal Provision		147	
ICT Maintenance		24	
Feasibility studies		55	
Support Service Charges		20	
Youth training income		175	
MTFA Grant		35	
		769	1,550
-			
TOTAL	**2,332**	**89**	**2,421**

3 Expenditure Monitoring

3.1 This report is based on expenditure to the end of December 2019 and includes nine salary payments of 2019/20. 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 £276k in the current financial year, this includes the adjustments to contingencies detailed above.

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 variances detailed below.

	Revenue Budget	Forecast	Variance
	£000	£000	£000
Employees			
Whole time	49,151	49,069	-82
Retained	1,981	1,970	-11
Control	1,834	1,817	-17
Support Staff	9,798	9,760	-38
Pensions	2,000	2,000	0
Training	787	702	-85
Other Employee	390	365	-25
TOTAL	65,941	65,683	-258
Premises	4,417	4,469	52
Transport	2,320	2,327	7
Supplies and Services	4,733	4,747	14
Contingency Employees	871	871	0
Contingency General	1,550	1,550	0
Support Services	312	312	0
Capital Charges	7,948	7,948	0
Income	-2,945	-3,036	-91
Net Expenditure	85,147	84,871	-276

An explanation of the major variances per expenditure category are explained below:

Employees **-£258,000**

<u>Whole time Fire Fighters</u> -£82,000

There is currently a forecast underspending of £82,000 in whole time fire fighter employee budgets.

There is an underspend on fire fighters salaries due to variances in the expected retirement dates of operational employees totalling £111k and the provision of £161k in the budget for four employees that are on career break returning to the Authority has not been required.

This under spend has been offset by a forecast over spend on overtime of £190k, of which £108k is due to the provision of support from West Yorkshire to neighbouring brigades during the floods in November. Some of the cost of this support is recharged to the receiving brigade, this is calculated using rates determined by the NFCC. The remaining over spend is attributable to providing additional resilience in the Wharfe Valley and cover at the day crewed stations.

<u>Retained Fire Fighters</u> -£11,000

Although the budget has been increased to reflect an increase in the number of retained fire fighters employed during the year, there is a small forecast under spend of £11,000 on retained employees. This is due to the seasonal nature of retained expenditure this can change during the course of the year.

<u>Control</u> -£17,000

The projected underspend of £17,000 is due to one member of staff in control who was on a career break and has now resigned from the service.

<u>Support Staff</u> -£38,000

The projected under spend on support staff salaries are due to an increase in staff vacancies than the amount that is included within the original budget for vacancy management. Although this budget has been reduced by the removal of fire safety vacant posts totalling £330k, there are still a number of posts that have yet to be filled, for example, the recruitment of the procurement team was approved in October 2019, but the new team will not be in post until March 2020.

<u>Training</u> -£85,000

Every year departments are asked to submit their training bids which are based on the assumption that all staff will be available to attend, the course will be provided and there is no price variation. The projected underspend is due to a combination of these factors.

Other Employee Costs -£25,000

The projected underspend is due to employee insurance being less than budgeted of £10k and a forecast underspend of £15k on relocation and medical expenses.

3.4 **Premises** £52,000

The forecast overspend is due to a combination of under and overspends within individual budget headings:

- An increase of £19k in the cost of cleaning contract following the re tendering of the contract which commenced the 6th January 2020.
- There have been a large number of system electrical repairs following the three yearly tests totalling £44k.
- There is an estimated £22k over spend on utilities, these budgets were reduced for 2019/20 and expenditure on these are monitored closely on stations.

These over spends have been offset by some savings that have been realised from the lean review of re-active repairs.

3.7 **Income** **-£91,000**

The projected over achievement of income is due to a combination of the under and over recovery of income in the following areas:

- There is forecast a reduction in the income to be received from the sale of old equipment, lift rescues and COMAH charges amounting to £41k.

This has been offset by an excess of budgeted income as follows:

- Included within the forecast is £63k of income recharged to neighbouring brigades for flood support
- Increase in secondment income of £30k
- Increases in charges for fire reports, special services and provision of training courses of £32k

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	General Reserve £000
Balance at 1 April 2019	5,000
Impact of forecast	276
Transfer to Balances in year	
Planned use of balances	4
Forecast Balance at 31/3/2020	**5,280**

5 Capital Expenditure Monitoring

5.1 Introduction

At its meeting on 21 February 2019 the Authority approved a five-year capital programme of £25.074m which included schemes to the value of £6.581m for the current financial year. There have been a number of revisions to the plan which have been approved at Finance and Resources Committee in April, July and October resulting in a total capital plan for 2019/20 of £12.56m.

5.2 Revised capital plan 2019/20

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

5.2.2 Management Board gave approval for an increase to the capital plan of £83k for the installation of the SAP/OPEX interface which is the link between the ordering and financial system which will reduce duplication in the procurement process, this requires member approval to increase the overall capital plan.

5.2.2 At the Authority AGM in 2010, Management Board was given delegated power to approve individual virement between capital schemes of up to £100,000. Details of any approvals will be reported to committee throughout the year as part of this report. Details of these virements are included in the table in 5.4.2.

5.3 Capital Payments 2019/20

5.3.1 The actual capital payments to date total £2.2m, which represents 18% of the revised capital plan. If commitments are included in this, the actual expenditure to date is £7.3m, which equates to 58% 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.

5.3.2 A summary of the capital plan including slipped schemes is attached to this report in Appendix A, which shows details of expenditure on each individual scheme.

5.4 Approvals under financial procedure 3.11

5.4.1 Under financial procedures 3.11 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.

5.4.2 Since the last Finance and Resources Committee in October, the Management Board have approved schemes totalling £70k, these are detailed in the table below. Approval has also been given to the virement of capital between schemes.

Schemes Approved by Management Board

Date	Directorate	Scheme	Approval	Virement
September	Service Support	Hydrant Software	£30,000	
		ICT SDC Hardware	£40,000	
		ICT Hardware		£46,446
		Firewall Replacement		-£46,446
	Service Delivery	RTC Jackets		£25,000
		PPE Replacement		-£25,000
November	Service Support	LED Lighting upgrades		-£53,000
		Normanton shower		-£10,000
		Electrical Upgrade		£63,000
		Conversion of room at Ossett		-£30,000
		Asbestos Removal		£30,000
		Cookridge refurbishment		-£65,000
		Moortown Refurbishment		£65,000
		Illingworth Refurbishment		-£30,000
		FSHQ Procurement Office		£30,000
December	Service Delivery	Washing Machines at Stations		£74,000
	Service Support	Equipment Tagging/Management		-£74,000
			£70,000	**£0**

5.5 Capital Receipts

The Authority has received £70k capital receipts in 2019/20 from the sale of old operational equipment and appliances.

6 Treasury Management

6.1 The Authority approved its Treasury Management Strategy on the 21st February 2019 in accordance with the CIPFA Code of Practice on Treasury Management.

Under this strategy the Authority receives a six-month review of the strategy which is the subject of a further report on this agenda.

7 Debtors

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

7.2 The level of outstanding debt owed to the Authority to the end of December 2019 is £260,117 which can be profiled as follows:

Less than 60 days -	£ 119,402
Greater than 60 days -	£ 88,813

7.3 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

As detailed above, there is currently £108,568 of debt which is at the recovery stage. However, previous experience suggests that the Authority will recover all of the outstanding debts.

8 Creditors

8.1 The Authority is required to pay all non disputed invoices within 28 days of receipt. In the current financial year to the end of December, the Authority has received 6,711 invoices and paid 99.59% of them within 28 days.

9 Financial Implications

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

10 Legal Implications

10.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

11 Human Resource and Diversity Implications

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

12 Health and Safety Implications

12.1 There are no health and safety implications associated with this report.

13 Environmental Implications

13.1 There are no environmental implications associated with this report.

14 Your Fire and Rescue Service Priorities

14.1 This report supports all the fire and rescue service priorities

15 Conclusions

15.1 This report identifies that the Authority is currently forecast to under spend its revenue budget in 2019/20 by £85k. In order to reflect expected outturn there have been a number of transfers to and from the contingency budgets. The budget will continue to be monitored closely during the year in conjunction with directors and budget holders.

Appendix A

SUMMARY

Directorate	Capital Plan 2019/20						Capital Expenditure 2019/20			
	2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp schemes approved	Total	Over/(Under) spend to date
Property services	£1,680,000	£801,164	-£193,000	£343,000	£0	£2,631,164	£865,039	£858,959	£1,723,998	-£907,167
IRMP	£0	£2,131,532	£0	£740,000	£0	£2,871,532	£2,074,753	£441,999	£2,516,752	-£354,780
ICT	£1,695,500	£440,255	-£208,137	£501,137	£0	£2,428,755	£285,654	£462,585	£748,239	-£1,680,517
HR	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Transport	£948,800	£750,000	£0	£0	£0	£1,698,800	£1,536,383	£84,599	£1,620,981	-£77,819
Operations	£1,757,000	£650,883	-£25,283	£25,283	£0	£2,407,883	£227,289	£239,887	£467,176	-£1,940,707
Fire Safety	£500,000	£19,500	£0	£0	£0	£519,500	£43,050	£144,105	£187,155	-£332,345
Finance	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	£6,581,300	**£4,793,335**	**-£426,420**	**£1,609,420**	**£0**	**£12,557,635**	**£5,032,167**	**£2,232,134**	**£7,264,301**	**-£5,293,334**

PROPERTY

Expenditure Code	Committee Approval	Details of Scheme	Year	Capital Outlay Ref	Capital Plan 2019/20									Capital Expenditure 19/20			
					2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23	2019/20	2019/20	2019/20	2019/20
					Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital total	Capital Plan	Capital Plan	Capital Plan	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
C.20493	Capital Approval	Leeds - Replace Derv tank & general station refurbishments works	2019/20	COR1045	£30,000	£0	£0	£0	£0	£30,000	£0	£0	£0	£0	£0	£0	-£30,000
C.20494	F & R 12/04/19	Moortown - General refurb of facilities, including LED energy efficient lighting	2019/20	COR1046	£90,000	£0	£0	£65,000	£0	£155,000	£0	£0	£0	£5,460	£3,510	£8,970	-£146,030
C.20495	F & R 12/04/19	Cookridge General refurb and upgrade of accommodation and facilities, including LED lighting in appliance bays	2019/20	COR1047	£90,000	£0	-£65,000	£0	£0	£25,000	£0	£0	£0	£5,460	£3,510	£8,970	-£16,030
C.20496	F & R 12/04/19	Huddersfield - Install energy efficient lighting to external areas, wash bays, appliance bays and upgrade of deteriorated wash bay & external works	2019/20	COR1048	£50,000	£0	£0	£0	£0	£50,000	£0	£0	£0	£32,907	£15,207	£48,114	-£1,886
C.20497	F & R 12/04/19	Holmfirth - Install energy efficient lighting to Ext areas and appliance bays. Upgrade External fabric	2019/20	COR1049	£50,000	£0	£0	£0	£0	£50,000	£0	£0	£0	£30,108	£2,438	£32,545	-£17,455
C.20498	F & R 12/04/19	Mirfield - Upgrading of mains distribution. Electrical installation and general refurb	2019/20	COR1050	£30,000	£0	£0	£0	£0	£30,000	£0	£0	£0	£1,463	£1,463	£2,925	-£27,075
C.20499	F & R 12/04/19	Odsal - General fabric upgrading , Replace windows and introduce LED Lighting	2019/20	COR1051	£80,000	£0	£0	£0	£0	£80,000	£0	£0	£0	£4,205	£2,628	£6,833	-£73,167
C.20500	F & R 12/04/19	Fairweather Green - Kitchen upgrade, Improvements to rear entrance layout , Replace above ground Derv storage tank, general LED lighting and refurbishment works	2019/20	COR1052	£80,000	£0	£0	£0	£0	£80,000	£0	£0	£0	£4,205	£2,628	£6,833	-£73,167
C.20501	F & R 12/04/19	Illingworth - General upgrade including external fabric and decorations	2019/20	COR1053	£90,000	£0	-£30,000	£0	£0	£60,000	£0	£0	£0	£7,884	£0	£7,884	-£52,116
C.20502	F & R 12/04/19	Todmorden - Electrical rewire, LED Lighting and general refurb	2019/20	COR1054	£90,000	£0	£0	£0	£0	£90,000	£0	£0	£0	£3,625	£4,350	£7,975	-£82,025
C.20503	F & R 12/04/19	FSHQ - Adaptations rear of Multi purpose training Centre. Rear Ext stair case to upper levels	2019/20	COR1055	£100,000	£0	£0	£0	£0	£100,000	£0	£0	£0	£84,995	£19,991	£104,985	£4,985
C.20504	F & R 12/04/19	Ossett - Conversion of designated former young firefighters vehicle and kit storage accommodation ground floor of Ossett to create a district meeting room	2019/20	COR1056	£100,000	£0	£0	£0	£0	£100,000	£0	£0	£0	£8,055	£44,401	£52,456	-£47,544
C.20505	F & R 12/04/19	Risk Register prioritised and general asbestos removal and general fabric upgrade at various locations	2019/20	COR1057	£100,000	£0	£0	£0	£0	£100,000	£0	£0	£0	£0	£70,709	£70,709	-£29,292
C.20506	F & R 12/04/19	Phased security, CCTV and Fire Alarm System installations and upgrading at various locations	2019/20	COR1058	£70,000	£0	£0	£0	£0	£70,000	£0	£0	£0	£51,114	£18,744	£69,858	-£143
C.20507	F & R 12/04/19	Phased upgrading of appliance bay doors , control Equip, automatic door and gate safety compliance improvements	2019/20	COR1059	£80,000	£0	£0	£0	£0	£80,000	£0	£0	£0	£74,936	£652	£75,588	-£4,412
C.20508	F & R 12/04/19	Phased installation and upgrading of surface water drainage interceptors	2019/20	COR1060	£80,000	£0	£0	£0	£0	£80,000	£0	£0	£0	£0	£0	£0	-£80,000
C.20509	F & R 12/04/19	Phased filling in of appliance bay pits and making good flooring to appliance bays	2019/20	COR1061	£60,000	£0	£0	£0	£0	£60,000	£0	£0	£0	£7,425	£45,899	£53,324	-£6,676
C.20510	F & R 12/04/19	Install of Energy efficient LED Lighting to appliance bays and wash bays	2019/20	COR1062	£60,000	£0	-£43,000	£0	£0	£17,000	£0	£0	£0	£0	£16,065	£16,065	-£935
C.20511	F & R 12/04/19	Phased upgrade to fire station training towers including lightning protection and building fabric	2019/20	COR1063	£60,000	£0	£0	£0	£0	£60,000	£0	£0	£0	£33,461	£12,311	£45,772	-£14,228
C.20512	F & R 12/04/19	General electrical upgrade works.	2019/20	COR1064	£80,000	£0	£0	£63,000	£0	£143,000	£0	£0	£0	£116,641	£11,151	£127,792	-£15,208
C.20513	F & R 12/04/19	General mechanical and L8 Legionella prevention water management improvement and upgrading works as identified during services asset surveys and mechanical servicing regime	2019/20	COR1065	£100,000	£0	£0	£0	£0	£100,000	£0	£0	£0	£27,836	£10,943	£38,780	-£61,220
C.20514	F & R 12/04/19	Phased upgrade of fixed ladders and fire escapes	2019/20	COR1066	£50,000	£0	£0	£0	£0	£50,000	£0	£0	£0	£0	£0	£0	-£50,000
C.20515	F & R 12/04/19	Phased minor equality /dignity alterations improvements & facilities	2019/20	COR1067	£30,000	£0	£0	£0	£0	£30,000	£0	£0	£0	£28,494	£5,487	£33,981	£3,981
C.20516	F & R 12/04/19	Phased operational and training facility and welfare accommodation upgrades	2019/20	COR1068	£30,000	£0	£0	£0	£0	£30,000	£0	£0	£0	£9,859	£10,824	£20,683	-£9,317
C.20522	MB 29/07/19	Electric vehicle charging points	2019/20		£0	£0	£0	£30,000	£0	£30,000	£0	£0	£0	£0	£0	£0	-£30,000
C.20523	EC 19/07/19	Boiler Replacement - Stores & Transport	2019/20	COR1079	£0	£0	£0	£120,000	£0	£120,000	£0	£0	£0	£102,342	£0	£102,342	-£17,658
C.20526	MB 25/11/19	Procurement Office	2019/20	COR1083	£0	£0	£0	£30,000	£0	£30,000	£0	£0	£0	£28,140	£0	£28,140	-£1,860
		FSHQ Upgrade		0	£0	£0	£0	£0	£0	£0	£550,000	£0	£0	£0	£0	£0	£0
		Estimated Capital		0	£0	£0	£0	£0	£0	£0	£880,000	£800,000	£700,000	£0	£0	£0	£0
		TOTAL NEW CAPITAL SCHEMES 19/20			**£1,680,000**	**£0**	**-£138,000**	**£308,000**	**£0**	**£1,850,000**	**£1,430,000**	**£800,000**	**£700,000**	**£668,614**	**£302,909**	**£971,524**	**-£878,476**

Code	Approval	Details of Scheme		Ref	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital total	Capital Plan	Capital Plan	Capital Plan	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
C.20382		FSHQ - Training tower upgrade	2017/18	COR944	£0	£17,983	£0	£0	£0	£17,983	£0	£0	**£0**	£0	£4,336	£4,336	**-£13,646**
C.20399		Security, CCTV, PAC access, intruder ala	2017/18	COR955	£0	£1,000	£0	£0	£0	£1,000	£0	£0	**£0**	£1,000	-£175	£825	**-£175**
C.20402		Upgrade to brick built towers including structural repairs and upgrade of existing electrical system - Meltham	2017/18	COR958	£0	£1,940	£0	£0	£0	£1,940	£0	£0	**£0**	£1,916	£0	£1,916	**-£25**
C.20414	F & R 20/04/18	FSHQ Works 18/19	2018/19	COR1001	£0	£63,265	£0	£0	£0	£63,265	£0	£0	**£0**	£2,650	£64,499	£67,149	**£3,884**
C.20415	F & R 20/04/18	New Car Park Training Centre 17/18	2018/19	COR1002	£0	£46,728	-£35,000	£0	£0	£11,728	£0	£0	**£0**	£0	£0	£0	**-£11,728**
C.20416	F & R 20/04/18	FSHQ Retaining and Boundary Walls	2018/19	COR1003	£0	£23,418	£0	£0	£0	£23,418	£0	£0	**£0**	£4,476	£6,304	£10,779	**-£12,639**
C.20417	F & R 20/04/18	Upgrade FSHQ - Breathing Acc, Clasroom,	2018/19	COR1004	£0	£91,430	£0	£35,000	£0	£126,430	£0	£0	**£0**	£86,429	£107,425	£193,855	**£67,425**
C.20418	F & R 20/04/18	General Upgrading Morley	2018/19	COR1005	£0	£32,931	£0	£0	£0	£32,931	£0	£0	**£0**	£0	£22,760	£22,760	**-£10,171**
C.20419	F & R 20/04/18	General Upgrading Odsal	2018/19	COR1006	£0	£96,648	£0	£0	£0	£96,648	£0	£0	**£0**	£3,350	£63,307	£66,657	**-£29,991**
C.20420	F & R 20/04/18	Fire Alarm upgrade, Security Gate Fairwe	2018/19	COR1007	£0	£21,904	£0	£0	£0	£21,904	£0	£0	**£0**	£0	£21,185	£21,185	**-£719**
C.20421	F & R 20/04/18	Tarmac, Lighting,smoke training House -	2018/19	COR1008	£0	£27,767	£0	£0	£0	£27,767	£0	£0	**£0**	£1,700	-£770	£930	**-£26,837**
C.20422	F & R 20/04/18	Security gate, fencing, LED Lighting - I	2018/19	COR1009	£0	£6,737	£0	£0	£0	£6,737	£0	£0	**£0**	£0	£3,117	£3,117	**-£3,620**
C.20449	F & R 20/04/18	Cookridge/Moortown	2018/19	COR1000	£0	£65,031	£0	£0	£0	£65,031	£0	£0	**£0**	£16,434	£63,831	£80,264	**£15,234**
C.20450	F & R 20/04/18	Roof drainage, LED lighting, General Wor	2018/19	COR1011	£0	£11,315	£0	£0	£0	£11,315	£0	£0	**£0**	£5,286	£3,649	£8,935	**-£2,379**
C.20451	F & R 20/04/18	Upgrade AFS garage/gym, LED Lighting, As	2018/19	COR1012	£0	£10,714	£0	£0	£0	£10,714	£0	£0	**£0**	£0	£6,975	£6,975	**-£3,739**
C.20452	F & R 20/04/18	Boiler, Lighting, carparking, wall repai	2018/19	COR1013	£0	£7,417	£0	£0	£0	£7,417	£0	£0	**£0**	£1,980	£5,618	£7,598	**£181**
C.20453	F & R 20/04/18	LED Lighting, Replace glazing - Rawdon	2018/19	COR1014	£0	£64,067	-£10,000	£0	£0	£54,067	£0	£0	**£0**	£16,452	£24,845	£41,297	**-£12,770**
C.20454	F & R 20/04/18	LED Lighting, Decorating - Leeds	2018/19	COR1015	£0	£17,668	£0	£0	£0	£17,668	£0	£0	**£0**	£1,609	£14,423	£16,032	**-£1,636**
C.20455	F & R 20/04/18	Kitchen & Facility improvements - Stanni	2018/19	COR1016	£0	£5,683	£0	£0	£0	£5,683	£0	£0	**£0**	£0	£894	£894	**-£4,789**
C.20456	F & R 20/04/18	Security systems, fire alarm, LED lighti	2018/19	COR1017	£0	£29,657	£0	£0	£0	£29,657	£0	£0	**£0**	£1,827	£24,649	£26,477	**-£3,180**
C.20457	F & R 20/04/18	LED Lighting - Bradford	2018/19	COR1018	£0	£7,275	£0	£0	£0	£7,275	£0	£0	**£0**	£2,922	£7,591	£10,512	**£3,237**
C.20458	F & R 20/04/18	Upgrade Shower installations - Normanton	2018/19	COR1019	£0	£25,000	-£10,000	£0	£0	£15,000	£0	£0	**£0**	£1,128	£0	£1,128	**-£13,872**
C.20459	F & R 20/04/18	Upgrade to various Training Towers	2018/19	COR1020	£0	£31,810	£0	£0	£0	£31,810	£0	£0	**£0**	£0	£32,992	£32,992	**£1,182**
C.20460	F & R 20/04/18	Security systems, Fire Alarms & upgrades	2018/19	COR1021	£0	£38,877	£0	£0	£0	£38,877	£0	£0	**£0**	£0	£41,462	£41,462	**£2,585**
C.20462	F & R 20/04/18	Asbestos removal	2018/19	COR1023	£0	£34,900	£0	£0	£0	£34,900	£0	£0	**£0**	£0	£35,097	£35,097	**£197**
C.20468	MB 17/10/18	BA Compressor	2018/19	COR1041	£0	£20,000	£0	£0	£0	£20,000	£0	£0	**£0**	£0	£20,000	£20,000	**£0**
		TOTAL SLIPPED SCHEMES			**£0**	**£801,164**	**-£55,000**	**£35,000**	**£0**	**£781,164**	**£0**	**£0**	**£0**	**£149,158**	**£574,014**	**£723,172**	**-£57,992**
		TOTAL EXPENDITURE APPROVED			**£1,680,000**	**£801,164**	**########**	**£343,000**	**£0**	**£2,631,164**	**£1,430,000**	**£800,000**	**£700,000**	**£817,773**	**£876,923**	**£1,694,696**	**-£936,468**
		SCHEMES - NO APPROVAL															
C.20423		LED Lighting, Ext lighting CCTV, Security			£0	£0	£0	£0	£0	£0	£0	£0	**£0**	£0	-£937	-£937	**-£937**
C.20461		Filling in Appliance Bay & making good			£0	£0	£0	£0	£0	£0	£0	£0	**£0**	£14,977	-£14,977	£0	**£0**
C.20398		Bingley Smoke House			£0	£0	£0	£0	£0	£0	£0	£0	**£0**	£31,106	-£911	£30,194	**£30,194**
C.20407		Ablution			£0	£0	£0	£0	£0	£0	£0	£0	**£0**	£1,183	-£1,139	£44	**£44**
		TOTAL SCHEMES - NO APPROVAL			**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£47,266**	**-£17,965**	**£29,302**	**£29,302**
		TOTAL CAPITAL 18/19			**£1,680,000**	**£801,164**	**########**	**£343,000**	**£0**	**£2,631,164**	**£1,430,000**	**£800,000**	**£700,000**	**£865,039**	**£858,959**	**£1,723,998**	**-£907,167**

IRMP

Details of Scheme	Asset Life	Year	Capital Outlay Ref	Capital Plan 19/20						Capital Expenditure 18/19			
				2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
				Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital Plan	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
Station Refurbishments				£0	£0	£0	£0	£0	£0	£0	£0	£0	**£0**
TOTAL NEW CAPITAL SCHEMES 19/20				**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
SLIPPED SCHEMES													
Shipley				£0	£50,000	£0	£0	£0	£50,000	£0	£7,063	£7,063	**-£42,937**
Wakefield Rebuild		2017/18			£2,081,532	£0	£740,000	£0	£2,821,532	£2,074,753	£434,936	£2,509,690	**-£311,842**
TOTAL SLIPPED SCHEMES				**£0**	**£2,131,532**	**£0**	**£740,000**	**£0**	**£2,871,532**	**£2,074,753**	**£441,999**	**£2,516,752**	**-£354,780**
TOTAL EXPENDITURE APPROVED				**£0**	**£2,131,532**	**£0**	**£740,000**	**£0**	**£2,871,532**	**£2,074,753**	**£441,999**	**£2,516,752**	**-£354,780**
TOTAL CAPITAL 19/20				**£0**	**£2,131,532**	**£0**	**£740,000**	**£0**	**£2,871,532**	**£2,074,753**	**£441,999**	**£2,516,752**	**-£354,780**

SERVICE SUPPORT

ICT

Details of Scheme	Asset Life	Year	Capital Outlay Ref	Capital Plan 19/20						Capital Expenditure 19/20			
				2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
				Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
Paperless Meetings		2019/20		£41,000	£0	£0	£0	£0	£41,000	£0	£0	£0	-£41,000
Operational risk information		2019/20		£50,000	£0	£0	£0	£0	£50,000	£0	£0	£0	-£50,000
Protection Database		2019/20		£50,000	£0	£0	£0	£0	£50,000	£0	£0	£0	-£50,000
Hydrant Management		2019/20	COR1078	£30,000	£0	£0	£0	£0	£30,000	£6,350	£0	£6,350	-£23,650
Equipment management & RHD tagging		2019/20		£293,000	£0	£0	£0	£0	£293,000	£0	£0	£0	-£293,000
BYOD		2019/20		£60,000	£0	£0	£0	£0	£60,000	£0	£0	£0	-£60,000
Firewalls at HQ		2019/20	COR1069	£100,000	£0	-£61,670	£0	£0	£38,330	£0	£37,330	£37,330	-£1,000
Internet pipe for SDC		2019/20	COR1077	£40,000	£0	£0	£0	£0	£40,000	£16,564	£0	£16,564	-£23,436
Triton Force point update		2019/20		£6,000	£0	£0	£0	£0	£6,000	£0	£0	£0	-£6,000
Printers on Stations		2019/20		£8,000	£0	£0	£0	£0	£8,000	£0	£0	£0	-£8,000
Refresh of ICT training suite		2019/20	COR1073	£12,500	£0	£0	£0	£0	£12,500	£0	£0	£0	-£12,500
Replacement computer hardware		2019/20	COR1044	£115,000	£0	£0	£88,137	£0	£203,137	£15,832	£185,211	£201,044	-£2,093
VoIP		2019/20		£100,000	£0	£0	£0	£0	£100,000	£0	£0	£0	-£100,000
Silent Witness		2019/20		£390,000	£0	£0	£0	£0	£390,000	£0	£0	£0	-£390,000
Media Storage Solution		2019/20		£200,000	£0	£0	£0	£0	£200,000	£0	£0	£0	-£200,000
DMZ Virtual Servers		2019/20	COR1044A	£80,000	£0	-£26,467	£0	£0	£53,533	£980	£52,553	£53,533	-£0
Replacement of station tannoy system		2019/20		£120,000	£0	-£120,000	£0	£0	£0	£0	£0	£0	£0
Hydra Command Training		2019/20	COR1078	£0	£0	£0	£60,000	£0	£60,000	£0	£170	£170	-£59,830
ICT Station Equip		2019/20	COR1080	£0	£0	£0	£120,000	£0	£120,000	£0	£0	£0	-£120,000
Opex Interface		2019/20	COR1081	£0	£0	£0	£83,000	£0	£83,000	£77,000	£0	£77,000	-£6,000
Pager Upgrade		2020/21		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
MDT Hardware		2021/22		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Network switch upgrades		2020/21		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Command Support Software		2020/21		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Thin Client		2020/21		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ID Cards		2020/21		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
TOTAL NEW CAPITAL SCHEMES 19/20				**£1,695,500**	**£0**	**-£208,137**	**£351,137**	**£0**	**£1,838,500**	**£116,727**	**£275,263**	**£391,990**	**-£1,446,510**
SLIPPED SCHEMES													
MDT Replacement				£0	£5,970	£0	£0	£0	£5,970	£0	£0	£0	-£5,970
Retained Pager Replace				£0	£16,970	£0	£0	£0	£16,970	£21,102	£0	£21,102	£4,132
ICTSP4 System Security				£0	£148,000	£0	£0	£0	£148,000	£0	£0	£0	-£148,000
ICTSP3 HR & Rostering				£0	£60,229	£0	£0	£0	£60,229	£71,898	£55,458	£127,356	£67,127
Property Asset Management Software				£0	£23,549	£0	£0	£0	£23,549	£18,418	£14,220	£32,638	£9,089
Computer Hardware				£0	£45,692	£0	£0	£0	£45,692	£0	£41,121	£41,121	-£4,571
GPS Repeaters				£0	£1,425	£0	£0	£0	£1,425	£0	£0	£0	-£1,425
Mobile Phone				£0	£455	£0	£0	£0	£455	£0	£0	£0	-£455
Additional resource for HR & Rostering				£0	£37,750	£0	£150,000	£0	£187,750	£22,550	£27,200	£49,750	-£138,000
Mobile Working				£0	£45,211	£0	£0	£0	£45,211	£21,651	£4,192	£25,843	-£19,368
Transport Upgrade				£0	£15,573	£0	£0	£0	£15,573	£0	£16,747	£16,747	£1,174
Electronic Forms				£0	£24,432	£0	£0	£0	£24,432	£0	£24,432	£24,432	£0
Command Unit Lite				£0	£15,000	£0	£0	£0	£15,000	£5,994	£3,951	£9,945	-£5,055
TOTAL SLIPPED SCHEMES				**£0**	**£440,255**	**£0**	**£150,000**	**£0**	**£590,255**	**£161,613**	**£187,321**	**£348,934**	**-£241,321**
TOTAL EXPENDITURE APPROVED				**£1,695,500**	**£440,255**	**-£208,137**	**£501,137**	**£0**	**£2,428,755**	**£278,340**	**£462,585**	**£740,925**	**-£1,687,831**
New Wan				**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	£7,314	£0	£7,314	£7,314
TOTAL SCHEMES - NO APPROVAL				**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£7,314**	**£0**	**£7,314**	**£7,314**
TOTAL CAPITAL 19/20				**£1,695,500**	**£440,255**	**-£208,137**	**£501,137**	**£0**	**£2,428,755**	**£285,654**	**£462,585**	**£748,239**	**-£1,680,517**

SERVICE SUPPORT
TRANSPORT

Details of Scheme	Asset Life	Year	Capital Outlay Ref	Capital Plan 19/20						Capital Expenditure 19/20			
				2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
				Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
Vehicle replacement project - 2 Welfare Vehicles,		2019/20	COR1074	£244,800	£0	£0	£0	£0	£244,800	£0	£0	£0	-£244,800
CLM Vehicle procurement		2019/20	COR1043	£704,000	£0	£0	£0	£0	£704,000	£972,261	£0	£972,261	£268,261
TOTAL CAPITAL PLAN 2019/20				**£948,800**	**£0**	**£0**	**£0**	**£0**	**£948,800**	**£972,261**	**£0**	**£972,261**	**£23,461**
SLIPPED SCHEMES													
Aerial Appliances		18/19		£0	£750,000	£0	£0	£0	£750,000	£564,121	£84,599	£648,720	-£101,280
TOTAL SLIPPED SCHEMES				**£0**	**£750,000**	**£0**	**£0**	**£0**	**£750,000**	**£564,121**	**£84,599**	**£648,720**	**-£101,280**
TOTAL EXPENDITURE APPROVED				**£948,800**	**£750,000**	**£0**	**£0**	**£0**	**£1,698,800**	**£1,536,383**	**£84,599**	**£1,620,981**	**-£77,819**
TOTAL CAPITAL 19/20				**£948,800**	**£750,000**	**£0**	**£0**	**£0**	**£1,698,800**	**£1,536,383**	**£84,599**	**£1,620,981**	**-£77,819**

CAPITAL BUDGET MONITORING
2018/19
SERVICE DELIVERY
FIRE SAFETY

Details of Scheme	Dept Ref	Year	Capital Outlay Ref	Capital Plan 19/20						Capital Expenditure 18/19			
				2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
				Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
Home Fire Safety Checks		2019/20	X	£500,000	£0	£0	£0	£0	£500,000	£43,050	£124,605	£167,655	-£332,345
TOTAL CAPITAL PLAN 2019/20				**£500,000**	**£0**	**£0**	**£0**	**£0**	**£500,000**	**£43,050**	**£124,605**	**£167,655**	**-£332,345**
SLIPPED SCHEMES													
Home Fire Safety Checks		2018/19	X	£0	£19,500	£0	£0	£0	£19,500	£0	£19,500	£19,500	£0
TOTAL SLIPPAGE				**£0**	**£19,500**	**£0**	**£0**	**£0**	**£19,500**	**£0**	**£19,500**	**£19,500**	**£0**
TOTAL EXPENDITURE APPROVED				**£500,000**	**£19,500**	**£0**	**£0**	**£0**	**£519,500**	**£43,050**	**£144,105**	**£187,155**	**-£332,345**

CAPITAL BUDGET MONITORING 2019/20 SERVICE DELIVERY OPERATIONS

Details of Scheme	Asset Life	Year	Capital Outlay	Capital Plan 19/20						Capital Expenditure 18/19			
				2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
				Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
Replacement of Operational PPE		2019/20		£1,000,000	£0	-£25,283	£0	£0	£974,717	£0	£0	£0	-£974,717
Water Rescue		2019/20	COR1074	£10,000	£0	£0	£0	£0	£10,000	£3,250	£0	£3,250	-£6,750
Lay Flat Hose		2019/20	COR1075	£50,000	£0	£0	£0	£0	£50,000	£0	£33,240	£33,240	-£16,760
Fire Fighting helmets		2019/20		£210,000	£0	£0	£0	£0	£210,000	£0	£0	£0	-£210,000
Gas tight suits		2019/20	COR1076	£10,000	£0	£0	£0	£0	£10,000	£0	£0	£0	-£10,000
MTFA Ear Defenders		2019/20		£12,000	£0	£0	£0	£0	£12,000	£0	£0	£0	-£12,000
Hydrants		2019/20	X	£450,000	£0	£0	£0	£0	£450,000	£0	£141,695	£141,695	-£308,305
MFTA - Headset		2019/20	COR1045	£15,000	£0	£0	£0	£0	£15,000	£0	£0	£0	-£15,000
TOTAL CAPITAL PLAN 2019/20				**£1,757,000**	**£0**	**-£25,283**	**£0**	**£0**	**£1,731,717**	**£3,250**	**£174,935**	**£178,185**	**-£1,553,532**
SLIPPED SCHEMES													
New Control Project - Premises Costs				£0	£54,000	£0	£0	£0	£54,000	£0	£0	£0	-£54,000
New Control Project - Contingency				£0	£338,000	£0	£0	£0	£338,000	£2,710	£0	£2,710	-£335,290
Replacement Multi Gas Detectors				£0	£3,000	£0	£0	£0	£3,000	£0	£0	£0	-£3,000
PPE - RTC jackets				£0	£195,255	£0	£25,283	£0	£220,538	£220,538	£0	£220,538	£1
Respiratory Protection Equipment				£0	£4,000	£0	£0	£0	£4,000	£0	£3,261	£3,261	-£739
Aerial Vehicle Drone				£0	£11,399	£0	£0	£0	£11,399	£791	£7,995	£8,786	-£2,613
Method of Entry				£0	£45,229	£0	£0	£0	£45,229	£0	£41,798	£41,798	-£3,431
TOTAL SLIPPAGE				**£0**	**£650,883**	**£0**	**£25,283**	**£0**	**£676,166**	**£224,039**	**£53,053**	**£277,092**	**-£399,074**
APPROVED				**£1,757,000**	**£650,883**	**-£25,283**	**£25,283**	**£0**	**£2,407,883**	**£227,289**	**£227,989**	**£455,278**	**-£1,952,605**
approvals													
Flood Response Capability		0	0	£0	£0	£0	£0	£0	£0	£0	£15,421	£15,421	£15,421
Hydrants				£0	£0	£0	£0	£0	£0	£0	-£30,582	-£30,582	-£30,582
Replacement Ultra Lightweight Portable P				£0	£0	£0	£0	£0	£0	£0	£1,522	£1,522	£1,522
Hydraulic Rescue Tools				£0	£0	£0	£0	£0	£0	£0	£25,537	£25,537	£25,537
Gas tight Suits				£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
TOTAL SCHEMES - NO APPROVAL				**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£11,898**	**£11,898**	**£11,898**
TOTAL CAPITAL 19/20				**£1,757,000**	**£650,883**	**-£25,283**	**£25,283**	**£0**	**£2,407,883**	**£227,289**	**£239,887**	**£467,176**	**-£1,940,707**

OFFICIAL

Draft Capital Investment Plan/Draft Revenue Budget and Medium Term Financial Plan 2020/21

Finance & Resources Committee

Date: 7 February 2020

Agenda Item: **9**

Submitted By: Chief Finance and Procurement Officer

Purpose

To present a draft capital investment plan, a draft revenue budget and Medium Term Financial Plan 2020/21
To seek member approval for the amalgamation of the Operational Equipment reserve with the Capital Reserve and the transfer of £1m between the Pay and Prices reserve to the Service Support Reserve.

Recommendations

That the report be noted as the basis for the political groups to consider their budget proposals
That members approve the amalgamation of two earmarked capital reserves and the transfer of £1m from the pay and prices reserve to the Service Support Reserve

Summary

This report presents details of the draft revenue budget for 2020/2021 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 2020/21, a standstill budget, and a summary of activity in the 2019/20 financial year.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: HM Treasury Spending Round 2019
Draft Local Government Settlement

Annexes: Appendix A -Draft Capital Plan 2020/21 to 2023/2024
Appendix B – Standstill Revenue Budget 2020/21
Appendix C – Reserves Strategy 201920 to 2022/23

1 Introduction

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

(i) a Capital Investment Plan for the four years to 2023/2024;
(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

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 Plan

2.1 The Management Board are proposing a four-year capital investment plan of £53.494m which includes expenditure of £6.678m in 2020/2021. Over the past six years the Authority has invested heavily in a station relocation programme which has generated long term revenue savings of over £10m per annum.

2.2 Following detailed feasibility studies, the plan includes £21.83m for the rebuilding of Keighley, Halifax and Huddersfield Fire Stations and the rationalisation of the Fire Service Headquarter site from 2021 to 2024. These stations are under need of modernisation and are not fit for purpose for a modern fire service. There is also provision of £1.8m per annum for station refurbishments. The plan includes investment in operational equipment including Breathing Apparatus sets and cylinders, the replacement of fire appliances and improvements to our Information Technology infrastructure. All schemes will be subject to a detailed business case that will be presented either to Management Board or Finance and Resources Committee.

	TOTAL	2020/21	2021/22	2022/23	2023/24
Employment Services	£102,000	£102,000			
Fire Safety	£2,500,000	£500,000	£500,000	£500,000	£500,000
ICT	£4,028,000	£2,165,000	£1,080,000	£518,000	£210,000
IRMP	£21,834,000	£1,050,000	£5,050,000	£11,734,000	£4,000,000
Operations	£4,816,000	£658,000	£389,000	£3,482,000	£287,000
Property	£9,360,000	£2,160,000	£1,800,000	£1,800,000	£1,800,000
Transport	£10,854,000	£43,000	£1,920,000	£1,753,000	£3,808,000
TOTAL	**£53,494,000**	**£6,678,000**	**£10,739,000**	**£19,787,000**	**£10,605,000**
Financed by;					
Borrowing	£28,919,000	£3,728,000	£4,739,000	£6,412,000	£9,305,000
Reserves	£17,350,000	£2,000,000	£5,050,000	£10,300,000	
Capital Receipts	£2,475,000			£2,125,000	£350,000
Revenue Contribution	£4,750,000	£950,000	£950,000	£950,000	£950,000

TOTAL	**£53,494,000**	**£6,678,000**	**£10,739,000**	**£19,787,000**	**£10,605,000**

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

CAPITAL FINANCING

2.4 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.

2.5 **Capital Grants**

The Authority does not anticipate the receipt of any capital grants in 2020/21.

2.6 **Capital Receipts**

Capital receipts are used to either purchase new capital assets or repay outstanding loans.

2.7 **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 £28.92m over the period.

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.

The Authority will use the pension grant in the early months of the financial year to support the capital programme.

Due to the size of the capital plan over the next four years it is likely that the Authority will be required to take out borrowing from 2023, this can be met from current capital financing budgets.

2.8 **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 earmarked reserve. This means that the only cost to revenue will be the interest charge and tax payers of West Yorkshire will not be subject to MRP charges over the next forty years. For example, an asset costing £2m with an estimated life of 40 years the average annual charge of MRP in revenue would be £86k.

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 set out below.

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

The Authority's capital expenditure projections, detailed in paragraph 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. The authority is currently £14.3m under borrowed.

	2018/19 (actual)	2019/20	2020/21	2021/22	2022/23
Capital Financing Requirement	57.5	57.3	57.5	57.8	56.5

The table shows an estimated borrowing requirement of £56.5m by 2022/23. For information the capital financing requirement actual in 2018/19 was £57.5m.

3.3 **Limits to Borrowing Activity**

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 2020/21 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 2018/19, and no difficulties are envisaged for the current or future years.

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.

3.4 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.

	2020/21	2021/22	2022/23	2023/24
Authorised Limit for external debt	65	65	68	68
Operational Boundary for external debt	55	55	60	60

3.5 **Affordability Prudential Indicators**

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

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

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

	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24
Ratio of Financing costs to net revenue stream	5.51	6.22	6.66	7.10

4 Revenue Budget and Medium Term Financial Plan

4.1 Whilst the Authority will only be required to approve the precept for 2020/21 it is important that the Authority consider the medium term impact of the decision.

This section is split into 5 key areas: -

1 Review of the current year's budget and financial performance
2 The cost of a standstill budget for 2020/21
3 The provisional Local Government Finance Settlement
4 Medium Term Financial Plan
5 Reserves

4.2 Review of 2019/20

National Context

The Spending Round 2019 which was published in September 2019 lays out the Governments' spending plans for the forthcoming year, a full multi-year spending review will commence in 2020. The main theme of the report was the "Turning the page on austerity and beginning a new decade of renewal". The key points of the report are:

- A real increase in day to day spending in 2020/21 of £13.8 billion, meaning that no government department has a cut in its day to day budget.

- The spending review has been delivered within the current fiscal rules keeping the structural deficit below 2% of GDP in 2020/21.

- Additional funding has been committed for Healthcare, Police and prisons.

4.2.1 The Bank of England Monetary Policy Committee has been set a target by government to keep inflation at 2%. The Monetary Policy Committee publish a quarterly report on the economic outlook, the latest was published in November 2019. This laid out the prediction for growth and inflation over the next year, which are based on the governments' tax and spending plans detailed in the Spending Round Report 2019. There is expected to be a growth in UK GDP from 1% in 2019 Q4 to 1.6% in 2020 Q4, 1.8% in 2021 Q4 and rising to 2.1% in 2022 Q4.

CPI inflation has been close to the 2% target, averaging 1.8% in 2019 Q3, this is predicted to fall in April 2020 due to planned changes in the regulated prices of utilities. The price cap affecting household gas and electric prices has fallen and water bills are expected to reduce in line with draft determination of OFWAT. Due to these changes, CPI is expected to be at 1.2%. in Q1 2020, however, when these changes to utility prices drop out of the annual CPI calculation, inflation is expected to rise back to the 2% target.

4.2.2 At its meeting on the 6th November 2019, the Monetary Policy Committee voted to maintain the Bank Rate at 0.75%. This rate has remained unchanged since August 2018. The Bank of England will continue to monitor the effects of Brexit on the economy but it is not expected that there will be any changes to bank rates in the foreseeable future.

4.2.4 The UK's exit from the European Union may potentially have a significant impact on local government which cannot be factored in at this time and thus adds more uncertainty to the budget planning process. The economic outlook could be influenced significantly by the response of households, businesses and financial markets to developments related to the process of EU withdrawal.

4.3 Impact on West Yorkshire

4.3.1 The Authority received a draft 4-year financial settlement as part of the 2016/2017 budget showing a loss of grant of £7.9m to 2019/2020. The Authority were given the option to fix this settlement by submitting a four-year efficiency plan to the Home Office by October 2016 which was duly approved.

4.3.2 The Authority considered its revenue budget and precept strategy on 21st February 2019 and approved a precept increase of 2.99% resulting in a Band D property precept of £64.59. West Yorkshire Fire and Rescue still remain the third lowest precepting fire authority in England and Wales.

4.3.3 The removal of the public sector pay cap at 1% on public sector pay in Autumn 2017 will continue to put the Authority under financial pressure. A pay award of 3% for all employees has been built into the Medium Term Financial Plan, if pay rises exceed 3%, funds will have to be found from within existing budgets or earmarked reserves. To put this into context each additional 1% pay increase will cost an additional £500k per annum for grey book employees and £100k for support staff.

4.3.4 In the March 2016 budget the Chancellor announced that the discount rate that is used to determine the employers' contribution for firefighters' pension schemes would be reduced from 3.0% to 2.8%. This has the effect of increasing employers' contributions rates, the additional cost of which was estimated be £1m per annum which was built into the Medium Term Financial Plan from April 2020. Following an actuarial review of the pension schemes by the Governments Actuary Department (GAD), the actual reduction in discount rate would be from 3.0% to 2.4% which translates into an average employer pension contribution increase of 12.6%. The government paid a grant totalling £4.28m in 2019/20 which covered 93% of the additional cost and have agreed the same for 2020/21. However, there has been no confirmation of grant payment from April 2021 onwards.

4.3.5 The ruling on the McCloud/Sargeant case could result in significant costs in respect of employers fire fighter pension contributions. An employment tribunal in December 2019 ruled that those fire fighters who had no or tapered protection in the 1992 Pension Scheme and were moved to the new 2015 Pension Scheme in April 2015 constituted unlawful age discrimination. This means that they are entitled to return to their pre-2015 pension schemes. The remedy by Government has yet to be determined but will affect not only current employees but those that have retired since April 2015. Although the cost of pensions and lump sums is met by top up grant this is offset by employers pension contributions. The estimated cost to the Authority(if there is no government funding) will be an increase in contributions from 28.8% (2015 scheme) to 37.3% (1992 scheme), an increase of 8.5%, which, based on the current workforce strength will add another £2m to pension contributions.

In addition, the effect of the McCloud case could impact on the actuarial review of the fire fighters pension scheme which will take place in 2020 and could result in increased contribution rates from 2023.

4.3.5 In terms of the financial outturn, the Authority is forecast to under-spend the budget by around £0.28m for the current financial year.

4.4 <u>A Standstill Budget for 2020/21 – Maintaining the current level of service</u>

A standstill budget has been prepared for 2020/21, for the purpose of providing a baseline from which to measure changes in the proposed budget. This is calculated by updating the 2019/20 budget for increases in pay and prices, new financing charges and other adjustments. A standstill budget for 2020/21 would amount to £86.924m. The changes from the 2019/20 budget are detailed in the table below.

	£m
2019/20 approved revenue budget	**£85.147**
Pay and price increase 2019/20	
Operational employees	£1.614
Support Staff	£0.299
Non employee budgets	£0.194
Operational Employees	
Full year effect of retirements	-£1.742
Budget movements	£0.352
Implementation of Command Leadership and Management	£0.568
Firefighter competent rate of pay	£0.174
Support Staff	
Restructures changes in establishment	£0.224
Full Year effect of pay spine review	£0.294
Budget adjustments	-£0.079
Increase in Youth Training income	-£0.121
2020/21 Standstill budget	**£86.924**

The main changes to the 2019/20 budget are explained below:

a) **Pay increases 2019/20** The full year cost of the 2019/20 pay award for both grey and green book staff is £1.913m and inflation on non-employee budgets is £0.194m.

b) **Operational Employees – the following adjustments have been made to operational employees:**
   - Full year effect of savings generated through grey book retirements
   - Budget Movements;
     - The base budget was reduced at Finance and Resources Committee in July to take into account additional leavers prior to the start of the financial year
     - The Community Response Operatives were made redundant in October following the decision at Human Resources Committee in October.
     - Detailed budget calculations have resulted in the realignment of operational employees for the 2020/21 base budget.
   - Full year effect of the implementation of the Command Leadership and Management structure which commenced on the 6th January 2020.
   - Full year effect of fire fighters who move from competent rate of pay to competent rate upon successful completion of their exams and assessments.

c) **Support staff – the following adjustments have been made to support staff:**
   - This full year effect of increments resulting from the implementation of the new pay spine in 2019/20
   - Full year effect of new posts approved at Human Resources Committee in October resulting from the procurement and operational support review and

Executive Committee in April which approved the permanent appointment of the Corporate Communications Manager.

d) **Budget Adjustments** This is the variance in non-employee budgets as a result of detailed budget calculations for the 2020/21 budget which have been carried out in conjunction with directors and budget managers.

e) **Change in levels of income** There has been an increase in income resulting from the Youth Intervention Programme

A subjective analysis of the Standstill budget for 2019/20 is shown in Appendix 2 to this report

Revenue Balances

4.4.1 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 and is published on the Authority's website.

A full list of earmarked reserves and their purpose is detailed in Appendix 3 to this report. The strategy for the use of reserves to support the Medium Term Financial Plan is detailed in section 7 of this report

4.4.2 Minimum Revenue Balance

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

As at the 1st April 2019 the Authority had £5.1m of general fund reserves and £31.1m 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 Group, which is chaired by the Deputy Chief Fire Officer and reports annually to the Audit Committee. The current risk matrix was approved by the Audit Committee in September 2019 and identifies a requirement to maintain a minimum revenue balance of £5.0m.

5 Provisional Local Government Finance Settlement

5.1 Background

This financial year, 2019/20, was the final year of the four year funding deal which saw the authority lose a total of £7.9m of central government grant over the period.

It was expected that a Comprehensive Spending Review would be carried out in Summer 2019 which would have resulted in a new financial settlement from April 2020.

However, because of the amount of parliamentary time taken up with Brexit and the general election in December there has been no time to conduct a comprehensive spending review in 2019. As a result, the Authority will receive a roll forward settlement for 2020/21, which will provide funding stability for a further year. This is called a flat real settlement which is basically the core funding settlement received in 2019/20 increased by the change in the small business non-domestic rating multiplier of 1.6%.

The Local Government Finance Settlement confirms that the Fire Pension Grant will also be paid to fire authorities in 2020/21. The methodology of averaging the previous three years employer pension contribution costs will be rolled forward one year, however, the overall quantum to be distributed to fire authorities will not be uplifted for inflation meaning the grant payable will be the same as in 2019/20. The authority received £4.28m of pension grant in 2019/20.

The Spending envelope for the Comprehensive review for the following year will be determined in the Spring budget on March 11th and departmental allocations will follow in Autumn 2020 after conclusion of the Comprehensive Spending Review due to commence in Summer 2020. The NFCC and the LGA will be establishing a dedicated comprehensive review team that will work with the fire sector and the Home Office to put forward a comprehensive case for increased funding for the sector to the Treasury. This will include lobbying for the funding for new pressures including Grenfell and the continuation of the payment of the pension grant.

It was reported at Full Authority in February 2019 that the government was working towards significant reform in the local government finance system, notably the Fair Funding Review and reforms to the business rates retention system. Below is an update on the progress of these changes;

- The Fair Funding Review has been put on hold for fire and rescue authorities until after the next comprehensive spending review. The Home Office and the fire sector accept that funding needs to be based on a multi-level formula based on risk and activity but there is currently a lack of data in these areas. This has meant that the current method of distribution which consists of a basic allocation of funding per resident, with adjustments for coastline, population density and sparsity, deprivation, property and societal risk community, community fire safety plus an area cost adjustment which takes into account local labour and rates costs will be just updated using the most current data. It is expected that a new formula for fire funding distribution will be implemented from April 2022.

- There is to be a fundamental reform to business rates which will be implemented from April 2021 following a consultation in Spring 2020. This will include the resetting of business rates baselines and increase business rate retention from its current 50% to 75%. The aim is to give greater control locally over the money it raises as local authorities are best placed to understand and decide local priorities. Whilst twenty nine pilots have been conducted over the past three years, only the five original devolution pilots from 2017/18 will continue in 2020/21. This means that the West Yorkshire pilot of 75% retention which commenced in 2019/20 will revert back to 50% next year.

5.1.1 Draft Settlement

The Core Spending Power in the total local government finance settlement is set to increase from £46.2billion in 2019/20 to £49.1billion in 2020/21, a cash increase of 6.3%. The core spending power is a measure of the resources available to local authorities to fund service delivery. The 2020/21 core spending power for West Yorkshire has increased from £80.6m in 2019/20 to £83.1m in 2020/21, an increase of £2.5m. This takes into account inflationary increases to rates support grant and business rates baseline funding, an assumed tax base growth, a precept increase of 1.99% and increases for the under indexing of the business rates multiplier.

The provisional grant allocations for 2020/21 are shown in the table below. (This is called the Settlement Funding Assessment).

	2019/20 Actual £m	2020/21 Draft £m
Settlement Funding Assessment:		
Top Up Grant central pool	16.65	16.92
Top Up local	7.69	7.81
Base line funding (business rates)	**24.34**	**24.73**
Revenue Support Grant	13.34	13.56
Local Government Finance Settlement	**37.68**	**38.29**

The settlement shows an increase in central grant from £37.68m to £38.29m which is equivalent to an uplift of 1.6% which is CPI inflation.

Referendum Principles

5.1.2 The Draft Local Government Finance Settlement has set the referendum limit at 1.99% for 2020/21. If authorities wish to exceed this limit they are required to hold a referendum of all council tax payers and are bound by the results. This would be very costly as a separate referendum would have to be held in each of the five districts within West Yorkshire.

5.1.3 In addition, local authorities are able to increase the precept by an additional 2% 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. None of these additional increases are applicable to fire.

The referendum threshold for the Police and Crime Commissioners has been set at £10.

Business Rates

5.1.4 The settlement indicates the Authority will receive £24.73m in business rate income with £16.92m paid directly from central government in the form of top up grant and the balance of £7.81m being paid by the five district councils which equates to 1% of the income they collect.

The authority in addition receives Section 31 grant to compensate for any policy changes introduced around local business rates. The authority benefited from £0.37m of income from the Business Rate Levy account surplus in 2019/20. The provisional settlement does not include surplus from the levy account. The Ministry for Housing, Communities and Local Government will look to calculate this in early 2020 but it isn’t expected to be as such a significant surplus as this year.

The authority receives Section 31 grant for the under indexing of Business Rates income, the amount for 2020/21 is £0.991m, an increase of £0.198m from 2019/20. Any variations to this grant is managed via the business rates income earmarked reserve.

5.2 Precept Income

5.2.1 As Members are aware, the Authority is also dependent upon precept income from the five districts which will provide £42.157m of its income in 2019/20. This income is dependent upon two factors:

- The precept set by the Authority;
- The tax base set by the five district councils. The districts have notified the Fire Authority that tax base growth for 2020/21 is 1.5%, which is in line with the Medium Term Planning assumptions
- The Authority has been notified from the district councils that its share of council tax surplus in 2020/21 is £108,443.

6 Positive Assurance Statement

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

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

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

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

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

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

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

(i) 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.

(ii) The detailed work on risk assessments.

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

7 Medium Term Financial Planning

The Medium Term Financial Plan (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 take into account financial forecasts and factors external to the organisation.

7.1 As mentioned in the introduction to the report, the Authority will be asked to approve a four-year Medium Term Financial Plan, including the Revenue Budget for 2020/21, however as mentioned previously there remains financial uncertainty regarding funding from 2021 onwards.

7.2 The Medium Term Financial Plan will address the key issues of grant cuts, precept strategy, service delivery and 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.

7.3 The table below shows the revenue budget for 2020/21 and shows that the authority has a projected balanced budget, meaning that funding will meet planned expenditure including growth in the financial year without having to use reserves. Estimated shortfalls from 2021 onwards are detailed later in the report.

	2020/21
	-
Revenue Budget	
Standstill Budget	**86.924**
Recruitment and Retirements	-1.180
Growth and Savings	1.508
Total Budget	**87.252**
Funding	
Revenue Support Grant	13.556
Top Up Grant	16.921
Local Business Rates	7.814
Section 31 Grant	0.991
Precept Income	43.684
Pensions Increase funding	4.285
Total Funding	**87.252**
Budget Shortfall	**0.000**

7.4 Budget Calculations

The authority had a balanced budget in 2019/20 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.

Reductions to base budgets approved at Finance and Resources in July 2019 and January 2020 and increases in support staff employee budgets approved at Human Resources Committee in October have been incorporated into the base budget for 2020/21.

7.5 Budget Growth and Savings 2020/21

In addition to the budget reductions explained above there are a number of areas of growth and savings that have been identified as part of the budget planning process.

a) (£0.427m) has been deducted from employee budgets for vacancy management for both grey book and support staff.
b) £0.316m has been added to employee contingency budgets to cover the cost of two employees returning from career breaks during the year and for five employees who have exceeded their projected retirement date and are still in employment.
c) £0.360m has been included to grey book employees for the external recruitment of crew managers and the internal promotion of firefighters to crew managers in order to align the work force plan with the establishment.
d) £0.293m has been added to retained employee budgets for expected retained recruitment in 2020/21
e) £0.384m has been included within support staff employee budgets for the increase in fire protection staff as approved in the IRMP and for growth in ICT project management which was approved at Human Resources Committee on the 10th January 2020.
f) £0.429m has been included within supplies and services to enable the authority to conduct a review of the property function and the data and digital strategy, new software licence costs, asbestos survey medicals and appliance mobile phones.
g) £0.076m has been included for the current expected costs resulting from Grenfell, which include the purchase of smoke hoods, the establishment of a project team and upgrades to breathing apparatus capability.
h) £0.77m has been included for additional revenue contributions to capital expenditure.

7.6 Budget Calculation Assumptions

The following assumptions have been used in the calculation of the Medium Term Financial Plan and any deviations from these can increase or decrease the projected deficit.

a) Precept increase of 1.99% in 2020/21 and each year thereafter
b) Tax base growth of 1.3%
c) Pay increases for all staff of 3%
d) General price inflation of 2%
e) Employees retire as per their projected retirement date and the authority continues to recruit in order to maintain establishment at 900 whole time employees.

7.7 Financial Planning April 2020 Onwards

In order to enable members to understand the financial uncertainty from 2021 a range of scenarios have been drawn up which shows the impact of :

a) No cut in central government funding
b) A 5% cut in funding
c) A 10% cut in funding

These are potential scenarios at this stage, once more information is received on funding from 2021 onwards the Medium Term Financial Plan will be updated and reported to members. It has been assumed that government funding will be increased by CPI inflation each year. Although the government stated in the Spending Round 2019 that austerity had ended, it is prudent to provide members with the worst case scenarios of funding reductions. At this stage no planned real increases in funding from 2021 has been forecast as there has been no formal commitment from government to increase funding to fire and rescue services.

The table below shows the impact of these scenarios

	2020/21	**2021/22**	**2022/23**	**2023/24**
	£m	£m	£m	£m
Revenue Budget	87.253	89.185	91.172	93.212
Funding	87.253	89.185	91.172	93.212
0% cut	0	0	0	0
5% cut	0	-1.466	-3.874	-6.055
10% cut	0	-2.990	-6.693	-9.966

The above table assumes that the Authority will continue to receive pension grant funding. In the worst case scenario that the pension grant was not continued from April 2021, the financial position of the Authority would be worse by £4.3m per annum. In summary, as at April 2021, if there were cuts to funding of 5% and 10%, the authority could be faced with finding ongoing revenue savings between £1.466m and £2.990m in order to achieve a balanced budget depending on the level of grant cut.

7.8 As Chief Finance and Procurement Officer and as Section 73 officer there is a statutory duty to present a balanced budget as the use of reserves cannot be sustained over the longer term. The Strategic Development team is currently working closely with the finance team to identify savings and growth in accordance with the funding scenarios highlighted in the tables above. These will be presented to Management Board and the Fire Authority during 2020, if required.

7.9 Reserves

Finance and Resources Committee approved the Reserves Strategy in October 2019, this is attached at Appendix C.

It is proposed that members approve the amalgamation of two current earmarked reserves, the capital projects reserve and the operational equipment reserve. Both have the same objective so for simplification it is proposed they are combined .This would give a combined earmarked reserve to spend on capital projects of £17.74m. It is important to note that earmarked reserves cannot be spent until a full business case has been presented to committee for approval in line with the current capital approval process.

Members are also requested to approve the transfer of £1m from the pay and prices reserve to the Service Support Reserve in order to pay for the purchase of the Command Leadership and Management vehicles.

It is proposed that reserves will be used to support the Medium Term Financial Plan over the next four years as summarised in the table below:

Reserve	Opening Balance 01/04/2019 £m	Use of Reserve 2019/20 £m	Use of Reserve 2020/21 £m	Use of Reserve 2021/22 £m	Use of Reserve 2022/23 £m	Use of Reserve 2023/24 £m	Closing Balance £m
Transparency	39						39
Regional Control Funding	563	-563					0
Enhanced Logistical Support	202			-202			0
Decontamination of Body Bags	40						40
Council Tax Reform	27						27
Business Rate Appeals	1,053						1,053
Government Grant Reserves	1,924	-563	0	-202	0	0	1,159
General Fund	5,000						5,000
Leap Year Fund	160	-160	40	40	40	-120	0
Insurance Claims	419						419
Service Support Reserve	1,601	-1,240	-200				161
Pension Equalisation Reserve	3,559			-2,000			1,559
Provision for pay and prices	3,627		-500	-500	-500	-500	1,627
ESMCP	258						258
Capital Financing Reserve	17,742	-1,700	-1,500	-4,550	-9,800	-192	0
Medium Term Funding Impact	2,000		-2,000				0
Usable Reserves	29,366	-3,100	-4,160	-7,010	-10,260		4,024
TOTAL RESERVES	**36,290**	**-3,663**	**-4,160**	**-7,212**	**-10,260**		**10,183**

It is worth pointing out 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.

The rest of the earmarked reserves will be used to support the Medium Term Financial Plan as follows.

a) It is proposed that the capital reserves are used to fund the rebuilding of the three fire stations and the development of the FSHQ site as detailed in section 1 of this report and the completion of the rebuild of Wakefield Fire Station which commenced in 2019/20. This will mean that capital financing charges in the form of statutory Minimum Revenue Provision is not charged to this £17.7m of capital investment resulting in revenue savings over many years. This is because Minimum Revenue Provision is chargeable to revenue over the life of the asset, in the case of a new fire station, 40 years.

b) It is also recommended that costs associated with the Procurement Review and the Lean Working Review during 2020/21 are met from the Service Development Reserve. Management Board have commissioned the Local Government Association to conduct a review into our property services function in April 2020, and Finance and Resources Committee in February 2020 approved the commissioning of a digital and data survey both of these will be funded from the service support reserve. It is expected that these reviews will generate ongoing revenue savings over the longer term even though they will need initial investment in the first instance.

c) Any further implementation costs associated with the HR and Rostering system and CLM will also be charged to the service support reserve. Once again these projects are expected to deliver savings over the longer term.

d) As explained earlier in the report there may be some additional revenue costs associated with the McCloud/Sargeant case. The Government has not given any direction on how the costs of McCloud will be funded. In the short term, the Authority can call upon the pension equalisation reserve to fund this cost if central funding is not provided. The estimated ongoing revenue cost is £2m per annum.

e) A leap year fund is maintained to manage the cost of the extra day every leap year, the movement in the table above show the transfer to and from this reserve.

f) Due to the uncertainty regarding fire fighters pay awards provision has been made for the funding of a 1% pay increase costing an estimated £500k from the provision for pay and prices reserve until savings to fund this can be found in the longer term. If there were higher increases in pay awards there would be a greater demand on this reserve.

g) Although indications from central government indicate that the authority will not face any cuts to funding in 2021/22, the Medium Term Funding Impact reserve may be called upon if cuts to funding materialise. This reserve will be used to fund the implementation and bridge the timing gap of initiatives identified in section 7.5.

8 Financial Implications

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

9 Legal Implications

9.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

10 Human Resource and Diversity Implications

10.1 There are no human resource and diversity implications within this report

11 Health, Safety and Wellbeing Implications

11.1 There are no human resource and diversity implications within this report.}

12 Environmental Implications

12.1 There are no environmental implications within this report

13 Your Fire and Rescue Service Priorities

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

14 Conclusions

14.1 This report provides Members with the prosed revenue and capital budgets for 2020/21 and a medium term financial plan to 2023/24. This will be brought to Full Authority Committee on 21 February 2020 for approval.

Appendix A

Directorate	Description	TOTAL	2020/21	2021/22	2022/23	2023/24
ICT	Upgrade of network switches	£700,000	£400,000	£300,000	£0	£0
ICT	Replacement of outdated computer hardware	£345,000	£105,000	£90,000	£75,000	£75,000
ICT	Replacement of virtual server storage	£350,000	£350,000	£0	£0	£0
ICT	Replacement of server backup hardware	£250,000	£250,000	£0	£0	£0
ICT	Replace Appliance fixed mobile phones	£30,000	£30,000	£0	£0	£0
ICT	Vehicle CCTV	£390,000	£390,000	£0	£0	£0
ICT	MDT hardware	£280,000	£0	£280,000	£0	£0
ICT	Replacement of station tannoy	£400,000	£120,000	£120,000	£80,000	£80,000
ICT	Pager upgrade	£65,000	£0	£65,000	£0	£0
ICT	In-house system development	£0	£0	£0	£0	£0
ICT	Command support software	£100,000	£0	£100,000	£0	£0
ICT	Thin client	£140,000	£100,000	£40,000	£0	£0
ICT	ID Cards	£15,000	£0	£0	£15,000	£0
ICT	Equipment management and RFID tagging	£293,000	£0	£0	£293,000	£0
ICT	Bring Your Own Device (BYOD)	£60,000	£60,000	£0	£0	£0
ICT	Replace FI CRM with in house solution	£0	£0	£0	£0	£0
ICT	Dedicated BI tools	£10,000	£10,000	£0	£0	£0
ICT	UPS on stations	£50,000	£50,000	£0	£0	£0
ICT	Implementation of Office365	£95,000	£65,000	£30,000	£0	£0
ICT	Managed Print Solution	£0	£0	£0	£0	£0
ICT	EMOC replacement	£30,000	£30,000	£0	£0	£0
ICT	Mobile Phones	£275,000	£55,000	£55,000	£55,000	£55,000
ICT	MDT Routers	£150,000	£150,000	£0	£0	£0
	Subtotal ICT	**£4,028,000**	**£2,165,000**	**£1,080,000**	**£518,000**	**£210,000**

Directorate	Description	TOTAL	2020/21	2021/22	2022/23	2023/24
Operations	Water Rescue	£58,000	£10,000	£24,000	£12,000	£12,000
Operations	Lay Flat Hose	£200,000	£50,000	£50,000	£50,000	£50,000
Operations	Gas tight suits	£40,000	£10,000	£10,000	£10,000	£10,000
Operations	Battery Operated PPV	£150,000	£150,000	£0	£0	£0
Operations	Scene Lighting	£100,000	£100,000	£0	£0	£0
Operations	High Rise Branches	£28,000	£28,000	£0	£0	£0
Operations	Thermal Image	£55,000	£55,000	£0	£0	£0
Operations	Medium Ex Foam	£50,000	£0	£50,000	£0	£0
Operations	Mainline Branch	£60,000	£0	£60,000	£0	£0
Operations	Powermats/power unit	£110,000	£0	£110,000	£0	£0
Operations	Crash Recovery	£85,000	£0	£85,000	£0	£0
Operations	BA Sets	£850,000	£0	£0	£850,000	£0
Operations	BA Cylinders	£350,000	£0	£0	£350,000	£0
Operations	BA Ancillary Equip	£210,000	£0	£0	£210,000	£0
Operations	Dividing Breeching	£30,000	£0	£0	£0	£30,000
Operations	Ground Monitors	£85,000	£0	£0	£0	£85,000
Operations	Tirfor & Ancillarys	£100,000	£0	£0	£0	£100,000
Operations	New Control System	£2,000,000	£0	£0	£2,000,000	£0
Operations	Body Worn Video	£30,000	£30,000	£0	£0	£0
Operations	Water Rescue Operational	£150,000	£150,000	£0	£0	£0
Operations	NPAS Video	£75,000	£75,000	£0	£0	£0
	Subtotal Operations	**£4,816,000**	**£658,000**	**£389,000**	**£3,482,000**	**£287,000**

Directorate	Description	TOTAL	2020/21	2021/22	2022/23	2023/24
Property	LED Lighting	£90,000	£90,000	£0	£0	£0
Property	Upgrade accomodation	£90,000	£90,000	£0	£0	£0
Property	External fabric	£30,000	£30,000	£0	£0	£0
Property	Fabric upgarding	£80,000	£80,000	£0	£0	£0
Property	General refurb works	£80,000	£80,000	£0	£0	£0
Property	Welfare facilities	£180,000	£180,000	£0	£0	£0
Property	Electrical rewire	£80,000	£80,000	£0	£0	£0
Property	Tarmac surfaces	£30,000	£30,000	£0	£0	£0
Property	External Window Alterations and Upgrading	£50,000	£50,000	£0	£0	£0
Property	Dignity privacy improvements	£40,000	£40,000	£0	£0	£0
Property	Welfare and cleaning facilities	£40,000	£40,000	£0	£0	£0
Property	Upgrading of External Elements and boarding	£50,000	£50,000	£0	£0	£0
Property	DDA Requirements	£40,000	£40,000	£0	£0	£0
Property	Specific Refurbishments	£4,000,000	£0	£1,000,000	£1,000,000	£1,000,000
Property	Environmental Efficiency and Insulation Improvements	£100,000	£100,000	£0	£0	£0
Property	Electric Vehicle Charging Units	£200,000	£200,000	£0	£0	£0
Property	General Asbestos Removal	£100,000	£100,000	£0	£0	£0
Property	Security, CCTV and Fire Alarm system	£90,000	£90,000	£0	£0	£0
Property	Appliance Bay Doors	£100,000	£100,000	£0	£0	£0
Property	Surface Water drainage interceptors	£80,000	£80,000	£0	£0	£0
Property	Appliance Bay pits	£60,000	£60,000	£0	£0	£0
Property	LED lighting to high level appliance bays	£60,000	£60,000	£0	£0	£0
Property	Fire Station Training Towers	£60,000	£60,000	£0	£0	£0
Property	electrical upgrading works	£100,000	£100,000	£0	£0	£0
Property	Mechanical and L8 (Legionella Prevention)	£100,000	£100,000	£0	£0	£0
Property	Boiler Replacement	£150,000	£150,000	£0	£0	£0
Property	Equality/Dignity alterations, improvements	£40,000	£40,000	£0	£0	£0
Property	Operational and Training Facility upgrades	£40,000	£40,000	£0	£0	£0
Property	Various Refurbishments	£3,200,000	£0	£800,000	£800,000	£800,000
	Subtotal Property	**£9,360,000**	**£2,160,000**	**£1,800,000**	**£1,800,000**	**£1,800,000**

Directorate	Description	TOTAL	2020/21	2021/22	2022/23	2023/24	2024/25
Employment Services	PPE Racking & Storage unit	£70,000	£70,000	£0	£0	£0	£0
Employment Services	OHU Medical System	£21,000	£21,000	£0	£0	£0	£0
Employment Services	Assist Technology	£11,000	£11,000	£0	£0	£0	£0
	Subtotal Employment Services	**£102,000**	**£102,000**	**£0**	**£0**	**£0**	**£0**
Transport	Vehicle Replacement	£10,854,000	£43,000	£1,920,000	£1,753,000	£3,808,000	£3,330,000
	Subtotal Transport	**£10,854,000**	**£43,000**	**£1,920,000**	**£1,753,000**	**£3,808,000**	**£3,330,000**
Fire Safety	Fire Alarms	£2,500,000	£500,000	£500,000	£500,000	£500,000	£500,000
	Subtotal Fire Safety	**£2,500,000**	**£500,000**	**£500,000**	**£500,000**	**£500,000**	**£500,000**
IRMP	Station rebuilds and rationalisation of FSHQ	£21,834,000	£1,050,000	£5,050,000	£11,734,000	£4,000,000	£0
	Subtotal IRMP	**£21,834,000**	**£1,050,000**	**£5,050,000**	**£11,734,000**	**£4,000,000**	**£0**
	Total Capital Bids	**£53,494,000**	**£6,678,000**	**£10,739,000**	**£19,787,000**	**£10,605,000**	**£5,685,000**

2019/20	STANDSTILL REVENUE BUDGET	2020/21
£53,832	Firefighters	£54,798
£9,973	Support Staff	£10,790
£2,000	Pensions	£2,000
£1,177	Other Employees	£1,209
£4,417	Premises	£4,468
£2,567	Transport	£2,417
£5,194	Supplies and Services	£5,228
£332	Lead Authority Charges	£348
£7,948	Capital Financing	£7,948
£452	Contingency	£452
£87,892	GROSS EXPENDITURE	£89,658
-£2,745	Less Income	-£2,734
£85,147	NET EXPENDITURE	£86,924

Appendix C

WEST YORKSHIRE FIRE AND RESCUE SERVICE

RESERVES STRATEGY 2019/20 TO 2022/23

What are Reserves

Reserves are an essential part of good financial management in that they help the fire authority manage with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors in developing the Medium Term Financial Plan and setting the annual budget. In setting the budget the fire authority decides what it will spend and how much income it needs from council tax to supplement government funding. The fire authority may choose to fund some of its spending from its reserves and balances in the short term until long-term savings initiatives are realised.

Having the right level of reserves is important. If reserves are very low, there may be little resilience to financial shocks and sustained financial challenges.

The requirement for a local authority to maintain financial reserves is acknowledged in legislation and thus preventing the authority to over committing financially. These are

- The requirement to set a balanced budget as set out within the Local Government Finance Act 1992
- The requirement of the authority to make arrangements for the proper administration of their financial affairs and the appointment of a Chief Finance Officer (section 151 officer) to take responsibility for the administration of those affairs.
- In accordance with the Local Government Finance Act 1988 (Section 114), the Chief Finance Officer must report if there is or is likely to be unlawful expenditure or an unbalanced budget.
- The Local Government Act 2003, places a duty on the Chief Finance Officer to give positive assurance as part of the budget setting process of the adequacy of balances.
- The Local Government Finance Act 1992 requires fire authorities as a precept authority to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- The external auditors' responsibility to review and report on the authority's financial standing as per the annual external audit report.

The Chartered Institute of Public Finance and Accountancy (CIPFA) published LAAP Bulletin 99 in July 2014 which provides guidance on the management of reserves which has been adopted by the authority.

National Framework

The National Framework which was published in May 2018 includes a section on reserves, the main components of which are:

- General reserves should be held by the fire and rescue authority and managed to balance funding and spending priorities and to manage risks. These should be established as part of the medium term financial planning process.
- Each fire and rescue authority should publish their reserves strategy on their website. The strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The reserves strategy should provide information for at least two years ahead.
- Sufficient information should be provided to enable understanding of the purpose for which each reserve is held and how holding each reserve supports the fire and rescue authority's medium term financial plan.
- Information should be set out in a way that is clear and understandable for members of the public and should include:
    - How the level of general reserve has been set.
    - Justification for holding a general reserve larger than five percent of budget
    - Whether the funds in each earmarked reserve are legally or contractually committed, and if so, what amount is committed and,

- A summary of what activities or items will be funded by each earmarked reserve and how these support the fire and rescue authority's strategy to deliver good quality services to the public.

<u>Determining the Level of Reserves</u>

Reserves are an essential tool to ensure long-term budget stability particularly at a time when the Authority is facing significant year on year reductions in grant funding over the medium term.

Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum there, there are sufficient balances to support the budget requirements and provide adequate contingency for budget risks.

In accordance with the authority's financial regulations, the authority holds reserves which fall into two distinct categories

- General Reserves – these are 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 foe 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.

The Authority also has a number of provisions on the Balance Sheet which, provide funding for a liability or loss that is known with some certainty will occur in the future but the timing and amount is less certain.

There is not a recognised formula for determining the level of reserves that each fire authority should maintain. It is up to each authority to consider the local circumstances and the potential issues/risks that may occur across the medium term. In determining the level of reserves for the Authority the risks and issues that should be taken into account will include the following:

- The possibility of savings not being delivered; as austerity levels of funding continue, the need for annual reductions in spending is expected to increase in magnitude. This is likely to mean the identification of savings proposals carry a potentially greater risk of not being delivered.
- To provide cover for extraordinary or unforeseen events occurring: given the purpose of the fire and rescue service is to respond to emergency situations, there is always the potential for additional, unexpected and unbudgeted expenditure to occur.
- The commitments falling on future years as a result of capital plans and proposals to improve the asset base. Having reserves mitigate the impact on the revenue budget of borrowing and/or revenue contributions to capital and would support projects/programmes that will support revenue efficiencies.
- The risk on inflation, especially pay. With inflation currently at about 3% there is likely to be continued pressure on pay inflation, which if in excess of the 2% provided for in the Medium Term Financial Plan.
- Enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax.
- Spread the cost of large scale projects which span a number of years

The Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. However, given the high level of influence of third parties such as the Local Government Employers and Government departments on its income and expenditure there is always the risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for.

Reserves only provide one off funding so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan.

The Authority has set its' guideline Prudential indicator for the General Reserve at 5% of annual budget which is a commonly used benchmark across the fire sector. The Authority also uses the Risk Register to determine the level of General Fund Reserve. This Risk Register details 55 separate risks the Authority faces, which has an estimated financial liability of £5m. This equates to 6% of the annual budget, slightly higher than the guideline of 5%.

Reserves Position 1 April 2019

Although the Authority has on the face of the Balance Sheet £36.2 million in usable reserves, the actual cash readily available at the 31 March 2019 is £22 million. The level of cash fluctuates during the year due to the timing of Government grants, notably the top up grant which we received £35 million in July 2019. If the Authority wanted to utilise reserves which exceeds our working cash flow balance, we would need to borrow. Because the rate of interest for investments is at such a low level, it is good financial management that we use our cash flow to fund expenditure rather than borrow.

The current balance of reserves is summarised in the table below:

Type of Reserve	Balance at 1/4/19
General Fund	£5,000,000
Earmarked Reserves	£31,290,000
TOTAL	£36,290,000

The general fund reserve is not specified for a determined use: it is maintained for cash flow purposes.

Earmarked reserves are funds that are set aside to meet costs for specific purposes in future financial years. These reserves allow the Authority to adopt a more flexible approach to budget management and meet cost pressures in future years. Some reserves are a result of the receipt of a Government grant that has been given for a specific purpose, others are from the transfer of revenue budgets to reserves for future costs.

Detailed overleaf are the Authority's reserves, an explanation of their purpose and forecast balance at the 31/3/2023.

Reserves as a result of Grants

Description	Balance 1/4/19	Estimated Balance 31/3/23	Purpose and Origin of the Reserve
Council Tax Reform	£27,000	£27,000	This was a one off grant received in 2012/13 from Central Government to assist with the costs associated with the reform of business rates. To date, no expenditure has been charged to this reserve.
Body Bag Decontamination	£40,000	£40,000	This grant was received in 2012/13 and 2013/14 from Central Government.
Control Room	£563,000	£0	This is the remainder of grant for the New Control Project which West Yorkshire manage on behalf of both West and South Yorkshire. This reserve will be fully used once the final payment to Systel has been paid.
Enhanced Logistics	£202,000	£2,000	This was a grant initially received in 2011/12 for the provision of the purchase of the new command unit. This is now complete and a replacement of the vehicle will be charged to this reserve if required in the future.
Transparency	£39,000	£39,000	This was a central government grant to enable organisations to meet the requirements of data transparency. To date, no expenditure has been charged to this reserve.
Business Rate Appeals	£1,054,000	£1,054,000	This reserve is used to manage the volatility on the revenue budget from business rate appeals. A grant is received from government each year to ease the potential cost which is based in the NNDR1 returns from the 5 district councils.

Reserves as a result from Revenue Allocations

Description	Balance 1/4/19	Estimated Balance 31/3/23	Purpose and Origin of the Reserve
Leap Year Fund	£160,000	£80,000	This reserve is used to ease the burden of an additional days pay in a leap year. An amount is transferred from the revenue budget each financial year and spent in full each leap year.
Emergency Services Mobile Communications Programme (ESMCP)	£258,000	£0	This reserve has been established to recognise the risk that Government funding for ESMCP may cease after 2022. This reserve will fund those contracts for which the Authority will be contractually committed to after this date.
Insurance Claims	£418,000	£418,000	This reserve was established in 2013/14 following the receipt of an insurance claim relating to the stores fire, an additional £158k was put aside in 2014/15 and £77k in 2017/18 and 2018/19. This reserve will be used for any uninsured losses the authority may face in future years e.g. mesothelioma.
Service Support Reserve	£600,000	£0	This reserve was established in 2013/14 with the purpose to fund any expenditure that is not included in the MTFP but will generate savings in the longer term. £63k was paid from this reserve in 2018/19 to cover the costs associated with the lean working and procurement reviews
Pension Equalisation Reserve	£3,560,000	£3,560,000	This reserve is used to ease the potential cost of increased ill health retirements which have to be met from revenue. Any underspend on the ill health revenue budget is transferred to this reserve at the end of the financial year. Currently this budget is £2.0million and annual spend is in the region of £1.6million. The amount transferred in 2018/19 was £599k.
Reserve for Pay and Prices	£4,627,000	£3,127,000	This reserve will be used to fund any pay awards that are in excess of that included within the Medium Term Financial Plan or any other inflationary increases not provided for in the annual budget. Any underspending on the revenue contingency budget is transferred to this reserve at the end of the financial year.

Capital Finance Reserve	£17,354,000	£2,754,000	The purpose of this reserve is to ease the cost of financing the capital plan in future years. Property new builds and major refurbishments will be fund from the capital earmarked reserve. Any underspending on capital financing charges are transferred to this reserve.
Medium Term Funding Impact Reserve	£2,000,000	£0	This reserve has been established to mitigate any funding shortfalls as a consequence of the Fair Funding Review and the Comprehensive Spending Review due in 2020 which have not been included within the Medium Term Financial Plan
Operational Equipment Reserve	£388,000	£238,000	This reserve is for the funding of replacement operational equipment that is excluded from the capital plan. New technology and health and safety requirements may necessitate the replacement of this equipment.

Review of Reserves

The Authority's reserves will be reviewed as part of the following processes:

- The reserves will form part of the budget setting process and the level and use of reserves will be considered when setting the annual budget and Medium Term Financial Plan. This will include the approval at Full Authority Committee.

- The Reserves Strategy will be reviewed annually by the Finance and Resources Committee in October

- Reserves are reviewed and externally audited during the closure of the Authority's accounts and are included in the Statement of Accounts. There is a statutory requirement to detail the movement between reserves during the year and show the opening and closing position in the Movement in Reserves Statement and the Expenditure and Funding Analysis. The Statement of Accounts is approved at the Authority's audit committee.

- The minimum level of General Fund Reserves will be assessed during the year by the financial appraisal of risks on the Authority's risk register. The Risk Management Strategy Group which meets quarterly whose aim is to manage the register and identify and assess risks. This group is chaired by the Deputy Chief Fire Officer and is attended by internal audit, a representative from insurance, a member champion and those responsible for the key risks within the organisation.

OFFICIAL

Digital and Data Strategy

Finance & Resources Committee

Date: 7 February 2020

Agenda Item: **10**

Submitted By: Director of Service Support

Purpose

To seek approval to engage with a strategic partner to create a digital and data strategy.

Recommendations

That Committee approves the engagement of a strategic partner to create a digital and data strategy.

Summary

Over the last five years, West Yorkshire Fire and Rescue Service (WYFRS) has undergone significant change and technology has played a key role in this change. The ICT strategy has helped us to move forwards but this now needs to be reassessed to see where we need to be in the future and how we get there.
The development of a Digital and Data Strategy, which is led and signed up to by the whole organisation, would provide opportunities to be more efficient, effective and innovative in how we work both internally and externally with our community and partners.
In order to maximise the benefits of a Digital and Data Strategy we would like to engage a strategic digital partner to help us develop the strategy and the roadmap to achieve it.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Gayle Seekins – ICT Service Delivery Manager E: gayle.seekins@westyorksfire.gov.uk T: 01274 655802
Background papers open to inspection:	None
Annexes:	None

1 Introduction

1.1 In 2015, WYFRS engaged Shaw Consulting LTD to look at our information and systems to identify where improvements could be made. This led to the ICT strategy being developed in 2016 which included a significant number of projects to improve our ways of working, simplify processes, improve the user experience and enable us to work smarter.

1.2 In 2019, the ICT strategy was revised to reflect the work that had already been achieved, changes to the organisational priorities with the release of Your Fire & Rescue Service and changes in technology.

1.3 The projects within the revised strategy are progressing well and the benefits of these are being realised across the organisation. However, due to the ever-changing digital environment, it is now clear that we need to take a fresh look at the strategy to determine how we can proactively keep pace with the changes in the digital world and maximise its potential benefits. The aim is to achieve a digital and data transformation which will create an impact on how we work and interact with ourselves, our partners and our community both in the medium- and longer-term.

1.4 Creation of a Digital and Data Strategy would provide a more holistic approach to how we use technology and information, maximising the value of digital solutions and enabling us to be more innovative, utilise and share our information more effectively and be more efficient at what we do. This would also align us with the National Fire Chiefs' Council (NFCC) digital and data strategy.

2 Information

2.1 In order to develop the Digital and Data Strategy, we would look to engage with a partner organisation, as we previously did with Shaw Consulting Ltd in 2015. Having an external strategic partner to assist will ensure that the strategy is clearly aligned with the requirements and priorities of the organisation and will provide a clear, unbiased view of where we are now, where we want to be and how we get there.

2.2 The remit of the partner will be as follows:

- Assist in the development of a digital and data strategy for the next 3-5 years.
- Map out the current system and data flows and how they interact with each other now.
- Demonstrate how technology can be used to redefine experiences, gain insight, accelerate innovation and help modernise the organisation and move it forwards.
- Develop a plan to take us from where we are now to where we want to be.
- Ensure the plan has a holistic approach to change looking at people, process and technology.
- Look at how ICT and the wider organisation can evolve to support the strategy.
- Ensure technology is an enabler to organisational improvement, efficiency and effectiveness.
- Provide recommendations on how technology such as cloud can effectively shape the future roadmap.

- Provide recommendation on how an agile approach can help us to deliver more.
- Provide recommendations on how we can better understand our data and use it to develop an evidence base for where we have been, where we are now and where we want to be in the future.
- Provide recommendations on ways in which our data can be converted into valuable intelligence.
- Provide recommendations on how we can increase the ICT competency and confidence of our workforce and enable them to gain real value from the digital transformation.
- Provide recommendations on the funding model for ICT to gain best value from the digital and data strategy.

- Develop how the strategy can be measured in terms of:
    - Technology – the information and technology assets of the business, how information is used and the technology is supported.
    - People – are people skilled and competent in the use of information and technology, both within ICT and the wider organisation and how ICT interacts / connects with the wider organisation and its partners / suppliers.
    - Value – is the investment in information and technology understood, cover business needs and offer best value.

2.3 The benefits of a good digital and data strategy would be:

- Clear direction for technology and information that is agreed across the organisation.
- Technology working effectively to help deliver our services.
- More effective interoperability with our partners.
- More engagement routes with our community.
- Our staff confident and competent with the use of technology.
- Technology integrating effectively with our daily roles to help us work more effectively.
- Technology helping to provide more innovative ways of training our staff.
- Technology more effectively supporting our staff with learning differences.
- Technology providing efficient environmentally friendly alternatives to paper and face to face meetings, etc.
- Technology providing clear value for money to the organisation.

3 Financial Implications

3.1 Engagement of a partner to help deliver the above would be undertaken through the approved procurement processes. This will be either tender or framework.

3.2 A provision of £100k has been included within the 2020/21 revenue budget to fund the data and digital strategy review.

4 Legal Implications

4.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

5 Human Resource and Diversity Implications

5.1 Technology can provide valuable tools to assist people to develop in their roles and provide any required reasonable adjustments. As part of the new digital and data strategy we would look to integrate these more effectively within the working environment.

6 Health, Safety and Wellbeing Implications

6.1 There are no direct health, safety and wellbeing implications arising from this report.

7 Environmental Implications

7.1 The Digital and Data strategy will look to replace manual and paper processes with effective solutions that are user-friendly. It will also look to integrate communication systems that staff are confident and comfortable in using to help reduce the need to travel across the county and further afield. These would see a reduction in our carbon footprint and fuel usage.

8 Your Fire and Rescue Service Priorities

8.1 The digital and data strategy would support the following priorities:

- Work smarter throughout the service.
- Make better use of technology and innovate where possible.
- Be more efficient across all areas of the service to make savings.
- Support, develop and enable our people to be at their best.
- Continue to keep our firefighters safe.

9 Conclusions

9.1 Our reliance on and use of technology has grown significantly over the past five years. The changes have been positive and generally well received but it is important that we now continue to move this forward at a pace that will see us embrace the opportunities provided by the changing digital world. It is therefore recommended that Committee approve the engagement of a strategic digital partner to help us develop a digital and data strategy for the future.