Annual Procurement Review

Finance & Resources Committee

Date: 4 February 2022

Agenda Item: **5**

Submitted By: Chief Finance and Procurement Officer

Purpose This report provides an annual procurement update to Members.

Recommendations That Members note the report.

Summary This report provides an update for Members on procurement activity and alignment with the National Procurement Strategy Statement published in June 2021.

Local Government (Access to information) Act 1972

Exemption Category:	None
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Background papers open to inspection:	None
Annexes:	Appendix A – Savings Log Appendix B – Procurement Strategy and Policy

1 Introduction

1.1 This report provides an annual update on procurement activity within the Authority, building on the report presented to Finance and Resources Committee on the 5th February 2021 and includes information aligning the Authority's procurement activity to the National Procurement Strategy Statement published by the Cabinet Office in June 2021.

2 Information

2.1 The Procurement Manager continues to provide leadership for the Procurement Team facilitating an improved internal service within the Authority, increasing promotion and awareness of procurement across the organisation, increasing compliance to Procurement Regulations and internal CPR (Contract Procedure Rules) and improving procurement practice via training, support and guidance.

3 Procurement Update

3.1 A concentrated focus on leading the Procurement Team, improving knowledge and skills to facilitate enhanced service provision to internal customers in all matters relating to procurement continues with increased awareness and compliance being evident throughout the Authority.

3.2 A series of targeted procurement workshops were delivered to over 70 employees to increase procurement knowledge with follow up sessions planned via Microsoft Teams for those that couldn't attend. In 2022 further workshops are planned which will be tailored to each department to fill specific capability gaps and further increase compliance.

3.3 An improved Contracts Register is now embedded with over 310 contract arrangements listed with an annual value of £13m (£8m in March 2020). As required under Local Government Transparency Code 2015, the Contracts Register is now published quarterly on the Authority's website.

3.4 Further improvements to updated procedures, standards, guidance and tender documents are now published on the Procurement SharePoint page.

A Procurement Delivery Plan is in place to effectively manage workload within the Procurement Department, assigning projects to staff accordingly and allowing the team to efficiently manage customer requirements and expectations.

A Procurement action Plan is now embedded and reviewed monthly with the Chief Finance and Procurement Officer.

Since the introduction of the new e-procurement portal (In-Tend) in October 2020, 30 formal tender processes have been compliantly published with 27 awarded. Training is underway to allow for RfQ (Request for Quote) processes to be undertaken on the In-Tend system by departments further increasing compliance and procurement best practice.

3.5 The integration project between OPEX (purchasing and stock control system) and SAP ERP (financial management and invoice payments system) has now concluded. Various planned development upgrades to OPEX are now completed (at a cost of circa £27k) to ensure the system is fit for purpose and integrates fully with SAP.

Roll-out of training for support departments to raise their own purchase orders in the OPEX system has been completed with over 55 people receiving training. Regular refresher training sessions continue and regular review of the suite of self-service manuals readily available on the Procurement SharePoint page is undertaken.

3.6 Participation with the NFCC Procurement Hub requirement for provision of data continues and the Authority are a key member of the newly implemented NFCC National Construction and FM Task and Finish Group which reports directly to the Home Office.

Collaboration between Yorkshire and Humberside fire and rescue services (FRSs) continues with a formal MOU (Memorandum of Understanding) in place and a strategic regional procurement group implemented in January 2022 to increase collaborative procurement within the region. The Authority has recently led on a regional procurement exercise for provision of firefighting foam with Wales, Cheshire and Tyne and Wear FRSs requesting inclusion.

3.7 The Savings and Efficiencies Log provides ongoing and documented recording of savings and efficiencies achieved over the term of the implemented contract. Please refer to Appendix A for the latest savings data.

3.8 An updated 2022-2025 procurement strategy is now published on the procurement SharePoint page and external website – see Appendix B.

3.9 Governance

Exemptions to CPR

A formal exemption to CPR process is now embedded and managed. Two exemptions were above the £75k threshold and were reported to Finance and Resources Committee:

1 - Two year Finance SLA with Kirklees Council (permitted under PPN [Procurement Policy Notes] as inter public sector working) £482,583.00

2 - Appointment of Aspect Building Solutions as 2nd ranked for Ilkley Refurbishment project due to 1st placed bidder declining award £115,255.00 (compliant tender process but 2nd ranked slightly more expensive so exemption was requested to approve award).

Procurement Thresholds

Procurement thresholds dictate the route to market to be undertaken and are included in CPR. The total contract value must apply the appropriate threshold regulations. The procurement thresholds are amended every two years (previously amended under OJEU Official Journal of the European Union) and the thresholds were updated on 1st January 2022. The latest amendment now includes VAT (previously not included). The procurement thresholds are as below (previous and 2022).

2020 ESTIMATED TOTAL CONTRACT VALUE	2022 ESTIMATED TOTAL CONTRACT VALUE
Up to £250	Up to £250
£250 to £4,999	£250 to £4,999
£5,000 to £24,999	£5,000 to £24,999
£25,000 to £74,999	£25,000 to £74,999
£75,000 to £188,000 (excl. VAT)	£75,000 to £213,000 (incl. VAT)
> £189,000 (excl. VAT) (Goods and Services)	> £213,477 (incl. VAT) (Goods and Services)
> £4.7M (excl. VAT) (Works)	> £5.3m (incl. VAT) (Works)
Any tender process involving TUPE	Any tender process involving TUPE

3.10 Procurement KPI's

As identified in the procurement action plan, please see below update:

a) Total contracts (and annual value)	On the Contracts Register there are now 304 contracts totalling £13m.
b) No. of "renewable" contracts that expired without being timely relet	76 (Procurement manager recently addressed with Heads of Department) and will continue to monitor.
c) Efficiencies (revenue budget savings, cost avoidance)	£389,188 (to date for financial year 2021-2022)
d) Number of FTS and Sub-FTS tenders published and progressed	7 FTS and 23 Sub-FTS (FTS is Find a Tender Service replacing OJEU (Official Journal of the European Union) following Brexit. FTS procurements with contract value and term: AV Equipment - Supply and Installation £207,000 (5 years). CCTV, PAC Access, Security and Intruder Alarm maintenance and reactive services £285,000 (4 years). Electrical maintenance and repair Services £400,000 (5 years). Generators and UPS Systems £24,000 (5 years). Maintenance and repair to Heating and Mechanical installations £1,300,000 (5 years). Provision of Scrap Vehicles £260,000 (4 years). Waste Management Services £350,000 (4 years).
e) Number of non-stock orders received by Procurement and target of being processed 95% within 2 working days	626 requisitions with 815 lines in total were processed and all within 2 working days.
f) Progress Statement on collaborative procurements	Yorkshire and Humber regional procurement projects include purchase of Fire Kit and Laundry of Fire Kit. Both projects now embedded. WYFRS are leading on a regional Supply of Firefighting Foam procurement project published in January 2022. A formal regional procurement group is now in place to consider alignment of Contracts Registers to increase the number of regional procurement projects.
g) Statement on Supply Chain risk management (also refer to Contracts Register "high risk" contracts	The pandemic has caused specific issues in the ICT industry and smoke alarms supply which are global. Lead-times have increased and ICT and Procurement are working well with NFCC to ensure adequate (but not excessive) stock is held.
h) % regional spend	Working with Finance department to provide accurate data.

1 National Procurement Strategy Statement

The procurement manager receives PPNs directly from the Cabinet Office and provides an overview below of the Authority's alignment/compliance to the national priorities as per PPN 05 21 - Procurement Strategy Statement published in June 2021, which relates to social value, commercial and procurement delivery and procurement skills/capability.

PRIORITY	National Procurement	WYFRS COMPLIANCE

	Strategy Action required	
Social value	All contracting authorities should consider the following national priority outcomes alongside any additional local priorities in their procurement activities: ○ creating new businesses, new jobs and new skills; ○ tackling climate change and reducing waste, and ○ improving supplier diversity, innovation and resilience.	Setting the procurement strategy (new Strategy 2022-2025 published Jan 2022), drafting the contract terms and evaluation methodologies when scoring tender responses to consider a broader view of value for money with mandatory inclusion of social value/welfare/wellbeing and delivering benefit to the communities WYFRS serves. Working Examples FSHQ rebuild development – Contractor actively engaged with the Authority's Princes Trust team, community engagement, local labour and supply engaging with SMEs and social enterprises, promote initiatives which retain, protect, enhance and/or promote the natural environment for the benefit of local people and wildlife, reduce energy and fuel consumption (carbon reduction - travel), creating skills and training opportunities (e.g. apprenticeships or on-the-job training, engagement with hard to reach groups, 'have a go' days planned allowing for taster sessions in trades such as bricklaying, plastering, targeted communications with schools and colleges to encourage females to consider construction as a career etc.). Standard question now included in every tender (Please describe your company's approach to sustainability (Social, Economic and Environmental) and how you will apply to this contract). Plans in 2022 to implement recycling at source via the new waste management contract awarded in Jan 2021. Improved performance reporting on the waste management portal provided by the awarded supplier – Veolia, providing data on carbon saving, zero waste to landfill and recycling. Analysis of spend data to report on increased local SME (Small to Medium Enterprises) winning contracts. Procurement manager now an active member of the Environmental and Sustainability Group.

Commercial and procurement delivery	All contracting authorities should consider whether they have the right policies and processes in place to manage the key stages of commercial delivery identified in this statement, where they are relevant to their procurement portfolio. Undertaking market assessments to determine the health of the relevant market and consider how the commercial strategy and contract design could be set to address potential market weaknesses.	Ensuring appropriate and compliant Procurement policies and processes are embedded to manage the key stages of procurement delivery. Effectively manage the size and complexity of WYFRS's procurement portfolio with suitable governance to determine and manage the most important contracts and mitigate risk. Working Examples Published Contracts Register and annual pipelines of planned procurements and commercial activity to NFCC, ensuring KPI's that are relevant to the Authority and proportionate to the size and complexity of the contract, risk management that is subject to scrutiny prior to going to market, meaningful early market engagement, assessing the economic and financial standing of suppliers via Creditsafe (at award of a Contract stage and throughout the contract term), modern slavery policy now published on the Authority's website, collaboration (regional and national) to benefit from economies of scale and achieve efficiencies in the use of resources and realise savings, wider use of professional buying organisations (PBOs) and other blue light organisations (fire and police), regular transparency Code publications. Active and regular engagement with NFCC Procurement Hub regularly reporting data centrally and considering national and regional procurement strategy (e.g. use of existing NFCC routes to market – appliances and smoke alarms, geographical Lots in collaborative tenders to encourage local and SME participation.
Skills and capability for procurement	All contracting authorities should consider their organisational capability and capacity, with regard to the procurement skills and resources required to deliver value for money.	Ensure sufficient capacity and capability to ensure 'tax payers' money is spent effectively and efficiently, continuously developing the procurement team's capacity and capability to provide enhanced support to the Authority, collaboration with other contracting authorities, use of shared services and training and/or development of procurement team, begin to benchmark annually against relevant commercial and procurement operating standards and other comparable organisations, appropriate procurement systems and data reporting

		enables process efficiency (improved OPEX functionality and integration to SAP), robust controls and effective decision making - introduced PAD (Procurement Approval Document) which tracks the complete procurement process from start to finish in one document with governance and approval controls integrated, proportionate and appropriate risk management. Working Examples Procurement workshops undertaken, formal training opportunities, webinars or conferences regularly considered, MCIPS (Member of Chartered Institute of Purchasing and Supply) qualified procurement manager embedded and now a part of Management Team, CPR compliance monitoring (increased in the past 2 years), exemption to CPR process embedded. Increased promotion and awareness of procurement within the Authority delivering significant increase in compliance to CPR. Training and support offered and delivered via training sessions (face to face and via Microsoft TEAMS), improved procurement SharePoint site encouraging self-service and less reliance on the procurement team, standardised procurement documentation providing consistency and ease of use for both Authority staff and bidders.

2 Government Green Paper on Transforming Procurement

5.1 The Green Paper published in Dec 2020 addresses the proposed reform of procurement laws and the Authority has returned their response to the consultation. The reform will try to address modern and innovative approaches to public procurement that have historically been bogged down in bureaucratic, process-driven procedures. Reducing complicated and stifling rules to unleash the potential of public procurement so that commercial teams can tailor their procedure to meet the needs of the market is a priority identified by the government.

UK's new Find a Tender Service (FTS) was launched in Jan 2021 following Brexit, replacing the Official Journal of the European Union's Tenders Electronic Daily in the UK as the official platform for publishing contract notices for new procurements. The Authority's e-procurement system automatically publishes tender opportunities to FTS.

The Authority is awaiting further communications from the Home Office. The procurement manager is regularly notified by NFCC and CCS (Crown Commercial Services) in regard to Home Office updates and will ensure compliance by including in CPR.

5.2 Headlines of the Green Paper are provided below:

5.2.1) Overhauling the complex and inflexible procurement procedures and replacing them with three simple, modern procedures:

- A new flexible procedure that gives buyers freedom to negotiate and innovate to get the best from the private, charity and social enterprise sectors.
- An open procedure that buyers can use for simpler, 'off the shelf' competitions.
- A limited tendering procedure that buyers can use in certain circumstances, such as crisis or extreme urgency.

5.2.2) Removal of the Light Touch Regime as a distinct method of awarding contracts and applying the rules applicable to other contracts to services currently subject to this regime.

5.2.3) Current procurement procedures

- open procedure;
- negotiated procedure without prior publication;
- restricted procedure;
- competitive dialogue procedure;
- competitive procedure with negotiation5;
- innovation partnerships procedure, and
- design contests.

Replacing the existing seven procedures with three simple, modern procedures:

- a new competitive, flexible procedure that gives buyers maximum freedom to negotiate and innovate to get the best from the private, charity and social enterprise sectors;
- retain the open procedure which buyers can use for simpler, 'off the shelf' competitions as now (expanding its availability to suitable defence and security procurements for which this procedure is currently not available);
- retain the negotiated procedure without prior publication but renaming it as the limited tendering procedure.

5.2.4) Grounds for exclusion to be made simpler.

5.2.5) Legislating for a new Dynamic Purchasing System (DPS+) that may be used for all types of procurement (not just commonly used goods and services).

5.2.6) Legislating for new options in framework agreements including an option for an 'open framework' with multiple joining points and a maximum term of 8 years (currently 4).

5.2.7) Legislate to require all contracting authorities to publish procurement and contracting data throughout the commercial lifecycle in a format compliant with the OCDS (Open Contracting Data Standard) with a revised set of contract notices.

5.2.8) Removing mandated debrief letters via a central platform.

The impact of the above on WYFRS procurement would be positive as the current regulations are complicated. Simplifying the regulations will provide a more streamlined procurement process with flexibility which will also be welcomed by bidders.

3 Financial Implications

It is anticipated that due to improved procurement practices within the organisation, savings and efficiencies will be realised allowing for the department to be self-supporting in terms of staff cost to WYFRS.

4 Legal Implications

None to note and compliance with CPR is increasing.

5 Human Resource and Diversity Implications

There are no immediate plans to increase the number of staff in the Procurement Team.

6 Health, Safety and Wellbeing implications

Ongoing health and well-being is being actively managed by the Procurement Manager. No adverse implications to date.

7 Environmental implications

The integration of OPEX and SAP systems has significantly reduced the volume of paper transactions and completely removed the historic paper 314 process (requisitioning process is now totally electronic).

All procurement projects now consider sustainable procurement, environmental and social value implications both for WYFRS in terms of the goods and services being provided and how suppliers manage environmental implications within their organisation.

8 Your Fire and Rescue Service Priorities

Procurement practice, action plan and activity supports the fire and rescue service priorities:

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

9 Conclusions

Compliant procurement continues to deliver benefits to WYFRS.

West Yorkshire
Fire & Rescue Service

Date	Name	Cashable Saving or Efficiency ? (use drop down)	Department (use drop down)
Feb 20	Michael Wood	Saving	ICT
Feb 20	Michael Wood	Saving	ICT
Feb 20	Michael Wood	Saving	Property
Mar 20	Kim Larter	Saving	ICT
Apr 20	Michael Wood	Saving	Transport
Apr 20	Kim Larter	Saving	Procurement
Jul 20	Kim Larter	Saving	Procurement
Dec 20	Kim Larter	Saving	Procurement
Dec 20	Kim Larter	Saving	Procurement
Mar 21	Dean Brooking	Saving	Multimedia
Mar 21	Kim Larter	Saving	Procurement
Apr 21	Kim Larter	Saving	Transport
Apr 21	Kim Larter	Saving	Finance
June 21	Simon McCartney	Saving	Property
August 21	Simon McCartney	Saving	Property
August 21	Simon McCartney	Saving	Property

NFCC Level 1 (use drop down)	NFCC Level 2 (use drop down)
ICT	ICT HARDWARE
ICT	ICT HARDWARE
CONSTRUCTION & FM	MAINTENANCE
ICT	SOFT FM
FLEET	FINANCIAL SERVICES
PROFESSIONAL SERVICES	FINANCIAL SERVICES
GENERAL	CORPORATE SOFTWARE
PROFESSIONAL SERVICES	FINANCIAL SERVICES
PROFESSIONAL SERVICES	FINANCIAL SERVICES
FRS - Specialist Equipment	SPECIALIST FIREFIGHTING (PPE)
CONSTRUCTION & FM	HARD FM
OPERATIONAL EQUIPMENT	MAINTENANCE
PROFESSIONAL SERVICES	FINANCIAL SERVICES
PROFESSIONAL SERVICES	MAINTENANCE
PROFESSIONAL SERVICES	MAINTENANCE
PROFESSIONAL SERVICES	MAINTENANCE

Procurement Savings & Efficiency Log

2021-2022

Commodity description	Baseline (use drop down)
Mobile phones	£ - Cost reduction - goods or services
VOIP	£ - Cost reduction - goods or services
Tanks and Drainage	£ - Cost reduction - goods or services
Multimedia Storage and Management Solution	£ - Cost reduction - goods or services
Car Insurance	£ - Cost reduction - goods or services
Creditsafe Account opened	£ - Cost reduction - goods or services
Renewal of E-Sourcing System	£ - Cost reduction - goods or services
Insurance Brokerage	£ - Cost reduction - goods or services
SLA cost to Kirklees	£ - Cost reduction - goods or services
Purchase of fire fighting helmets	£ - Cost reduction - goods or services
Trade Waste Collections	£ - Cost reduction - goods or services
Replacement of parts washer	£ - Cost reduction - goods or services
Insurance Renewals 2021-22	£ - Cost reduction - goods or services
Management of MPTC	£ - Cost avoidance
Management of Confined Spaces works	£ - Cost avoidance
Management of Power isolations at Stations	£ - Cost avoidance

Procurement Route (use drop down)	Length of Contract (years)	2021/2022 Annual Saving (£)	Cashable Contract Saving (£) (automatically populates)
Framework	3	£60,000	£180,000
Framework	5	£175,000	£875,000
Tender	5	£1,750	£8,750
Tender	5	£3,000	£15,000
Tender	5	£50,000	£250,000
N/A	2	£250	£500
Quotation	4	£7,500	£30,000
Mini Comp	5	£6,500	£32,500
N/A	5	£8,000	£40,000
Framework	1	£32,600	£32,600
Tender	4	£4,000	£16,000
Quotation	4	£2,980	£11,920
N/A	1	£1,733	£1,733
N/A	3	£8,333	£25,000
N/A	1	£14,000	£14,000
N/A	1	£13,542	£13,542
			£0
			£0
			£0

			£0
			£0
			£0
			£0
			£0
			£0
Total annual savings		**£389,188**	

Efficiency Saving
3 year call off sim only contract awarded to Virgin Business Media
5 year call off contract awarded to Maintel (incumbent so no cost of change applies) via CCS
5 year call off contract awarded to Darcy Group
5 year single supplier contract for storage and management of Multimedia
5 year call off contract re-tendered using new YPO arrangement awarded to Edison
2 year account contract for credit rating checking
3+1 year Contract for Delta system Renewal
Further competition on YPO 964 Insurance Farmework
Insurance Brokerage and management brought in-house
Wales framework agreement direct award for MSA Helmets x 1112
Reduction on annual cost for trade waste collections
Expensive annual overcharging for parts washer and rejection of automatic annual contract
Savings on annual insurance renewal
Bringing this consultancy work in house to property services
The use of Montgomery and Couper is not required for overseeing this work.
Training up new Technical Officer and also Facilities officer to oversee this work.

West Yorkshire Fire and Rescue Authority

Procurement Strategy and Policy

2022-2025

Contents

Section **Page No.**

1 Introduction 3

2 Background 3

3 Procurement in West Yorkshire Fire and Rescue Authority 4

4 Procurement Principles 4

4.1 General 4
4.2 Value for money 5
4.3 Collaboration 5
4.4 E-Procurement 5
4.5 Sustainable Procurement 6
4.6 Equality & Diversity 6
4.7 Social Value 6
4.8 Modern Slavery 7
4.9 Consultation with Stakeholders 7
4.10 Training and Development 7
4.11 Risk 7

5 Controls and Standards 8

6 Application of Policy and Strategy 9

7 Transparency 10

8 Action Plan 11

1 Introduction

The role of the Procurement function within West Yorkshire Fire and Rescue Authority (WYFRA) is to ensure application of its commitment to providing best value in terms of quality and cost. The Procurement Strategy and Policy identifies the function's priorities aligned with local, regional and national procurement policy and the critical actions required to deliver the Strategy.

WYFRA recognises the importance of a professional procurement department which provides effective support, structure and guidance in regard to the compliant purchasing of goods, services and works.

This Strategy sets out a clear framework for compliant procurement throughout WYFRA which adequately reflects the Home Office collaborative agenda, the Authority's CRMP (Community Risk Management Plan), adherence to internal Contract Procedure Rules (CPR) and Financial Procedure Rules (FPR) and the Authority's commitment to sustainable procurement.

WYFRA's ambition is to make West Yorkshire safer and its aim is to improve community safety and wellbeing reducing risk to life, property and the environment from fire and other emergencies. The Procurement department's key priority is to work efficiently to provide value for money and make the best use of reserves to provide an effective service to the communities WYFRA serves.

2 Background

At the time of writing this Strategy and Policy, WYFRA employs 1414 people (1100 firefighters, 314 support staff) and provides a 24/7 emergency service with a fleet of 140 operational vehicles comprising 66 Pumping Appliances, 5 Aerial Appliances, 2 Command Units plus 67 other vehicles operating out of 40 fire stations with a central command and control centre and specialised Training and Development department based at Birkenshaw HQ.

WYFRA spends on average between £18m - £20m each year with Suppliers and Contractors for a range of goods, services and/or works.

The impact of procurement is far greater than a simple definition of a process. The principles set out in this Strategy illustrate the positive effect that compliant and efficient procurement makes to the communities WYFRA serves considering socio-economic agendas such as equality and diversity, local economy, community benefit and reducing environmental impact.

Purchasing of goods, services and/or works represents a significant interface with the economic community on a local, regional and national level.

Effective procurement of goods, services and/or works to support front line service provision is vital in order for WYFRA to meet its core ambition and aims. This Strategy applies to all external procurement and commissioning of goods, services and/or works.

3 Procurement in West Yorkshire Fire and Rescue Authority

The term 'Procurement' has a far broader meaning than simply buying products. Procurement is defined as the efficient acquisition of appropriate goods, services and/or works that provide the best possible value taking into account quality and cost during the life cycle of what is being procured.

The procurement process spans the whole life cycle of a product or service from identification of the requirement through to the useful life of a product or service (also defined as an asset). WYFRA's procurement processes promote fair and transparent competition, minimising exposure to fraud and collusion by effectively managing commercial risk and ensuring optimum value for money.

Procurement activity must comply with internal CPR , FPR and relevant legislative requirements (the framework of rules for procurement is determined by UK Procurement Directives and Law of which compliance is mandatory) which provide a robust governance framework. As a public sector body, WYFRA is subject to PCR that require all suppliers to be treated equally, fairly and without discrimination and to act in a transparent, proportionate manner without artificially distorting competition.

The Procurement department provides a professional internal support service to efficiently plan, design, commission and manage purchasing activity with an emphasis on quality, safety and reliability rather than simply the cheapest cost.

This Strategy and Policy will periodically be reviewed for compliance and to ensure continued relevance.

4 Procurement Principles

Fundamental to this Strategy are procurement principles which guide WYFRA as to how Procurement is conducted. WYFRA's approach to procurement must:

- Ensure effective and efficient procurement control and management;
- Deliver a flexible, cost effective and fit for purpose support service to internal customers;
- Deliver value for money via modern, economically and socially responsible practice, ensuring fairness and transparency;
- Increase professionalism and commercial skill in regard to procurement activity;
- Maximise sustainability and embrace collaborative opportunities in all procurement activity;
- Provide opportunities to local and SME's (Small to Medium Enterprises) suppliers to participate by increasing visibility of procurement plans and opportunities;
- Deliver cost savings and efficiencies;
- Monitor and measure procurement performance, promoting continuous improvement;
- Improve stakeholder and supply chain engagement.

4.1 General

For all procurement activity, the outcomes and objectives to be achieved and the steps that will achieve them must be clear. The assessment of risk associated with any procurement activity must be assessed and minimised accordingly.

Procurement activity should be adequately planned and consideration given to the resources required to achieve the appropriate and required outcome. Wherever possible, requirements will be expressed in terms of outcome and performance to provide scope for innovation.

The consistent use of corporate contracts and contracted suppliers across a wide range of Areas, whenever possible, ensures that risk is reduced i.e. the contracted suppliers have been evaluated, governance and due diligence has been undertaken and internal systems have been set up to receive and promptly pay invoices. The Procurement department will assist in undertaking the appropriate process to ensure that improved terms e.g. extended warranty and improved pricing or fixed pricing for the term of the contract are applied. Failure to use contracted suppliers and/or existing arrangements increases transactions costs and should be avoided.

4.2 Value for money

Procurement procedures should focus on enabling the achievement of value for money in terms of both quality and cost. Whole life costing methodologies should be used when appropriate i.e. consideration of the life cycle cost associated with any purchase. An example may be the procurement of a fire appliance – costs associated with spare parts, ongoing maintenance and disposal must be considered.

4.3 Collaboration

Collaborative working (locally, regionally and nationally) will provide the opportunity for working with other fire authorities and public sector bodies i.e. one lead authority can manage a large scale procurement exercise on behalf of the Yorkshire and Humber region.

WYFRA will review all options for the procurement of goods, services and/or works and consider potential collaboration with other fire authorities, local authorities, Consortia and the private sector where appropriate. WYFRA will continue to promote and invest in existing collaborative arrangements.

The Procurement department will continue to identify potential collaborative Contracts, alignment of expiry dates of existing arrangements and mutual support and guidance in terms of procurement best practice.

4.4 E-Procurement

E-procurement systems streamline all aspects of the purchasing process. All WYFRA's procurement activity above £5,000 should be processed via the appropriate electronic financial or e-procurement system.

WYFRA processes transactions electronically whenever possible. E-procurement solutions that provide efficiencies will be implemented and utilised when appropriate to deliver lower transaction costs, reduce off-contract spend* and minimise paperwork therefore providing efficiencies and environmental benefits.

Suppliers are encouraged to register on WYFRA's e-procurement system. The Procurement department will ensure guidance, support and training for staff is provided where necessary and will assist and/or facilitate the procurement process via the e-procurement system.

Off-contract spend is expenditure for goods, services and/or works from a source outside of a formal existing or compliant arrangement.

4.5 Sustainable Procurement

Sustainable procurement is not simply about purchasing environmentally friendly products. Procurement activity should support and underpin WYFRA's Safety, Health and Environmental, Environmental Management and Climate Change Policies and Strategies.

Suppliers are encouraged to adopt practices that minimise their environmental impact and deliver community benefits in relation to their own operations and throughout their supply chain.

Sustainability enhancements and targets both internally and with the supply chain will be sought to support continuous improvement.

SME's, local suppliers and the voluntary sector are encouraged to bid for appropriate contracts.

Whole life costs are to be considered when making purchases or tendering, to investigate not only the product purchased but also maintenance, re-use and disposal etc. to ensure value for money is achieved.

WYFRA aims to reduce the amount of waste going to landfill by encouraging re-cycling of reusable materials and minimise waste generally by encouraging staff, stakeholders and Suppliers to consider whether a product or service is required before they buy.

4.6 Equality & Diversity

Promoting equality and diversity throughout the procurement process and supply chain is a crucial objective for WYFRA. Fairness, transparency, honesty, integrity, impartiality and objectivity must be clearly evidenced in all procurement decisions.

Compliance with the requirements of the Equality Act 2010 is mandatory and will be considered appropriately in each procurement process, ensuring that consideration is given to ensure that suppliers follow best practice and adhere to the principles of non-discrimination in regard to age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

4.7 Social Value

Compliance with the requirements of the Social Value Act 2012 is mandatory and requires WYFRA to take into account economic, social and environmental well-being in connection with public sector contracting arrangements (where appropriate).

WYFRA seeks to make a positive contribution towards social inclusion, securing improvements to the environment and minimising environmental impact through its procurement activity. Evaluation criteria involving social considerations will be used as part of the tender evaluation process (where appropriate).

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

4.8 Modern Slavery

Modern slavery is a criminal offence under the Modern Slavery Act 2015 and can occur in various forms, including servitude, forced or compulsory labour and human trafficking. All of these involve the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. WYFRA is committed to acting ethically and with integrity with a zero tolerance approach and to implementing and maintaining effective systems and controls to ensure that Modern Slavery is not taking place in the supply chain.

4.9 Consultation with Stakeholders

Appropriate consultation will take place when making procurement decisions, ensuring that consideration is proportionate to the scale, complexity and value of the requirement. Different stakeholders may be required at different stages of the procurement process. Stakeholders may include internal and external members, staff, service users, representative bodies, suppliers and other WYFRA and UK Fire and Rescue staff.

4.10 Training and Development

The Procurement department will deliver procurement training, guidance and advice at a local level as required within WYFRA to raise awareness and improve compliance with procurement rules and regulations.

4.11 Risk

When contracts are awarded the level of risk to WYFRA is assessed and scored as low, medium or high risk. Each contract is subsequently managed commensurate with risks, available resources and the need for any further risk mitigation.

The following table illustrates typical risk mitigation measures that may be employed for each level of identified risk, e.g. where a particular supply chain is high risk.

CONTRACT RISK ASSESSMENT	CONTRACT MANAGEMEWNT
High Risk	• Close Supplier Liaison • Performance Management and Monitoring • Appropriate Contractual Safeguards e.g. Parent Company Guarantees / Performance Bonds • Fee Retention / Warranties • Stocks held in stores • Contract split across multiple suppliers
Medium Risk	• Supplier liaison • Performance Management and Monitoring • Appropriate Contractual Safeguards e.g Parent Company Guarantees / Performance Bonds • Fee Retention / Warranties • Stocks held in Stores • Alternative suppliers Identified
Low Risk	• Light touch e.g. sample checks; occasional review meetings with suppliers etc.

WYFRA operates a central Stores department for service critical supplies which helps to mitigate any short-term supply risks and enables rapid gearing up in emergency situations that are large scale or prolonged in duration.

Fraud Avoidance
WYFRA recognises that when procuring goods, services and/or works there is the potential for fraudulent activity to occur. This will be managed by ensuring that fair and transparent procurement processes are implemented and followed accordingly with annual audit procedures in place.
The detection, prevention and reporting of fraud is the responsibility of all Members and employees of WYFRA. All are expected to:

- Act with integrity;
- Comply with all relevant codes of conduct;
- Comply with CPR and FPR;
- Raise concerns as soon as impropriety is suspected via the Whistleblowing Policy.

Members, employees and/or the general public are encouraged to raise concerns they may have in respect of fraud and corruption via:

- Line Managers
- Internal Audit
- Directors
- Chief Fire Officer
- Members

Business Continuity Planning (BCP)
BCP is an integral part of the business planning strategy utilised throughout WYFRA. Procurement projects must seek to protect all services and functions by increasing levels of preparedness and reduce risk to the organisation via a proactive approach to BCP.
Suppliers are strongly encouraged to follow the same philosophy and consideration within complex, high value procurement projects.

5 Controls and Standards

WYFRA adopts a Category Management approach, where possible, to analyse and manage markets, using appropriate tools and techniques to procure goods, services and works from suppliers that range from office supplies, building maintenance and computer systems through to specialist operational fire fighting equipment, breathing apparatus and fire fighting vehicles. The nature of our business makes it vital that WYFRA has the right supplies in the right place at the necessary time.

WYFRA shares knowledge, experience, best practice and management information with other blue light, local and national authorities for mutual benefit.

A Contracts Register is maintained and used to manage procurement activity. The Contracts Register is updated regularly and is regularly published on the procurement page of WYFRA's web site.

Contracts are awarded based on the principle of "most economically advantageous tender" (MEAT) which enables WYFRA to take account of quality criteria (qualitative, technical and sustainable) as well as cost. The quality of supplies and services can be critical to the wellbeing of our firefighters and the safeguarding of the public. It is imperative that WYFRA can respond to emergency situations rapidly and without any failures in processes, systems, supplies or equipment. Relevant Health & Safety and European / British Standards applicable to the procurement are detailed in specifications.

As a rule, procurement processes place greater emphasis on quality than price within budgetary constraints, but each procurement exercise is appropriately managed on a case-by-case basis, with award criteria and evaluation methodologies clearly communicated to suppliers at the time of tendering.

WYFRA operates a fleet of fire appliances and support vehicles that are maintained in-house to a high standard via the Transport and Logistics department with a workshop store that is located within the vehicle servicing workshop enabling vehicles to be maintained and serviced without undue delay.

Both central Stores and workshop stores are integral to WYFRA's Procurement and Risk Management Strategy.

Continuous Improvement
Procurement performance will be monitored at a departmental level and will identify areas of good performance and areas for development. At times, internal customers may be requested to complete satisfaction questionnaires and will always be encouraged to provide feedback (both positive and constructive criticism) on an ongoing basis to the Procurement Manager or the Chief Finance and Procurement Officer. Constructive feedback will be used to develop and progress continuous improvement initiatives.

The Procurement department will ensure that all relevant accreditations and qualifications are kept up to date and will operate in a professional manner ensuring the highest of standards and probity are upheld Chartered Institution of Purchasing and Supply (CIPS) code of conduct).

Support and advice will be sought from industry experts and other fire authorities to gain experience and upskilling if appropriate.

Departmental Action Plan
A Procurement Action Plan is in place and updated regularly (refer to Section 8).

Savings Log
The Authority records all savings on a savings log and reports regularly to Board and Committee Members.

6 Application of Policy and Strategy

The estimated total value of the requirement (for as long as the contract will be in place) will determine which procedures are permitted under PCR and are required in CPR.

Prior to commencing a procurement exercise, the Procurement department will assist in undertaking an options appraisal to identify the most appropriate route to market as necessary.

Primary considerations are given to prevailing market conditions and whether framework agreements exist, awarded by other fire authorities or through other public sector authorities that WYFRA are permitted to access.

Collaboration is an effective procurement tool which can achieve economies of scale by collaborating through framework agreements with other public sector authorities or jointly procuring requirements with regional partners.

The Authority will endeavour to award contracts through framework agreements where this offers demonstrable value for money and meet the needs of WYFRA and will contribute knowledge and experience to framework agreement development increasing the likelihood of the arrangement meeting WYFRA's requirements.

The benefits of using framework agreements include:

- Provide greater collaboration (Regionally and Nationally) between other Fire and Public Sector Authorities;
- Provide relatively quick and efficient procurement solutions that are compliant with PCR and CPR;
- Avoids the need for WYFRA to employ resources in managing an entire procurement process but instead to use these resources in adding value to the required outcomes;
- Offer better value for money as a result of combined buying power of the public sector.

Where framework agreements are not used, WYFRA will invite quotation and tender responses direct from the market in accordance with PCR and CPR requirements to optimise service delivery, quality and achieve value for money.

It is our policy to only contract with suppliers that:

- Accept electronic purchase orders via email and
- Submit electronic (PDF) invoices via email.

Implementation of the Procurement Strategy will deliver the following key business benefits:

- Legal & Statutory Compliance (i.e. PCR and CPR);
- Strong governance and due diligence;
- Delivery of the Authority's corporate social responsibilities;
- Engagement with the market and our suppliers;
- Transparency (i.e. publication of information, equal opportunities);
- Procurement best practice;
- Risk management of our supply chains;
- Secure value for money.

7 Transparency

The Government Transparency Code requires WYFRA to publish expenditure as follows:

- Details of each individual item of expenditure that exceeds £500;
- Details of every transaction / payment made using a Government Purchasing Card;
- Details of contracts and framework agreements with a total value in excess of £5k.

The above information is published quarterly and can be located on the Procurement and Transparency pages of WYFRA's website.

8 Action Plan

STRATEGIC CATEGORY	TASK DESCRIPTION	START DATE	REVIEW (or date completed)	RISKS/DEPENDENCIES
P2P Process	OPEX PO numbers to increase. Increase invoices auto match. Reporting structure	Apr-21	QUARTERLY	System failure (OPEX/SAP) Non-compliance from staff
	Further reduce the OPEX vendor database by rationalising suppliers and housekeeping regime	Apr-21	Ongoing	System becomes 'clogged'requiring annual overhaul Duplicate suppliers set up in system
OPEX/SAP Working Group	Working Group to determine and resolve OPEX/SAP issues promptly and ensure ongoing effective management of OPEX.	Apr-21	MONTHLY	System failure (OPEX/SAP)/Finance resource and capability
Self Service (OPEX)	Continue to support and provide training (including refresher and updated manuals)	Apr-21	ONGOING	Outdated information Lack of awareness/education
Contract Management	Roll out to Contract Managers to ensure consistently good practice standards are applied relevant to contract value and risk.	Apr-21	QUARTERLY	Non-compliance and risk of challenge or invalid Contract
	Procurement to provide 2nd line contract management (in cases of poor performance or escalation) and embed good practice	Apr-21	QUARTERLY	Reduced contract performance
	Clear Procurement Strategies need to be developed for each WYFRS category in consultation with managers in order to leverage buying power and achieve savings.	Apr-21	QUARTERLY	Resource (in both Procurement and departments)
Spend Analysis	Ongoing spend analysis to identify off contract spend.	Apr-21	ONGOING	SAP non-pay spend analysis must be accurate
	Identify and report savings and efficiencies reducing revenue spend by £250K	Apr-21	ONGOING	Include in Committee Report
Process Analysis	Scrap Cars Contract and process	Apr-21	Jul-21	
	Buffets Contract and process	Apr-21	Aug-21	
	Travel and Hotel Bookings - system and process	Apr-21	May-21	
	Amazon orders centralised	Apr-21	Jun-21	
	White Goods	Nov-21	ONGOING	
	Procurement process improvements	Apr-21	ONGOING	
Systems Review	Identify existing systems for review and identify new technologies where applicable	Apr-21	ONGOING	

Collaboration	Procurement to lead on selected regional procurement projects	Apr-21	Mar-22	Lack of regional projects
	Procurement to actively participate in NFCC projects and reporting	Apr-21	Mar-22	Lack of NFCC projects
	Investigate YHORG conversion strategies	Apr-21	Jun-21	
CPR	Review CPR and report to Committee	Apr-21	Jun-21	
	Procurement manage strategy and tenders over £75k and establish the necessary Contract arrangements.	Apr-21	ONGOING	Resource (in both Procurement and departments)
	Depts manage quotations (below £75k) - Procurement to analyse and report on RfQ (Request for Quote) and lower value tenders.	Apr-21	ONGOING	Non-compliance from departments
Contracts Register and Folder	Disciplined storing of documentation in central library needs to be consistently applied.	Apr-21	MONTHLY	Lack of consistency in team approach
	Migrate Contracts Register to SharePoint	Apr-21	Jul-21	
Management Reporting	Develop a set of KPI's for quarterly reporting to Management:	Apr-21	Ongoing	
	Total contracts (and annual value)	Apr-21	Ongoing	Accurate Spend data required
	b) No. of "renewable" contracts that expired without being timely relet	Apr-21	Ongoing	
	c) Efficiencies (revenue budget savings, cost avoidance)	Apr-21	Ongoing	
	d) Number of FTS (Find a Tender Service) and Sub-FTS tenders published and progress	Apr-21	Ongoing	
	e) Number of non-stock orders received by Procurement and target of being processed 95% within 2 working days	Apr-21	Ongoing	
	f) Progress Statement on collaborative procurements	Apr-21	Ongoing	
	g) Statement on supply chain risk management (also refer to Contracts Register "high risk" contracts	Apr-21	Ongoing	
	h) % regional spend	Apr-21	Ongoing	
	Progress update on continuous improvement plans / actions	Apr-21	Ongoing	
Sustainability	Develop a suite of sustainability boilerplate standards	Apr-21	Ongoing	Procurement resource and priorities
	Reporting structure for social value/sustainable procurement	Apr-21	QUARTERLY	
	Modern Slavery and Human Trafficking Statement	Aug-21	Completed	
Strategic	ESMCP - procurement involvement	Apr-21	Ongoing	

Advice	Legal or contractual advice	Apr-21	Ongoing	
	Management Team	Apr-21	Ongoing	
	Committee Papers/Meetings	Mar-21	Ongoing	
	New Procurement Strategy 2022-2025	Feb-22	3 yearly	
Stock Reduction and Consolidation	Work with Transport & Logistics to reduce general stock held in central stores/workshops	Apr-21	Mar-21	
	Work with Ops Equipment to maintain appropriate stock held in central stores/workshops and delivery plan for non-stock goods and services	Apr-21	Mar-21	

West Yorkshire Fire & Rescue Authority

OFFICIAL

Treasury Management - Mid-Year Review

Finance & Resources Committee

Date: 4 February 2022

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 the report.

Summary This report presents a review of treasury management activity as required by the CIPFA Code of Practice on Treasury Management which has been adopted by this Authority. The report examines all treasury management activity to ensure that it is accordance with the Authority's treasury management strategy.

In addition, it examines the outlook for the UK economy and the impact that it might have on the treasury management strategy of the Authority.

Local Government (Access to information) Act 1972

Exemption Category: None

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

Annexes: Appendix A - Investments
Appendix B – Prudential Indicators

1 Introduction

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

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

1.3 Accordingly, treasury management is defined as:

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

2 Information

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

2.2 Economic Update & Interest Rates

2.2.1 The Bank of England's Monetary Policy Committee (MPC) sets monetary policy that aims to meet the 2% inflation target in a way that helps to sustain growth and employment. In that context, its challenge at present is to respond to the economic and financial impact of the Covid-19 pandemic. On the 16 December 2021, the MPC voted 8-1 to increase the Bank Rate from 0.1% to 0.25%.

2.2.2 The outlook for the UK and global economies remains uncertain. Further progress on vaccine rollouts, continued policy support, and the re-opening of most major economies should mean that global GDP growth in 2021 will grow at its fastest rate since 1973. However, the spread of mutations of the virus poses a great risk, particularly in large parts of the emerging world where vaccination coverage is typically lower than in advanced economies.

2.2.3 In terms of inflation, the Consumer Price Inflation (CPI) saw a sharp increase in the year to August, up from the Bank of England's target of 2% in July to 3.2% in August, with it falling to 3.1% in September. Results for November show that inflation is currently 5.1%, which takes it well above the 4.5% the Bank of England forecast in early November. Inflation is forecast to stay around 5% for about six months and then fall sharply from June 2022 and then settle by at 2% by the end of 2022.

There have been significant increases in gas and electricity prices recently with further increases expected next April, which is expected to lead to faster and higher inflation expectations and underlying wage growth, which in turn increase the risk that price pressures would prove more persistent next year than previously expected. To emphasise its concern the Monetary Policy Committee (MPC) chose to reaffirm its commitment to the 2% inflation target in its statement, which suggests we could see base rates rising sooner than previously forecast by the market.

2.2.4 In respect of interest rate forecast, the rates available on deposits from counterparties are significantly lower than those of a year ago.

The Authority's treasury advisor, Link Asset Services, has provided the following interest rate forecasts;

Link Group Interest Rate View 8.11.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
Capital Economics	1.60	1.70	1.70	1.80	2.10	2.10	2.10	2.10	2.10	-	-	-	-	-
10yr PWLB Rate														
Link	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
Capital Economics	1.80	1.90	2.00	2.20	2.30	2.30	2.30	2.30	2.30	-	-	-	-	-
25yr PWLB Rate														
Link	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
Capital Economics	2.10	2.20	2.40	2.60	2.70	2.80	2.80	2.80	2.90	-	-	-	-	-
50yr PWLB Rate														
Link	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.60	2.60	2.70	-	-	-	-	-

2.3 <u>Treasury Management Strategy Statement</u>

The Treasury Management Strategy Statement and the Annual Investment Strategy for 2021/22 were approved by Fire Authority in February 2021. There are no changes to either strategy; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The report covers the period 1 April to 20 December 2021.

2.4 <u>Investment Performance</u>

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

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

2.4.2 The Authority has invested an average balance of £32.0 million externally during the period, generating £0.100 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 (£31.703 million) as a single annual payment. The Authority also received an additional £4.285 million pension grant in April 2021.

2.4.3 Monies have been invested in line with the Treasury Management Strategy using deposit accounts, money market funds and short-term deposits. Appendix A shows where investments were held at the start of April and at the 20 December 2021 by counterparty, by sector and by country.

2.4.4 The Authority's investment performance was monitored during the period, with the average lending rate of 0.17%, being above the weighted average 7-day London Interbank Offer rate of 0.08%.

2.5 Borrowing performance

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

Long-term loans at the end of December 2021 totalled £45.2 million (£45.4 million 31 March 2021). Repayments of EIP (equal instalments of principal) loans totalling £0.157 million will be made during the year. Current forecasts indicate that there will not be a borrowing requirement for the remainder of the financial year.

2.5.2 Public Works Loan Board (PWLB) loans total £43.2 million of long-term loans, with the remaining £2.0 million of external debt financed via a Lenders Option Borrowers Option (LOBO) loan. The maturity profile for fixed rate long-term loans is shown in Appendix B and shows that no more than 5% of fixed rate debt is due to be repaid in any one year. This is good practice as it reduces the Authority's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.

2.5.3 PWLB rates were on a falling trend between May and August this year but rose sharply towards the end of September. The 50-year PWLB target rate for new long-term borrowing started 2021/22 at 1.90%, rose to 2.00% in May, fell to 1.70% in August and returned to 2.00% at the end of September. Expected rates in the beginning of 2022 are at 2.00%.

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

2.5.4 Short term borrowing rates however remain very low. Short term local to local funding up to 6 months in duration is currently available at the current bank rate of 0.1% or even slightly lower.

2.6 Revenue Budget Monitoring

2.6.1 The revenue budget contains a sum of £6.998 million for interest and provision for debt repayment for 2021/22.

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

2.7 Prudential Indicators

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

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

2.8 Risk and Compliance Issues

2.8.1 There are no risk or compliance issues to report.

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

3 Financial Implications

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

4 Legal Implications

4.1 The Monitoring Officer has considered this report and 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 Equality Impact Assessment

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

7 Health, Safety and Wellbeing Implications

7.1 None

8 Environmental Implications

8.1 None

9 Your Fire and Rescue Service Priorities

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

10 Conclusions

10.1 This report provides Members with an update on Treasury Management activity to 20th December 2021, which demonstrates that the Authority is operating within the Treasury Management Strategy and that activity complied with the approved prudential indicators.

Appendix A

Counterparty	£	Interest Rate	Date Invested	Maturity date	Maturity Structure
Aviva MMF	5,351,325	0.01			Less than 1 Month
Aberdeen Standard MMF	3,801,170	0.01			Less than 1 Month
Goldman Sachs MMF	2,100	0.00			Less than 1 Month
Lloyds 32 Day Notice Account	12,000	0.03			Less than 1 Month
Santander 35 Day Notice Account	6,000,000	0.30			Less than 1 Month
DMADF	2,800,000	0.10	17/12/2021	31/12/2021	Less than 1 Month
DMADF	594,555	0.09	03/12/2021	01/06/2022	3-6 Months
Kingston Upon Hull City Council	5,000,000	0.10	06/12/2021	06/06/2022	3-6 Months
Warrington Borough Council	5,000,000	0.10	30/07/2021	31/01/2022	3-6 Months
Warrington Borough Council	5,000,000	0.10	30/07/2021	31/01/2022	3-6 Months
Warrington Borough Council	10,000,000	0.10	17/08/2021	07/02/2022	3-6 Months
Warrington Borough Council	5,000,000	0.10	05/08/2021	17/02/2022	3-6 Months
Rotherham MBC	5,000,000	0.20	30/07/2020	29/07/2022	9-12 Months
TOTAL	**53,561,150**				

Prudential Indicators

Capital Expenditure

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

	2020/21 Actual £000's	2021/22 Budget £000's	2021/21 Revised £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's
Total Capital Expenditure	4,228	16,522	12,775	21,570	10,308	5,140

The revised 2021/22 figure reflects the adjustment to the capital plan which were approved at Finance and Resources Committee in July and September.

Capital Financing Requirement

The capital financing requirement for 2021/22 and estimates for future years are as follows:-

	Actual 31/03/2021 £000's	Estimate 31/03/2022 £000's	Estimate 31/03/2023 £000's	Estimate 31/03/2024 £000's	Estimate 31/03/2025 £000's
Capital Financing Requirement	43,090	56,400	63,900	68,800	66,290

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

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

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

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

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

Operational Boundary and Authorised Limit for External Debt

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

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

These are shown in the table below:

	2021/22	2022/23	2023/24	2024/25
Authorised Limit for external debt	65	68	68	68
Operational Boundary for external debt	51	61	65	65

The Chief Finance and Procurement Officer confirms that both the authorised limit and the operational boundary will not be exceeded during 2021/22 as no new borrowing has been required.

Ratio of Capital Financing Costs to Net Revenue Stream

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

	Actual 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
Ratio of Financing Costs to Net Revenue Stream	6.02%	7.21%	7.14%	7.03%	7.76%

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

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

The projected increase in the ratio over the period reflects the increase in capital financing costs resulting from the five-year capital plan approved in February 2021.

Upper and Lower Limits for the maturity structure of borrowings

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

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	**Limit Set 2021/22**	**Forecasted Actual 2021/22**
Under 12 months	0% - 20%	0.4%
12 months to 2 years	0% - 20%	2.4%
2 years to 5 years	0% - 60%	8.3%
5 years to 10 years	0% - 80%	12.7%
More than 10 years	20% - 100%	76.2%

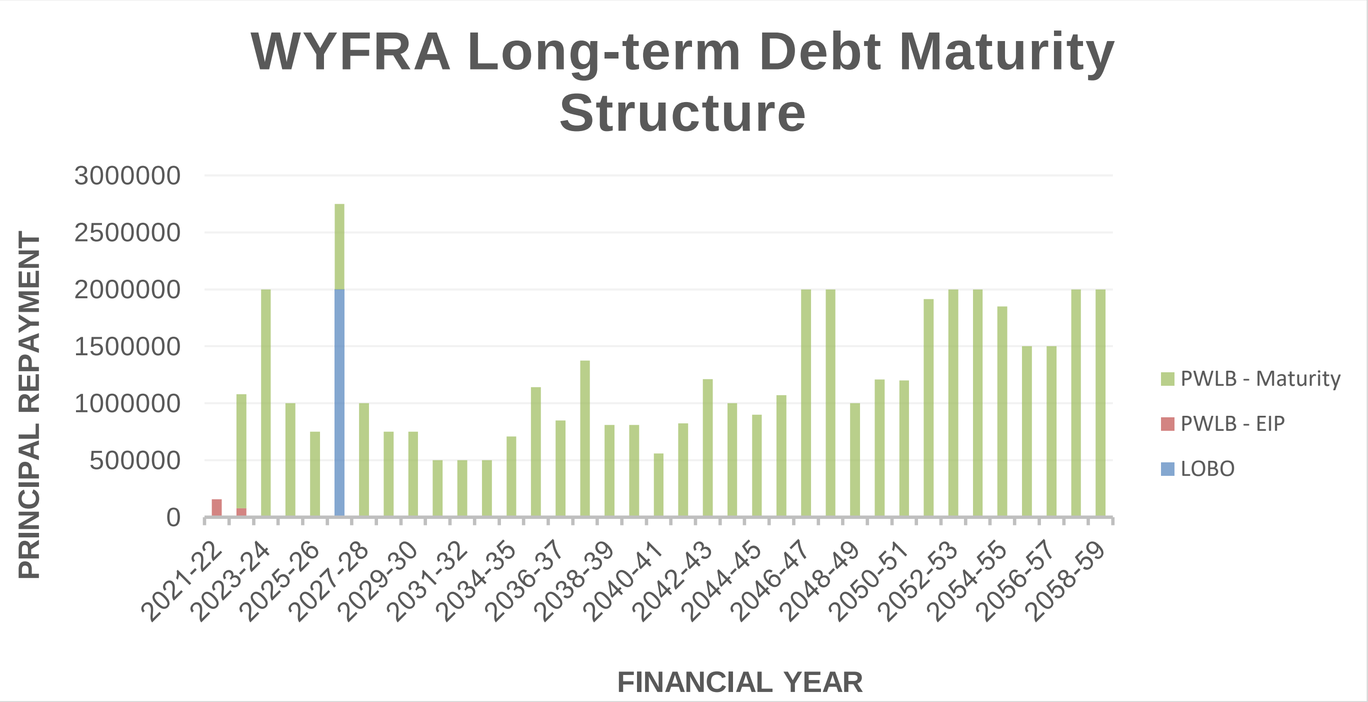
While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio.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

	Limit 2021/22	**Forecasted Actual 2021/22**
Interest at fixed rates as a percentage of net interest payments	60% - 100%	100.0%
Interest at variable rates as a percentage of net interest payments	0% - 40%	0.0%

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

Maturity Profile for Long Term Loans

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



Total principal sums invested for periods longer than 364 days

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

Quarterly Financial Review

Finance & Resources Committee

Date: 4 February 2022 Agenda Item: **7**

Submitted By: Chief Finance and Procurement Officer

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

Recommendations

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

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

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: Appendix A – Revisions to Capital Plan
Appendix B – Capital Expenditure

1 Introduction

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

2. Information

Revenue Budget Revision

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

2.2 The balance in both the whole-time firefighter and retained employee contingency budgets totalling £0.617m have been moved to the general contingency budget. The amounts included in these employee contingencies are provisions for career breaks and non-retirees, balance of the pay award provision and the external appointment of crew commanders. Following a review of employee budgets it has been recognised that there will be no further call on these contingencies, so to facilitate accurate budget monitoring these have been moved to the general contingency budget.

In addition, £577k has been moved from the support staff contingency budget, with the remaining provision been for the outstanding pay award that has yet to be agreed.

2.3 A budget review was undertaken in December whereby budget holders identified that some budget provision was no longer required in the current financial year. These are summarised below:

2.3.1 Wholetime Firefighters – Due to increased retirements in 2021/22 than that budgeted, there is a forecast underspend of £0.544m. Five employees, as per their retirement profile were due to retire in the financial year, but there were thirty-one actual retirements in the year. An additional recruit course, with eight trainees commenced in January 2022 which will address some of the shortfall. There is volatility in estimating when employees will retire which is due to the effects of the McCloud/Sargeant age discrimination case.

2.3.2 Control Staff – Due to a number of staff vacancies during the course of the year, the budget is forecast to underspend by £0.131m. These vacant posts have been advertised, and the new employees will commence employment with the Authority in January.

2.3.4 Support Staff – The forecast for support staff for 2021/22 is an underspend of £0.164m, this is primarily due to support staff vacancies. Due to the length of the recruitment process there is a time lag in filling vacant posts, the target for the recruitment cycle is 84 days. In addition, there a number of posts there were vacant at the beginning of the financial for which recruitment is yet to commence.

2.3.5 Supplies and Services – The budget review has identified that the budgets for operational equipment, clothing, food, and consultancy were overstated by

£0.237m. Also a budget provision for £0.050m has been approved for the costs associated with FSHQ transition which will be expended in this financial year.

2.3.6 Income - The Authority received notification in September from The Home Office that there was an error in the calculation of the 2020/21 Fire Link grant totalling £0.063m which will need to be repaid by the Authority in this financial year. This is an underachievement of income and an equivalent amount has been transferred from contingencies to fund this overpayment.

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

	Opening Balance 15/10/21	Transfer to/from Contingencies	Closing Balance
	£000	£000	£000
General Contingency	584	2,157	2,741
Employee Contingency	1,694	-1,194	500
TOTAL CONTINGENCIES	2,278	963	3,241

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

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

3 Expenditure Monitoring

3.1 This report is based on expenditure to the end of December 2021 and includes the first nine salary payments of 2021/22. The projected outturn is based on current years' expenditure and is forecast to the end of the year based on previous expenditure profiles. Overall, the latest forecast indicates there will be an under spending of £0.133m in the current financial year.

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

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

	Revenue Budget £000	Forecast £000	Variance £000
Employees			
Wholetime	49,554	49,555	1
Retained	2,558	2,506	-52
Control	1,997	1,996	-1
Support Staff	10,564	10,502	-62
Employee Contingency	500	500	0
Pensions	1,800	1,800	0
Training	805	778	-27
Other Employee	277	271	-6
TOTAL	68,055	67,908	-147
Premises	4,650	4,647	-3
Transport	2,161	2,169	-8
Supplies and Services	5,964	5,940	-24
Contingency - General	2,741	2,741	0
Support Services	331	333	2
Capital Charges	8,151	8,151	0
Income	-2,705	-2,658	47
Net Expenditure	89,348	89,231	-133

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

3.4 **Employees** **-£147,000**

Retained Staff -£52,000

Retained staff are forecast to underspend by £52k, the budget for retained employees is affected by activity due to the nature of the on-call system. As a result expenditure can vary during the year. This budget is monitored closely during the year.

Support Staff -£62,000

Following the movement of £0.164m of support staff budgets, there remains a forecast under spend of £62k. For prudence reasons there are some jobs that are currently going through the recruitment process which the budget review exercise did not include. This under spend may thus reduce if the posts are filled prior to the end of the financial year.

Wholetime and Control Staff

Due to the budget review work detailed in section 2.3, the budgets for these staff are now in line with budget provision.

Training -£27,000

The attendance of employees on non-operational courses has been affected by the pandemic in 2021/22, although some training has been delivered on-line, not all training could be attended as planned.

3.5 **Non-Employee Budgets**

Due the budget revisions detailed in section 2.1, premises, transport and supplies and services there are no large variances in these budget categories.

3.6 **Income** **£47,000**

3.6.1 The projected under achievement of income is due the effects of Covid19, the youth training programme has been impacted by the suspension of learning and training, and the projected income shortfall for youth training income is £46k in 2021/22.

3.6.2 In addition, the Authority is underachieving income on false alarm activations, lift rescues and other income compared to budget totalling £64k.

3.6.3 Any under recovery of income will be assessed at the end of the financial year and an equivalent amount will be transferred from the Covid19 grant to fund this loss.

3.6.4 These have been offset by a transfer from contingencies totalling £63k to Fire Link income relating to an error in the payment of Fire Link grant in 2020/21 which was detailed in section 2.3.6. The overpayment of £63k will be recovered in 2021/22 by reducing the amount of income the Authority receives each month.

4 Impact on Revenue Balances

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

Description	Usable Reserves £000
Opening Balance 1/4/21	
General Fund	5,000
Earmarked Reserves	32,313
Impact of forecast	133
Forecast Usable Reserves at 31/3/2021	**37,446**

5 Covid 19 Pandemic Financial Update

5.1 As previously reported at Finance and Resources Committee, West Yorkshire has received a total of £2.529m in Covid19 grant funding, this is held in a separate earmarked reserve. The table below details the amount spent against this grant and forecast balance.

	Actual £000's	Forecast £000's
Grant Received	**-2,529**	**-2,529**
2019/20	-436	
2020/21	-1,736	
2021/22	-357	
Expenditure in 2020/21	1,173	1,173
Expenditure in 2021/22		
Covid 19 employee support	31	62
Overtime	317	900
Leave Buy Back	67	80
Equipment	30	50
Total Expenditure	1,618	2,265
Grant Remaining	**-911**	**-264**

6 Covid19 Expenditure

6.1.1 Below is a summary of costs chargeable to the Covid19 grant:

6.1.2 The majority of expenditure is for overtime to cover employees taking leave during this financial year. Employees accrued leave in 2020/21 which they were unable to take due to the pandemic. A reconciliation will be undertaken at the end of the financial year to ascertain the number of shifts carried forward due to Covid and the cost will be charged to the grant.

6.1.3 The Authority has seconded a dedicated support staff employee to manage the work associated with the pandemic, e.g. the coordination of volunteers and working with partner agencies.

6.1.4 The scheme whereby employees can sell up to five days holidays back to the Authority, has been extended into this financial year, although the deadline for the sale of annual leave was the 31st December, it is likely that this will be re-introduced.

6.1.5 The Authority will continue to purchase a range of equipment which includes masks, sanitisers, hand wipes and other cleaning consumables and equipment for employees to support home working.

6.2 The government introduced an income loss scheme in August 2020 for irrecoverable losses in sales, fees, and charges as a result of Covid19. The scheme involves a 5% deductible rate, whereby authorities will absorb losses up to 5% of their planned sales, fees and charges income with government compensating 75p in every £1 of relevant income lost thereafter.

6.3 During 2020/21, the Authority claimed £0.141m of lost income under this scheme from external training courses, the youth training programme and false alarm call activations against the loss of budgeted income of £0.188m. This scheme was extended to cover the first quarter of 2021/22 and a claim for £28,000 was submitted and £22,888 has duly been reimbursed in line with the grant conditions.

6.4 The Covid grant is un-ringfenced, which means there are no conditions attached as to how the grant can be spent. Nonetheless, the grant is managed and recorded separately to the Authority's revenue budget for transparency reasons. It is planned that any realised underspend of the grant is used to support the collection fund deficit which is £1.1m overall, with the amount attributable to 2021/22 amounting to £0.348m.

7 Capital Expenditure Monitoring

7.1 Introduction

At its meeting on 21 February 2020 the Authority approved a five-year capital programme of £57.586m which included schemes to the value of £16.523m for the current financial year.

7.2 Revised capital plan 2021/22

7.2.1 In addition to the revenue budget review detailed in section 2, a review of capital schemes was undertaken at the same time. Budget holders have reviewed their capital schemes and have identified £5.121m of slippage into 21/22, £0.844m that can be removed from the capital plan and £0.290m that require an increase in the capital budget provision.

7.2.2 The main reasons for the adjustments are as follows:

a) ICT schemes – The cradle point routers have been removed whilst the Authority undergoes reassurance and testing as part of the Emergency Services Network, this will determine if there is a need for cradle point routers in the longer term. The upgrade to the Gartan rostering system will not be undertaken until the next financial year. All other ICT budgets have been completed under budget which means that the remaining funding is no longer required.
In addition, £0.134m is required to be vired from the network switches scheme to the audio-visual scheme for fire stations. This scheme was scoped pre-pandemic and since then there has been an increase in cost due to a global shortage of micro chips and the specification for the equipment has been enhanced to reflect learning from the pandemic.

b) Transport schemes – all existing schemes within the transport directorate will slip into 2022/23 which is primarily due to the long lead times with suppliers to fulfil appliance orders and a change to the vehicle specification to comply with the clean cab appliance project.

c) Property schemes– There is £0.565m slippage on station rebuilds which will be progressed in the following financial year, a number of schemes totalling £0.236m have been completed under budget and there are two schemes that have overspent due to the tender been in excess of budget.

d) Operations schemes – Schemes totalling £0.997m will slip into 2022/23, the delay in progressing the purchase of uniform is due to extensive staff consultation prior to the procurement process, the command support software due to the need for market testing before purchase and other schemes due to the length and progression of the procurement process. The operations contingency totalling £0.300m is the balance of the capital scheme for the

replacement of the existing command and control centre, which will not be spent in the current year.
The PPE storage shelters requires an increase in budget of £0.131m, this is because the initial quote to inform the capital bid for the shelters did not include any groundworks which are required to enable a safe and workable installation.

7.2.3 The reductions to the capital plan are detailed in Appendix A.

7.3 **Capital Payments 2021/22**

7.3.1 The actual capital payments to date total £2.024m, which represents 32% of the revised capital plan. If commitments are included in this, the actual expenditure to date is £4.267m, which equates 60% of the capital plan.

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

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

7.3.4 A summary of the capital plan including slipped schemes is attached to this report in Appendix B, which shows details of expenditure on each individual scheme. This includes the revisions and approvals explained in sections 7.2.2 and 7.4.3.

7.4 **Approvals under financial procedure 3.11**

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

7.4.2 Since the last Finance and Resources Committee in October, the Management Board have approved capital schemes totalling £0.159m.

7.4.3 These are detailed in the table below:

Schemes Approved by Management Board

Date	Directorate	Scheme	Approval	Virement
29/09/2021	Service Delivery	Water Rescue Equipment	£24,000	
29/09/2021	Service Delivery	Gas Tight Suits	£10,000	
29/09/2021	Service Delivery	Lay Flat Hose	£50,000	
22/12/2021	Service Delivery	Technical Rescue Equipment	£75,000	
			£159,000	**£0**

7.5 **Capital Receipts**

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

8 Treasury Management

8.1 The Authority approved its Treasury Management Strategy on the 25th February 2021 in accordance with the CIPFA Code of Practice on Treasury Management.

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

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

9 Debtors

9.1 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 consequently debtor accounts are raised.

9.2 The level of outstanding debt owed to the Authority to the end of December 2021 is £203,498 which can be profiled as follows:

Less than 60 days -	£123,687
Greater than 60 days -	£ 79,811

9.3 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

9.4 As detailed above, there is currently £82,895 of debt which is at the recovery stage. However, previous experience suggests that the Authority will recover all of the outstanding debts.

10 Creditors

The Authority is required to pay all non disputed invoices within 28 days of receipt. In the first 9 months of the current financial year the Authority has received 6,364 invoices and paid 98% of them within 28 days.

11 Financial Implications

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

12 Legal Implications

The Monitoring Officer has considered this report and 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.

13 Human Resource and Diversity Implications

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

14 Equality Impact Assessment

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

15 Health, Safety and Wellbeing Implications

There are no health, safety, and wellbeing implications.

16 Environmental Implications

There are no environmental implications.

17 Your Fire and Rescue Service Priorities

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

18 Conclusions

18.1 This report identifies that the Authority is currently forecast to under spend its revenue budget in 2021/22 by £0.133m. The report has summarised the financial impact on Covid19 and it is expected that the grant received of £2.5m will cover all costs incurred in managing the pandemic, based on existing demands. The report has requested revisions to the capital plan with a net effect of £4.68m

18.2 Both the revenue and capital budgets will continue to be monitored closely during the year in conjunction with directors and budget holders.

Appendix A

Directorate	Details of Scheme	2021/22 Total Capital Budget 21/22	2021/22 Over/(Under) spend to Date	Capital Review Dec 2021 Amount required to slip into 22/23	Amount To Remove from Plan	Virement
Property	Ilkley Dormitory Facilities	£100,000	**£20,456**	£0	£0	£20,456
Property	Rawdon ablution Facilities	£100,000	**-£31,290**	£0	£15,000	£0
Property	Vehicle workshop pit improvei	£100,000	**-£66,367**	£0	£55,000	£0
Property	Security & Fire alarm systems	£54,040	**-£603**	£0	£603	£0
Property	Appliance Bay doors	£15,277	**-£660**	£0	£660	£0
Property	General Upgrading Odsal	£27,302	**-£5,508**	£0	£5,508	£0
Property	Tarmac, Lighting, smoke traini	£24,300	**-£23,000**	£0	£8,000	£0
Property	Fairweather Green - Kitchen u	£0	**£4,471**	£0	£0	£4,471
IRMP	Keighley Rebuild	£500,000	**-£500,000**	£350,000	£0	£0
IRMP	Halifax Rebuild	£100,000	**-£100,000**	£100,000	£0	£0
IRMP	Hudderfield rebuild	£100,000	-£100,000	£100,000	£0	£0
IRMP	Wakefield	£361,915	-£198,787	£15,000	£150,787	£0
ICT	Upgrade of Gartan	£50,000	-£50,000	£50,000	£0	£0
ICT	Cradle point routers	£210,000	-£210,000	£0	£210,000	£0
ICT	Network Switches	£265,000	-£4,133	£0	£4,133	£0
ICT	Performance Management Da	£50,000	-£50,000	£0	£50,000	£0
ICT	Network switches	£134,000	-£134,000	£0	£134,000	£0
ICT	Station AV Equipment	£0	£0	£0	£0	£134,000
ICT	Computer hardware	£10,778	-£194	£0	£194	£0
ICT	Mobile phones	£21,130	-£21,130	£0	£21,130	£0
ICT	Command Training	£37,149	-£37,149	£0	£37,149	£0
ICT	Protection Database	£14,800	-£14,800	£0	£14,800	£0
ICT	VoIP	£94,231	-£89,824	£0	£89,824	£0
ICT	Mobile Working	£19,368	-£19,368	£0	£19,368	£0
Transport	Telematics upgrade	£100,000	-£100,000	£100,000	£0	£0
Transport	Vehicle Replacement	£3,312,118	-£3,312,118	£3,312,118	£0	£0
Transport	Vehicle replacement project -	£135,565	-£135,565	£135,565	£0	£0
Employment Services	PPE Racking & Storage unit	£4,000	-£2,425	£0	£2,425	£0
Employment Services	OHU Medical System	£15,400	-£5,805	£0	£1,005	£0
Operations	Hydrants	£450,000	-£223,973	£0	£4,066	£0
Operations	Gas Tight Suits	£10,000	-£10,000	£0	£1,000	£0
Operations	Uniform	£200,000	-£200,000	£200,000	£0	£0
Operations	Wildfire Vehicle	£30,000	-£29,582	£20,000	£0	£0
Operations	Technical Rescue Equipment	£75,000	-£75,000	£75,000	£0	£0
Operations	PPE Storage Shelters	£168,800	-£168,800	£0	£0	£131,200
Operations	Command Support	£100,000	-£100,000	£100,000	£0	£0
Operations	Thermal Image	£55,000	-£55,000	£55,000	£0	£0
Operations	Body Worn Video	£15,000	-£15,000	£15,000	£0	£0
Operations	DEFRA Water rescue	£136,000	-£94,178	£84,178	£0	£0
Operations	NPAS Video	£19,500	-£19,500	£0	£19,500	£0
Operations	Powermats	£110,000	-£110,000	£110,000	£0	£0
Operations	Operations Contingency	£338,000	-£338,000	£300,000	£0	£0
		£7,663,673	**-£6,626,833**	**£5,121,861**	**£844,152**	**£290,125**

Appendix B

CAPITAL BUDGET MONITORING 2021/22 SUMMARY

Directorate	Capital Plan 2021/22						Capital Expenditure 2021/22				
	2021/22	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp SAP	Adjusted Forecast Exp	Total	Over/(Under) spend to date
Property services	£1,450,000	£1,464,344	-£1,553,386	£44,927	£0	£1,405,885	£397,034	£258,100	£0	£655,134	-£750,750
IRMP	£8,580,000	£361,915	-£7,830,787	£745,595	-£565,000	£1,291,723	£743,339	£394,664	£0	£1,138,003	-£153,720
ICT	£1,195,000	£1,141,591	-£995,598	£169,000	-£50,000	£1,459,993	£238,978	£415,169	£0	£654,147	-£805,846
Employment Services	£0	£37,369	-£3,430	£0	£0	£33,939	£0	£11,170	£0	£11,170	-£22,769
Transport	£3,412,118	£135,565	£0	£0	-£3,547,683	£0	£0	£0	£0	£0	£0
Operations	£1,485,800	£1,933,967	-£71,002	£154,100	-£959,178	£2,543,687	£633,741	£1,063,865	£0	£1,697,606	-£846,081
Fire Safety	£400,000	£0	£0	£0	£0	£400,000	£21,206	£90,294	£0	£111,500	-£288,500
	£16,522,918	**£5,074,751**	**-£10,454,203**	**£1,113,622**	**-£5,121,861**	**£7,135,227**	**£2,034,299**	**£2,233,262**	**£0**	**£4,267,561**	**-£2,867,666**

IRMP

Details of Scheme	Capital Plan 2021/22						Capital Expenditure 2021/22				
	2021/22	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital Plan	Commitments Opex	Total Exp SAP	Adjusted Forecast Exp	Total	Over/(Under) spend to Date
Keighley Rebuild	£2,850,000	£0	-£2,350,000	£0	-£350,000	**£150,000**	£0	£0	£0	£0	**-£150,000**
Cleckheaton Rebuild	£1,300,000	£0	-£1,300,000	£0	£0	**£0**	£0	£0	£0	£0	**£0**
FSHQ Rebuild	£2,100,000	£0	-£1,900,000	£745,595	£0	**£945,595**	£705,743	£269,132	£0	£974,875	**£29,280**
Halifax Rebuild	£100,000	£0	£0	£0	-£100,000	**£0**	£0	£0	£0	£0	**£0**
Hudderfield rebuild	£100,000	£0	£0	£0	-£100,000	**£0**	£0	£0	£0	£0	**£0**
Training Facility FSHQ	£2,130,000	£0	-£2,130,000	£0	£0	**£0**	£0	£0	£0	£0	**£0**
Total New Schemes 2021/22	**£8,580,000**	**£0**	**-£7,680,000**	**£745,595**	**-£550,000**	**£1,095,595**	**£705,743**	**£269,132**	**£0**	**£974,875**	**-£120,720**
Slipped Schemes											
Wakefield	£0	£361,915	-£150,787	£0	-£15,000	**£196,128**	£37,596	£125,532	£0	£163,128	**-£33,000**
Total Slipped Schemes	**£0**	**£361,915**	**-£150,787**	**£0**	**-£15,000**	**£196,128**	**£37,596**	**£125,532**	**£0**	**£163,128**	**-£33,000**
Total Capital Expenditure 2021/22	**£8,580,000**	**£361,915**	**-£7,830,787**	**£745,595**	**-£565,000**	**£1,291,723**	**£743,339**	**£394,664**	**£0**	**£1,138,003**	**-£153,720**

PROPERTY

Committee Approval	Details of Scheme	Capital Plan 2021/22						Capital Expenditure 2021/22				
		2021/22	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
		Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital total	Commitments Opex	Total Exp SAP	Adjusted Forecast Exp	Total	Over/(Under) spend to Date
F & R 22/04/2021	Cookridge Fire Station	£100,000	£0	-£100,000	£0	£0	**£0**	£0	£0	£0	£0	**£0**
F & R 22/04/2021	Odsal Fire Station	£100,000	£0	£0	£0	£0	**£100,000**	£0	£0	£0	£0	**-£100,000**
F & R 22/04/2021	Illingworth Fire Station	£300,000	£0	-£300,000	£0	£0	**£0**	£0	£0	£0	£0	**£0**
F & R 22/04/2021	Leeds Dormitory Facilities	£100,000	£0	-£100,000	£0	£0	**£0**	£0	£0	£0	£0	**£0**
F & R 22/04/2021	Ilkley Dormitory Facilities	£100,000	£0	£0	£20,456	£0	**£120,456**	£117,306	£3,150	£0	£120,456	**-£0**
F & R 22/04/2021	Rawdon ablution Facilities	£100,000	£0	-£15,000	£0	£0	**£85,000**	£57,315	£11,395	£0	£68,710	**-£16,290**
F & R 22/04/2021	Todmorden	£100,000	£0	£0	£0	£0	**£100,000**	£0	£0	£0	£0	**-£100,000**
F & R 22/04/2021	Vehicle workshop pit improvements	£100,000	£0	-£55,000	£0	£0	**£45,000**	£33,633	£0	£0	£33,633	**-£11,367**
F & R 22/04/2021	Electric charging points	£200,000	£0	-£200,000	£0	£0	**£0**	£0	£0	£0	£0	**£0**
F & R 22/04/2021	Risk Register - Asbestos	£110,000	£0	£0	£0	£0	**£110,000**	£11,773	£0	£0	£11,773	**-£98,227**
F & R 22/04/2021	Surface water drainage	£40,000	£0	-£40,000	£0	£0	**£0**	£0	£0	£0	£0	**£0**
F & R 22/04/2021	General Mechanical & L8	£100,000	£0	-£100,000	£0	£0	**£0**	£0	£0	£0	£0	**£0**
MB 18/08/2021	Security Gate - Hudds	£0	£0	£0	£20,000	£0	**£20,000**	£0	£20,361	£0	£20,361	**£361**
	Specific Refurbishments	£0	£0	£0	£0	£0	**£0**	£0	£0	£0	£0	**£0**
	Various Refurbishments	£0	£0	£0	£0	£0	**£0**	£0	£0	£0	£0	**£0**
	Total New Schemes 2021/22	**£1,450,000**	**£0**	**-£910,000**	**£40,456**	**£0**	**£580,456**	**£220,027**	**£34,906**	**£0**	**£254,933**	**-£325,524**
	Slipped Schemes											
F & R 17/04/2020	Moortown/Cookridge	£0	£179,968	-£175,692	£0	£0	£4,276	£0	£4,277	£0	£4,277	**£0**
F & R 17/04/2020	Odsal/Fairweather Green	£0	£239,000	£0	£0	£0	£239,000	£0	£0	£0	£0	**-£239,000**
F & R 17/04/2020	Todmorden	£0	£120,000	£0	£0	£0	£120,000	£74,241	£3,413	£0	£77,653	**-£42,347**
F & R 17/04/2020	Bradford	£0	£25,000	-£25,000	£0	£0	£0	£0	£0	£0	£0	**£0**
F & R 17/04/2020	Slaithwaite	£0	£48,948	-£42,240	£0	£0	£6,708	£0	£6,708	£0	£6,708	**£0**
F & R 17/04/2020	Enviro Efficiency & Insulate Improve	£0	£90,000	-£65,000	£0	£0	£25,000	£7,707	£17,502	£0	£25,210	**£210**
F & R 17/04/2020	Security & Fire alarm systems	£0	£54,040	-£603	£0	£0	£53,437	£0	£53,437	£0	£53,437	**£0**
F & R 17/04/2020	Appliance Bay doors	£0	£15,277	-£660	£0	£0	£14,617	£0	£14,617	£0	£14,617	**-£0**
F & R 17/04/2020	Upgrade appliance bay pits	£0	£18,970	£0	£0	£0	£18,970	£18,970	£0	£0	£18,970	**£0**
F & R 17/04/2020	Training towers	£0	£56,522	-£50,057	£0	£0	£6,465	£0	£6,465	£0	£6,465	**-£0**
F & R 17/04/2020	Electrical Upgrades	£0	£39,216	£0	£0	£0	£39,216	£5,800	£23,971	£0	£29,771	**-£9,445**
F & R 17/04/2020	Upgrade of Welfare	£0	£90,000	-£90,000	£0	£0	£0	£0	£0	£0	£0	**£0**
F & R 17/04/2020	Minor Equality & Dignity alterations	£0	£25,000	£0	£0	£0	£25,000	£550	£2,900	£0	£3,450	**-£21,550**
F & R 17/04/2020	Facility upgrades	£0	£30,000	£0	£0	£0	£30,000	£4,709	£703	£0	£5,412	**-£24,588**
F & R 20/04/18	General Upgrading Odsal	£0	£27,302	-£5,508	£0	£0	£21,794	£7,729	£14,065	£0	£21,794	**-£0**
F & R 20/04/18	Tarmac, Lighting, smoke training House - Bingley	£0	£24,300	-£8,000	£0	£0	£16,300	£1,300	£0	£0	£1,300	**-£15,000**
F & R 12/04/19	Cookridge General refurb and upgrade of accommodatior	£0	£10,626	-£7,213	£0	£0	£3,413	£0	£3,413	£0	£3,413	**-£0**
F & R 12/04/19	Odsal - General fabric upgrading , Replace windows and ir	£0	£73,111	£0	£0	£0	£73,111	£0	£0	£0	£0	**-£73,111**
F & R 12/04/19	Fairweather Green - Kitchen upgrade, Improvements to re	£0	£70,067	-£70,067	£4,471	£0	£4,471	£0	£4,471	£0	£4,471	**£0**
F & R 12/04/19	Illingworth - General upgrade including external fabric ar	£0	£53,310	-£42,998	£0	£0	£10,312	£10,312	£262	£0	£10,574	**£262**
F & R 12/04/19	Todmorden - Electrical rewire, LED Lighting and general re	£0	£84,563	£0	£0	£0	£84,563	£45,689	£38,875	£0	£84,564	**£1**
F & R 12/04/19	Risk Register prioritised and general asbestos removal anc	£0	£36,628	-£10,348	£0	£0	£26,280	£0	£26,280	£0	£26,280	**£0**
F & R 12/04/19	Phased installation and upgrading of surface water draina	£0	£2,495	£0	£0	£0	£2,495	£0	£2,495	£0	£2,495	**£0**
F & R 12/04/19	Phased upgrade of fixed ladders and fire escapes	£0	£50,000	-£50,000	£0	£0	£0	£0	£0	£0	£0	**£0**
	Total Slipped Schemes	**£0**	**£1,464,344**	**-£643,386**	**£4,471**	**£0**	**£825,429**	**£177,008**	**£223,853**	**£0**	**£400,860**	**-£424,568**
F & R 12/04/19	Moortown - General refurb of facilities, including LED energy e	£0	£0	£0	£0	£0	£0	£0	-£658	£0	-£658	**-£658**
		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	**£0**
	Not slipped	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**-£658**	**£0**	**-£658**	**-£658**
	Total Capital Expenditure 2021/22	**£1,450,000**	**£1,464,344**	**-£1,553,386**	**£44,927**	**£0**	**£1,405,885**	**£397,034**	**£258,100**	**£0**	**£655,134**	**-£750,750**

TRANSPORT

Committee Approval	Details of Scheme	Capital Plan 2021/22						Capital Expenditure 2021/22				
		2021/22	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
		Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp SAP	Adjusted Forecast Exp	Total	Over/(Under) spend to Date
	Telematics upgrade	£100,000	£0	£0	£0	-£100,000	£0	£0	£0	£0	£0	£0
F & R 16/04/2021	Vehicle Replacement	£3,312,118	£0	£0	£0	-£3,312,118	£0	£0	£0	£0	£0	£0
	Total New Schemes 2021/22	**£3,412,118**	**£0**	**£0**	**£0**	**-£3,412,118**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
	Slipped Schemes											
F & R 12/04/19	Vehicle replacement project - 2 Welfare	£0	£135,565	£0	£0	-£135,565	£0	£0	£0	£0	£0	£0
	Total Slipped Schemes	**£0**	**£135,565**	**£0**	**£0**	**-£135,565**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
	Total Capital Expenditure 2021/22	**£3,412,118**	**£135,565**	**£0**	**£0**	**-£3,547,683**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**

EMPLOYMENT SERVICES

Committee Approval	Details of Scheme	Capital Plan 21/22						Capital Expenditure 20/21				
		2021/22	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
		Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp SAP	Adjusted Forecast Exp	Total	Over/(Under) spend to Date
		£0	£0	£0	£0	£0	**£0**	£0	£0	£0	£0	**£0**
	Electronic Visitors booking in system	£0	£0	£0	£0	£0	**£0**	£0	£0	£0	£0	**£0**
	Total New Schemes 2021/22	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
	Slipped Schemes											
MB 14/12/2020	PPE Racking & Storage unit	£0	£4,000	-£2,425	£0	£0	**£1,575**	£0	£1,575	£0	£1,575	**£0**
MB 14/12/2020	OHU Medical System	£0	£15,400	-£1,005	£0	£0	**£14,395**	£0	£9,595	£0	£9,595	**-£4,800**
MB 18/08/2020	Assist Technology	£0	£17,969	£0	£0	£0	**£17,969**	£0	£0	£0	£0	**-£17,969**
	Total Slipped Schemes	**£0**	**£37,369**	**-£3,430**	**£0**	**£0**	**£33,939**	**£0**	**£11,170**	**£0**	**£11,170**	**-£22,769**
	Total Expenditure 2021/22	**£0**	**£37,369**	**-£3,430**	**£0**	**£0**	**£33,939**	**£0**	**£11,170**	**£0**	**£11,170**	**-£22,769**

FIRE SAFETY

Committee Approval	Details of Scheme	Capital Plan 21/22						Capital Expenditure 21/22				
		2021/22	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
		Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp SAP	Adjusted Forecast Exp	Total	Over/(Under) spend to Date
N/A	Home Fire Safety Checks	£400,000	£0	£0	£0	£0	£400,000	£21,206	£69,294	£0	£90,500	-£309,500
	Total New Schemes 2021/22	**£400,000**	**£0**	**£0**	**£0**	**£0**	**£400,000**	**£21,206**	**£69,294**	**£0**	**£90,500**	**-£309,500**
N/A	Fire Alarms	£0	£0	£0	£0	£0	£0	£0	£21,000	£0	£21,000	£21,000
	Total Slipped Schemes	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£21,000**	**£0**	**£21,000**	**£21,000**
	Total Capital Expenditire 2021/22	**£400,000**	**£0**	**£0**	**£0**	**£0**	**£400,000**	**£21,206**	**£90,294**	**£0**	**£111,500**	**-£288,500**

ICT

Committee Approval	Details of Scheme	Capital Plan 2021/22						Capital Expenditure 2021/22				
		2021/22	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
		Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp SAP	Adjusted Forecast Exp	Total	Over/(Under) spend to Date
	Upgrade of Gartan	£50,000	£0	£0	£0	-£50,000	**£0**	£0	£0	£0	£0	£0
F & R 14/04/2021	Computer Hardware Replacement	£145,000	£0	£0	£0	£0	**£145,000**	£16,193	£92,230	£0	£108,423	-£36,577
	Appliance Mobiles	£30,000	£0	£0	£0	£0	**£30,000**	£0	£0	£0	£0	-£30,000
	UPS on stations	£240,000	£0	-£240,000	£0	£0	**£0**	£0	£0	£0	£0	£0
	MDT Hardware Replacement	£140,000	£0	-£140,000	£0	£0	**£0**	£0	£0	£0	£0	£0
	Cradle point routers	£210,000	£0	-£210,000	£0	£0	**£0**	£0	£0	£0	£0	£0
MB 17/07/2020	Network Switches	£300,000	£0	-£39,133	£0	£0	**£260,867**	£0	£260,867	£0	£260,867	-£0
	Performance Management Dashboard	£50,000	£0	-£50,000	£0	£0	**£0**	£0	£0	£0	£0	£0
	Microsoft 365	£30,000	£0	£0	£0	£0	**£30,000**	£0	£0	£0	£0	-£30,000
MB 01/12/2021	Enterprise Service Management Implementation	£0	£0	£0	£35,000	£0	**£35,000**	£0	£0	£0	£0	-£35,000
	ICT Service Management Software	£0	£0	£0	£0	£0	**£0**	£0	£0	£0	£0	£0
	WAN replacement	£0	£0	£0	£0	£0	**£0**	£0	£0	£0	£0	£0
	Total New Schemes 2021/22	**£1,195,000**	**£0**	**-£679,133**	**£35,000**	**-£50,000**	**£500,867**	**£16,193**	**£353,097**	**£0**	**£369,290**	**-£131,577**
	Slipped Schemes											
	Network switches	£0	£134,000	-£134,000	£0	£0	**£0**	£0	£0	£0	£0	£0
F & R 17/07/20	Computer hardware	£0	£10,778	-£194	£0	£0	**£10,584**	£0	£10,583	£0	£10,583	-£0
F & R 17/07/20	Vehicle CCTV	£0	£390,000	£0	£0	£0	**£390,000**	£0	£0	£0	£0	-£390,000
F & R 17/07/20	Mobile phones	£0	£21,130	-£21,130	£0	£0	**£0**	£0	£0	£0	£0	£0
	ICT Station Equip	£0	£87,000	£0	£0	£0	**£87,000**	£0	£0	£0	£0	-£87,000
F & R 5/02/21	Print Solution	£0	£174,000	£0	£0	£0	**£174,000**	£0	£0	£0	£0	-£174,000
	Command Training	£0	£37,149	-£37,149	£0	£0	**£0**	£0	£0	£0	£0	£0
MB 25/02/2020	Protection Database	£0	£14,800	-£14,800	£0	£0	**£0**	£0	£0	£0	£0	£0
F & R 07/02/19	VoIP	£0	£94,231	-£89,824	£0	£0	**£4,407**	£0	£4,407	£0	£4,407	-£0
EC 19/07/19	ICT Station Equipment	£0	£120,000	£0	£134,000	£0	**£254,000**	£194,313	£48,572	£0	£242,885	-£11,115
	Retained Pager Replace	£0	£16,970	£0	£0	£0	**£16,970**	£21,102	£0	£0	£21,102	£4,132
	Additional resource for HR & Rostering	£0	£22,165	£0	£0	£0	**£22,165**	£7,370	£3,510	£0	£10,880	-£11,285
MB 25/07/18	Mobile Working	£0	£19,368	-£19,368	£0	£0	**£0**	£0	£0	£0	£0	£0
	Total Slipped Schemes	**£0**	**£1,141,591**	**-£316,465**	**£134,000**	**£0**	**£959,126**	**£222,785**	**£67,072**	**£0**	**£289,858**	**-£669,268**
	Virtual server Storage	£0	£0	£0	£0	£0	£0	£0	-£5,000	£0	-£5,000	-£5,000
	Not Slipped	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**-£5,000**	**£0**	**-£5,000**	**-£5,000**
	Total Capital expenditure 2021/22	**£1,195,000**	**£1,141,591**	**-£995,598**	**£169,000**	**-£50,000**	**£1,459,993**	**£238,978**	**£415,169**	**£0**	**£654,147**	**-£805,846**

OPERATIONS

Committee Approval	Details of Scheme	Capital Plan 2021/22						Capital Expenditure 2021/22				
		2021/22	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
		Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp SAP	Adjusted Forecast Exp	Total	Over/(Under) spend to Date
	Hydrants	£450,000	£0	-£4,066	£0	£0	£445,934	£0	£226,027	£0	£226,027	-£219,907
	Water Rescue Equipment	£24,000	£0	£0	£0	£0	£24,000	£0	£0	£0	£0	-£24,000
	Gas Tight Suits	£10,000	£0	-£1,000	£0	£0	£9,000	£0	£0	£0	£0	-£9,000
	Lay Flat Hose	£50,000	£0	£0	£0	£0	£50,000	£0	£22,594	£0	£22,594	-£27,406
	Portable Scene Lighting	£100,000	£0	£0	£0	£0	£100,000	£0	£0	£0	£0	-£100,000
	Uniform	£200,000	£0	£0	£0	-£200,000	£0	£0	£0	£0	£0	£0
	Wildfire Vehicle	£30,000	£0	£0	£0	-£20,000	£10,000	£0	£419	£0	£419	-£9,582
	Helmet Bag	£15,000	£0	-£15,000	£0	£0	£0	£0	£0	£0	£0	£0
	Technical Rescue Equipment	£75,000	£0	£0	£0	-£75,000	£0	£0	£0	£0	£0	£0
F & R 16/07/21	PPE Storage Shelters	£168,800	£0	£0	£131,200	£0	£300,000	£0	£0	£0	£0	-£300,000
	Command Support	£100,000	£0	£0	£0	-£100,000	£0	£0	£0	£0	£0	£0
MB 25/05/21	Expansion Foam concrete	£65,000	£0	£0	£0	£0	£65,000	£0	£13,344	£0	£13,344	-£51,656
	Mainline Branches	£60,000	£0	£0	£0	£0	£60,000	£0	£0	£0	£0	-£60,000
	High Rise Branches	£28,000	£0	£0	£0	£0	£28,000	£0	£0	£0	£0	-£28,000
	Powermats	£110,000	£0	£0	£0	-£110,000	£0	£0	£0	£0	£0	£0
Email MB 23/07/2021	Ladders	£0	£0	£0	£12,200	£0	£12,200	£0	£12,202	£0	£12,202	£2
	Total New Schemes 2021/22	**£1,485,800**	**£0**	**-£20,066**	**£143,400**	**-£505,000**	**£1,104,134**	**£0**	**£274,586**	**£0**	**£274,586**	**-£829,548**
	Slipped Schemes											
	High Rise Branches	£0	£28,000	-£22,900	£0	£0	£5,100	£0	£0	£0	£0	-£5,100
	Thermal Image	£0	£55,000	£0	£0	-£55,000	£0	£0	£0	£0	£0	£0
	Body Worn Video	£0	£15,000	£0	£0	-£15,000	£0	£0	£0	£0	£0	£0
F & R 17/07/20	DEFRA Water rescue	£0	£136,000	£0	£0	-£84,178	£51,822	£1,260	£40,562	£0	£41,822	-£10,000
MB 21/07/20	NPAS Video	£0	£19,500	-£19,500	£0	£0	£0	£0	£0	£0	£0	£0
MB 21/07/20	Smoke Curtains	£0	£12,750	£0	£0	£0	£12,750	£0	£12,750	£0	£12,750	£0
F & R 07/02/19	Replacement of Operational PPE	£0	£1,119,717	£0	£10,700	£0	£1,130,417	£632,481	£534,503	£0	£1,166,984	£36,567
F & R 07/02/19	Fire Fighting helmets	£0	£210,000	-£8,536	£0	£0	£201,464	£0	£201,464	£0	£201,464	£0
	Ops Contingency	£0	£338,000	£0	£0	-£300,000	£38,000	£0	£0	£0	£0	-£38,000
	Total Slipped Schemes	**£0**	**£1,933,967**	**-£50,936**	**£10,700**	**-£454,178**	**£1,439,553**	**£633,741**	**£789,279**	**£0**	**£1,423,019**	**-£16,534**
MB 21/07/20	PPE - TRU & HVP	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	£0	£0	£0	£0	£0
N/A	Hydrants	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	£0	£0	£0	£0	£0
MB 24/11/20	Lay Flat Hose	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	£0	£0	£0	£0	£0
	Not slipped	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
	Total Capital Expenditure 2021/22	**£1,485,800**	**£1,933,967**	**-£71,002**	**£154,100**	**-£959,178**	**£2,543,687**	**£633,741**	**£1,063,865**	**£0**	**£1,697,606**	**-£846,081**

West Yorkshire
Fire & Rescue Authority

OFFICIAL

Treasury Management Strategy 2022 - 23

Finance & Resources Committee

Date: 4 February 2022

Agenda Item: **8**

Submitted By: Chief Finance and Procurement Officer

Purpose

To present the Treasury Management Strategy 2022/23.

Recommendations

To recommend to the Full Authority the approval of the Treasury Management Strategy 2022/23 including;
a) Treasury Management Practices
b) the capital strategy outlined in section 2.1
c) the borrowing strategy outlined in section 2.2
d) the investment strategy in section 2.3 and Appendix B
e) the policy for provision of repayment of debt outlined in Appendix D
d) the Treasury Management Prudential indicators in Appendix E
e) the Capital Plan 2022/23 – 2026/27 in Appendix F

Summary

The Treasury Management Strategy Statement is an annual statement that sets out the expected treasury activities for the forthcoming year 2022/23. These activities include the Authority's expected borrowing and treasury investments, cashflows and banking.
The Authority has formally adopted CIPFA's Code of Practice on Treasury Management and is thereby required to consider a treasury management strategy before the start of each financial year. In addition, the Department for Communities and Local Government (DCLG) issued guidance on local authority investments in March 2010, which requires the Authority to approve an Investment Strategy before the start of each financial year.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Alison Wood, Chief Finance and Procurement Officer E: Alison.wood@westyorksfire.gov.uk T: 01274 682311 ext 660204
Background papers open to inspection:	The Prudential Code for Capital Finance in Local Authorities
Annexes:	Appendix A – Treasury Management Practices Appendix B – Investment strategy Appendix C – Credit rating scores Appendix D – Provision for repayment of debt Appendix E – Treasury Management indicators Appendix F – Capital Plan 2022/23 -2026/27

1 Introduction

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

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

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

1.3. The CIPFA Code of Practice on Treasury Management (TM) and the CIPFA Prudential Code require local authorities to determine and set the Authority's Treasury Management Strategy, its Strategy relating to investment activity, and Prudential Indicators on an annual basis. The Authority currently has cash backed reserves and balances of circa £36m, so it is important that robust and appropriate processes are in place to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund. Set out below are the key elements of the Strategy covering the borrowing requirements and investment arrangements.

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

1.5 This Strategy has been created based on the CIPFA 2017 Prudential and Treasury Management Codes, which requires the Authority to prepare a Capital Strategy. This Authority does not envisage any commercial investments and has no non-treasury investments.

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

National Guidance and Governance

1.7 This Strategy complies with the CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes ("the TM Code"), and Guidance on Local Government Investments issued by the Secretary of State for

Communities and Local Government under section 15(1)(a) of the Local Government Act 2003 ("the Guidance"). Specific decisions on the timing and amount of any borrowing will be made by the Authority's Director, Finance and Corporate Services in line with the agreed Strategy.

Governance:
The Finance and Resources Committee is required to receive and approve a number of financial reports each year, which cover the following:

(a) **An Annual Treasury Management and Investment Strategy:** This Strategy forms part of the February 2022 budget report to Authority. This Strategy includes:-

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

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

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

External Support

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

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

1.9 **Training**

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

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

2 Information

2.1 Capital Strategy

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

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

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

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

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

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

2.1.2 **Capital Expenditure**

Capitalisation Policy

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

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

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

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

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

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

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

<u>Governance</u>

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

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

2.1.8 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.

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

2.1.10 The 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 Financing and Borrowing

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

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

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

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

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

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

Chief Finance and Procurement Officer Statement

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

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

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

Statement of Policy on the Minimum Revenue Provision (MRP)

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

Capital Financing Requirement

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

Forecasts for CFR as at 31 March are as follows:

	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
CFR	45,018	54,610	59,233	64,196

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

	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
CFR b/fwd	42,412	45,018	54,610	59,233
Capital Expt	15,128	22,071	12,223	9,276
Capital Receipts			-3,500	
Earmarked Reserve	-8,538	-8,505		
Revenue Contribution	-950	-950	-950	-950
MRP	-3,034	-3,024	-3,150	-3,363
Closing CFR	**45,018**	**54,610**	**59,233**	**64,196**

2.1.16 Prior to 2009/10 the Authority's policy had been to borrow up to its CFR and investing externally the majority of its balances. With the onset of instabilities in the financial markets and the economic downturn, the policy changed to one of ensuring the security of the Authority's balances. This coincided with dramatic falls in investment returns making the budgetary benefit of maximising external borrowing more marginal. Over the past few years, the Authority has chosen to finance its capital expenditure by 'borrowing' internally. This has principally been because of the relatively low rates of interest receivable on investments, less than 0.10%, particularly when compared to the cost of borrowing longer term loans from the PWLB.

2.1.17 The cost of borrowing has been historically low over the past decade and short-term borrowing rates remain very low. In October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt and authorities borrowing to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The PWLB launched a wide-ranging consultation on the PWLB's future direction which closed on 31 July 2020. New lending terms were announced by the PWLB on the 26 November 2020 which returned the cost of certainty borrowing rates back to the same level as October 2019. This practice is made more complicated by the Government's method of funding pension contributions – the year's funding plus any shortfall from the previous year, is paid as a lump sum in July each year. The grant in 2021/22 was £31.3 million.

2.2 Borrowing Strategy

2.2.1 Borrowing Arrangements

The Authority has been using its cash balances by deferring long term borrowing, no new long-term borrowing has been taken out since December 2011. Accountants engaged in treasury management monitor interest rates and receive advice from the Authority's Treasury Management Advisor on changes to market conditions, so that borrowing and investing activity can be undertaken at the most advantageous time. At the time of writing this report, it is not anticipated that the Authority will take out any new external borrowing until 2023/24.

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

2.2.3 It is predicted that as at the 31 March 2022, the Authority will have total external borrowing and other long-term liabilities of around £45.0 million.

This is analysed as follows:

Estimated Total debt as at 31 March 2022		
	£m	%
PWLB Fixed Loans	43.0	95.6%
LOBO	2.0	4.4%
TOTAL	**45.0**	**100.0%**

2.2.4 Historically, the biggest source of borrowing for local authorities has been PWLB loans. These Government loans have offered value for money and also flexibilities to restructure and make possible savings. Although, the Government decided to raise rates for new PWLB loans in October 2010 by around 0.90%, it has since introduced a discounted rate for local authorities joining the new "certainty rate" scheme. The Authority has joined the scheme and will have access to loans discounted by 0.20% in 2022/23.

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

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

2.2.7 In terms of meeting the Authority's borrowing requirement over the next 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.
The table below shows the forecast for PWLB bank rates to March 2024

PWLB	Dec-21 %	Mar-22 %	Sep-22 %	Mar-23 %	Sep-23 %	Mar-24 %
5 year	1.40	1.40	1.50	1.60	1.70	1.70
10 year	1.80	1.80	1.90	2.00	2.10	2.10
25 year	2.20	2.20	2.30	2.40	2.50	2.60
50 year	2.00	2.00	2.20	2.20	2.30	2.40

2.2.8 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Authority may take advantage of this and replace some of the higher rate loans with new loans at lower interest rates where this will lead to an overall saving or reduce risk. A review is undertaken annually to assess if this is financially advantageous for the authority.

2.2.9 Borrowing in Advance of Need

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

2.2.10 Debt Rescheduling

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

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

2.3 Investment Strategy

Overview

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

2.3.2 The Authority's Investment Strategy has regard to the CIPFA Treasury Management Code 2017 and the CIPFA Treasury Management Guidance Notes 2018. It has two main objectives: the first is security, in order to ensure that the capital sum is protected from loss; and the second is portfolio liquidity, in order to ensure that cash is available when needed. Only when the proper levels of security and portfolio liquidity have been determined can the Authority then consider the yield that can be obtained within these parameters.

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

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

2.3.3 As at 31 March 2022, the Authority is expected to have around £30.0 million invested externally, primarily in instant access accounts or short-term deposits, with local authorities, major British owned banks, building societies or Money Market Funds (MMFs). This will also ensure compliance with The Markets in Financial Instruments Directive II, whereby those maintaining a professional status must keep a minimum of £10 million invested at any point in time.

Guidance

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

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

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

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

Strategy

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

Key features of the strategy are as follows:

Specified Investments

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

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

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

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

Non-Specified Investments

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

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

2.3.7 A maximum limit of £6 million applies to any one counterparty and this applies to a banking group rather than each individual bank within a group.
For illustrative purposes, Appendix B lists which banks and building societies the Authority could invest with based on credit ratings as at the beginning of December 2021.

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

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

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

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

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

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

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

2.3.14 Investments may be made using the following instruments:

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

2.3.15 Investment of money borrowed in advance of need

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

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

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

3 Prudential Indicators

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

4 Financial Implications

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

5 Legal Implications

5.1 The Monitoring Officer has considered this report and 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.

6 Human Resource and Diversity Implications

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

7 Equality Impact Assessment

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

8 Health, Safety and Wellbeing Implications

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

9 Environmental Implications

9.1 None

10 Your Fire and Rescue Service Priorities

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

11 Conclusions

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

Appendix A

TREASURY MANAGEMENT PRACTICES

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

1. TMP 1 Risk management

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

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

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

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

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

- Exchange rate risk management

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

- Refinancing risk management

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

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

- Legal and regulatory risk management

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

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

- Fraud, error and corruption, and contingency management

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

- Market risk management

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

2. **TMP2** Performance measurement

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

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

3 **TMP3** Decision-making and analysis

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

4 **TMP4** Approved instruments, methods and techniques

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

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

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

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

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

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

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

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

The delegation to the Chief Finance & Procurement Officer in respect of treasury management is set out in the schedule to this document. The Chief Finance & Procurement Officer will fulfil all such responsibilities in accordance with the Authority's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on Treasury Management.

6. **TMP6 Reporting requirements and management information arrangements**

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

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

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

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

7. **TMP7 Budgeting, accounting and audit arrangements**

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

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

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

8. **<u>TMP8</u> Cash and cash flow management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Authority will be under the control of the Chief Finance & Procurement Officer and will be aggregated for cash flow purposes. Cash flow projections will be prepared on a regular and timely basis, and the Chief Finance & Procurement Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1(i) Liquidity risk management. The present arrangements for preparing cash flow projections are set out in the schedule to this document.

9. **<u>TMP9</u> Money laundering**

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

10. **<u>TMP10</u> Training and qualifications**

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

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

11. **<u>TMP11</u> Use of external service providers**

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

12. **TMP12** Corporate governance

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

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

Appendix B

Specified

	Short-term Credit Ratings / Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at December 2021
	Fitch	**Moody's**	**S & P**	**£m**	**Period (1)**	
Banks / Building Societies (Reverse Repurchase Agreements)	F1 AAA,AA+,AA, AA-,A+,A,A-	P-1 Aaa,Aa1,Aa2, Aa3,A1,A2,A3	A-1 AAA,AA+,AA, AA-,A+,A,A-	10	Up to 364 days	
Banks / Building Societies (Deposit Accounts, fixed term deposits)	F1 AAA,AA+,AA, AA-,A+,A,A-	P-1 Aaa,Aa1,Aa2, Aa3,A1,A2,A3	A-1 AAA,AA+,AA, AA-,A+,A,A-	6	<100 days	
				6	<6mth	Lloyds Group, Santander UK, Handelsbanken
MMF (3)	-	-	-	6	Instant access/ up to 2 day notice	Aberdeen Standard, Aviva, Goldman Sachs
UK Government (Fixed Term Deposits)	-	-	-	Unlimited	<6mth	DMADF
UK local authorities (Fixed Term Deposits)	-	-	-	Unlimited	Up to 364 days	Kingston Upon Hull City Council Warrington Borough Council Rotherham MBC

Non-Specified

	Short-term Credit Ratings / Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at December 2021
	Fitch	**Moody's**	**S & P**	**£m**	**Period (1)**	
UK Banks / Building Societies (Fixed Term deposits)	F1,F2 Higher than BBB	P-1,P-2 Higher than Baa2	A-1,A-2 Higher than BBB	6	<2mth	

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

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

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

(4) Overall limit of £18 million.

Appendix C

Credit ratings

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

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

Appendix D

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

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".

Prudent Provision

The regulation does not itself define "prudent provision". However,guidance issued alongside the regulations makes recommendations onthe 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% reducingbalance).

MRP Overpayments

As defined in the Code the Authority has always set aside additional funding, on top of the regulated MRP, to repay the borrowing of money to fund capital. This additional funding that is set aside is called a Voluntary Revenue Provision (VRP). A change introduced by the revised DLUHC MRP Guidance, allows for any charges made over the statutory minimum revenue provision (MRP), to be reclaimed for use in the budget. These revised guidelines came into effect from the 1st April 2019. Up until the 31 March 2022 the total VRP overpayments were £3.0m. These overpayments have allowed for prudent voluntary repayments to reduce the indebtedness of the Authority within a shorter timescale providing greater financial stability in the long term

Proposed policy for 2022/23

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.

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.

It is recommended that this policy is adopted for 2022/23. 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

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

TREASURY MANAGEMENT INDICATORS

Gross Debt and the Capital Financing Requirement (CFR)

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

Interest Rate Exposures

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

It is recommended that the Authority sets an upper limit on its fixed interest rate exposures for 2022/23 and 2023/24 of 100% of it's net interest payments. It is further recommended that the Authority sets an upper limit on its variable interest rate exposures for 2022/23 and 2023/24 of 40% of its net interest payments.

	Forecasted Actual 2021/22	Limit 2022/23
Interest at fixed rates as a percentage of net interest payments	60% - 100%	100.0%
Interest at variable rates as a percentage of net interest payments	0% - 40%	0.0%

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

Maturity Structure of Borrowing

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

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2021/22	Forecasted Actual 2021/22
Under 12 months	0% - 20%	0.4%
12 months to 2 years	0% - 20%	2.4%
2 years to 5 years	0% - 60%	8.3%
5 years to 10 years	0% - 80%	12.7%
More than 10 years	20% - 100%	76.2%

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

Total principal sums invested for periods longer than 364 days

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

Appendix F

	TOTAL	2022/23	2023/24	2024/25	2025/26	2026/27
Fire Safety	**£2,000,000**	£400,000	£400,000	£400,000	£400,000	£400,000
ICT	**£2,789,000**	£718,000	£429,000	£552,000	£625,000	£465,000
Property (New Builds)	**£30,770,200**	£8,538,825	£11,885,100	£6,346,275	£3,520,000	£480,000
Property (Refurbishments)	**£8,421,000**	£1,198,620	£1,822,380	£1,800,000	£1,800,000	£1,800,000
Operations	**£6,763,775**	£2,272,575	£3,053,875	£509,325	£512,000	£416,000
Transport	**£14,354,961**	£3,750,183	£3,813,720	£3,255,129	£3,043,546	£492,383
TOTAL	**£65,098,936**	**£16,878,203**	**£21,404,075**	**£12,862,729**	**£9,900,546**	**£4,053,383**
Financed by:						
Borrowing	**£36,804,858**	£5,389,378	£10,948,822	£11,912,729	£5,450,546	£3,103,383
Reserves	**£17,044,078**	£8,538,825	£8,505,253	£0	£0	£0
Capital Receipts	**£3,500,000**	£0	£0	£0	£3,500,000	£0
Revenue Contributions	**£7,750,000**	£2,950,000	£1,950,000	£950,000	£950,000	£950,000
TOTAL	**£65,098,936**	**£16,878,203**	**£21,404,075**	**£12,862,729**	**£9,900,546**	**£4,053,383**

OFFICIAL

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

Finance & Resources Committee

Date: 4 February 2022 | 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 2022/2023.

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

Summary This report presents details of the draft revenue budget for 2022/2023 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 2022/2023, a standstill budget, and a summary of activity in the 2021/22 financial year.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: Appendix A - Draft Capital Plan 2022/23 to 2026/2027
Appendix B - Standstill Revenue Budget 2022/2023

1 Introduction

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

(i) A Capital Investment Plan for the five years to 2026/2027.
(ii) The Prudential Indicators to support the financing of the Capital Plan.
(iii) A Revenue Budget and Medium-Term Financial Plan for the same period.

2 Proposed Capital Investment

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

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

2.2 <u>Capital Plan</u>

2.2.1 The Management Board are proposing a five-year capital investment plan of £65.098m which includes expenditure of £16.878m in 2022/2023. This is analysed by section in the table overleaf.

2.2.2 The largest capital scheme is the re-development of FSHQ, which received Authority approval in September 2021; following planning approval, the contractors are expected to be on site in Summer 2022 with a forecast completion date of April 2024.

Following detailed feasibility studies, the plan includes £13.1m for the rebuilding of Keighley, Halifax, and Huddersfield Fire Stations, with Keighley been the first to commence rebuild in 2022.

The plan includes investment in operational equipment, the replacement of fire appliances, improvements to our Information Technology infrastructure and provision for the replacement of the command and control system.

2.2.3 Capital Schemes Slipped from 2021/22

The table excludes those capital schemes that have been slipped from 2021/22, primarily as a consequence of delivery due to Covid19. A total of £5.122m has been approved to slip at Finance and Resources Committee during 2021/22. All schemes will be subject to a detailed business case that will be presented either to Management Board or Finance and Resources Committee for approval.

	TOTAL	2022/23	2023/24	2024/25	2025/26	2026/27
Fire Safety	**£2,000,000**	£400,000	£400,000	£400,000	£400,000	£400,000
ICT	**£2,789,000**	£718,000	£429,000	£552,000	£625,000	£465,000
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Reserves	**£17,044,078**	£8,538,825	£8,505,253	£0	£0	£0
Capital Receipts	**£3,500,000**	£0	£0	£0	£3,500,000	£0
Revenue Contributions	**£7,750,000**	£2,950,000	£1,950,000	£950,000	£950,000	£950,000
TOTAL	**£65,098,936**	**£16,878,203**	**£21,404,075**	**£12,862,729**	**£9,900,546**	**£4,053,383**

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

2.3 Capital Financing

2.3.1 There are four main sources of capital finance available; capital grants, capital receipts, internal and external borrowing, and the use of reserves, all of which are explained below.

2.3.2 Capital Grants

The Authority does not anticipate the receipt of any capital grants in 2021/22.

2.3.3 Capital Receipts

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

2.3.4 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 £36.805m over the period. The government provides no additional grant to assist the Authority with financing the capital plan.

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

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 in 2023/24, the costs of current and future debt servicing costs have been built into the Medium-Term Financial Plan. The Authority does not distinguish between capital and revenue cash flows.

2.3.5 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 taxpayers 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 per annum, this saving means that the Authority can spend this money on other areas.

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

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**

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

	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
CFR	45,018	54,610	59,233	64,196

The table shows an estimated borrowing requirement of £64.196m by 2025/26 which reflects the size of the capital plan.

3.3 **Limits to Borrowing Activity**

3.3.1 The first key control over the Authority's borrowing activity is a Prudential Indicator to ensure that, over the medium term, net borrowing will only be for a capital purpose. Net external borrowing should not, except in the short-term, exceed the total Capital Financing Requirement in the preceding year, plus the estimates of any additional capital financing requirement for 2021/22 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 2020/21, and no difficulties are envisaged for the current or future years.

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

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

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

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

3.4 **Affordability Prudential Indicators**

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

3.4.2 Ratio of financing costs to net revenue stream

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

	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Ratio of Financing costs to net revenue stream	6.55%	7.41%	7.06%	6.84%

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

4 Revenue Budget and Medium-Term Financial Plan

4.1 Whilst the Authority will only be required to approve the budget and precept for 2022/23 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 2022/23
3 The draft Local Government Finance Settlement
4 Medium Term Financial Plan
5 Reserves

4.2 National Overview

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

This business case report, named the Fire Spending Proposal, was submitted to the Treasury in late Summer to support increase to funding for the fire sector. Unfortunately due to the effects of the pandemic on the economy, a one-year settlement was approved for 2021/22. In Summer 2021, the Fire Spending Proposal was updated for current data and sent to the Treasury in anticipation of a three-year spending settlement commencing April 2022.

4.2.2 The pandemic continues to have an effect on the UK economy, current forecasts on the financial impact in terms of borrowing are showing an improvement from previous forecasts. The Office for Budget Responsibility (OBR) in its commentary report on public sector finances in November 2021 predicts that the budget deficit will continue to fall. Government borrowing in November 2021 was £17.4 billion, down £4.9 billion on last November. Year to date borrowing of £136 billion is down 46% on the same period last year and is £7.1 billion below the OBR's October forecast profile.

4.2.3 Central government expenditure in November was £67.4 billion, down £2.4 billion on last year, but £3.5 billion above forecast. Year to date spending is down £38.9 billion on last year but still £4.2 billion above forecast. Net debt stood at 96.1% of GDP which is 0.6% higher than the year previous but 0.7% below the OBR October forecast.

4.2.4 The OBR has forecast that growth will come in stronger than expected in 2022, thus reducing the amount the Chancellor will need to borrow. GDP will rise 6.5% in 2021, up from its prediction in March of 4%, and climb to 6% in 2022 and then return to pre-Covid levels by the turn of the year.

4.2.4 In terms of inflation, the Consumer Price Inflation (CPI) saw a sharp increase in the year to August, up from the Bank of England's target of 2% in July to 3.2% in August, with it falling to 3.1% in September. Results for December show that inflation is currently 5.4%, which takes it well above the 4.5% the Bank of England forecast in early November. Inflation is forecast to stay around 5% for about six months and then fall sharply from June 2022 and then settle by at 2% by the end of 2022 UK Consumer Price Inflation (CPI) for November 2021 showed another increase

4.2.5 The Bank of England's monetary policy committee at its meeting on the 16th December voted to raise interest rates for the first time in three years. The Bank Rate was increased from 0.10% to 0.25%, with further increases forecast to 0.5% in the second quarter of 2022, then to 0.75% in the first quarter of 2023,1% in the first quarter of 2024 and then 1.25% in the first quarter of 2025.

4.3 Impact on West Yorkshire

Unlike other public services, which are demand led, the Authority needs to have enough resources available to provide an emergency response in times of exceptional demand. This includes the ability to deal with large scale emergencies, a range of smaller incidents that may happen together and/or incidents that are of an extended duration such as the Moorland Fires in April 2021 and the Bradford tyre fire in November 2020.

4.3.1 The Authority considered its revenue budget and precept strategy on the 25th February 2021 and approved a precept increase of 1.99% resulting in a Band D property precept of £67.18. West Yorkshire Fire and Rescue still remain the fourth lowest precepting Fire Authority in England and Wales.

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

Pay Awards

4.3.2 Following the announcement in the 2020 Spending Review that there would be a pay freeze on public sector pay, with the exception of those earning less than £24k per annum, the Authority made no provision for a pay award in 2021/22. Against this guidance the National Employers offered fire fighters a 1.50% pay award which was accepted and there is still 1.75% on the table for support staff employees, for which negotiations are ongoing. The final pay award is expected to be higher than the 1.75% currently offered. The cost in 2021/22 of this unbudgeted pay award of £0.890m was funded by a virement from the capital financing charges budget, which had been earmarked to make a revenue contribution to capital in this financial year. Due to the underspend on the revenue budget this contribution was made in advance.

Although the pay award was funded from existing resources in 2021/22, the pay award is an ongoing cost and has to be factored into the base employee budget. The full year effect of the pay award is £1.1m.

In addition, there is pressure on future pay awards to be higher than those paid in 2021/22 to reflect the increase in inflation. To put this into financial context, a 1% pay award that exceeds that provided for in the Medium-Term Financial Plan (MTFP) will cost an additional £0.550m.

More significantly, if the government is to reform employee's roles which is expected to be included in the forthcoming White Paper on Fire Reform. Previous cost estimates have been calculated of an increase of around 15%. For West Yorkshire a 15% increase would be in the region of £7.5m per annum.

Pensions

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

The employer pension contribution costs will be determined by the 2020 valuation and if there is no change to the methodology applied for the 2016 actuarial valuation, it is predicted there could be a 20% increase in employer pension contribution rates.

These new rates will be implemented from the 1st April 2024.To put this into financial context for West Yorkshire, a 1% increase in employers rates cost £0.228m per annum, so a 20% increase would add £4.6m to ongoing employee budgets. In the previous actuarial valuation in 2016, which saw an increase in employers' contribution rates of 12.6% from April 2020, the government reimburses 90% of this cost in the way of an additional pension grant.
If the same methodology is used, the Authority could face an additional unfunded pension cost of £0.450m. This maybe an optimistic view in terms of government support, if so, the additional cost could be significantly higher.

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

Pension Remedy

4.3.4 There is currently much confusion about the pension remedy costs for the age discrimination case of McCloud/Sargeant, especially around the costs of Immediate Detriment payments. On the 29th November, the Home Office withdrew its informal guidance on the processing of certain kinds of immediate detriment cases ahead of legislation. West Yorkshire has already processed eight immediate detriment cases who have retired from the service this year and is looking to process those cases for those affected employees who have already retired. The government has confirmed that it will not reimburse non -legitimate expenditure that has been paid to these employees, meaning that the Authority will be unable to claim these costs via the top up grant system. This could have a significant financial impact on the Authority, in addition, the Authority is likely to be faced with a claim of “injury to feelings” for those effected by the case. These compensation claims could be in the region of between £700 to £7,999 per claimant.

New Burdens

4.3.5 The Authority has received one off grants in 2021/22, to fund the financial pressures of the outcomes of the Grenfell Inquiry, Building Safety Bill and Covid19. Although this funding is welcomed, it is not built into the Authority’s base budget and any spending commitments that extend beyond the grant will have to be funded from existing budgets. This means that long term spending plans cannot be based on one-year grants without no certainty of receiving the grants going forward.

In addition, the Chancellor announced a 1.25% increase in the rate of National Insurance from April 2022. Although this cost is covered by the new Services Grant which was announced in the Spending Review, this is not included in base budgets from April 2023 and the method of future distribution is subject to review. This means that the size of grant the Authority has received in 2022/23 may be subject to change. (More detail on this grant is provided in section 5.2.2 of this report)

Inflationary Pressures

4.3.6 The current economic environment is such that certain parts of the economy are experiencing either a shortfall in availability or a hike in prices. Within this Authority we have seen issues with supplies, including increased lead times for the delivery of certain goods, in particular vehicles. A large proportion of the capital budget has already been slipped to 2022/23, but further slippage may occur if goods, which are currently expected to be delivered, aren’t delivered before the end of the financial year. In addition, some planned revenue expenditure may be delayed until next financial year if supplier availability is limited or if there are issues with the supply of materials required to carry out the works.

In terms of the financial outturn, the Authority is forecast to under-spend the budget by around £0.133m for the current financial year. Any budget underspends will be used to make additional voluntary minimum revenue provision charges or make additional contributions to the capital finance reserve, which will reduce the Authority’s capital financing requirement and reduce the revenue cost of the capital plan over the long term.

4.4 Background on West Yorkshire Central Government Funding

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

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

	2010	2021	Reduction
Firefighters (Wholetime)	1,490	900	-590
Control Staff	56	48	-8
Support Staff	383	312	-71
Fire Stations	48	40	-8
Fire Appliances	62	46	-16

The one-year settlements in 2020/21 and 2021/22 included no real terms growth in funding as central government grants were only inflated by CPI. Although, the Chancellor has publicly stated that this is the end of austerity, he has made no public commitment to increase fire sector funding in future comprehensive spending reviews. More significantly no assurance has been provided regarding the funding of the implementation of the pensions remedy and the impending White Paper into the reform of fire and rescue services.

4.5 A Standstill Budget for 2022/23 – Maintaining the current level of service

4.5.1 A standstill budget has been prepared for 2022/23, for the purpose of providing a baseline from which to measure changes in the proposed budget. This is calculated by updating the 2022/23 budget for increases in pay and prices, new financing charges and other adjustments. A standstill budget for 2022/23 would amount to £89.288

The changes from the 2021/22 budget are detailed in the table below.

	£m
2021/22 Approved Revenue Budget	**£89.349**
One year growth in 2021/22 Budget	
Pay Award (unfunded)	-£0.890
Capital Financing Charges	-£0.256
Annual Contracts	-£0.080
Consultancy	-£0.062
Budget Calculations	-£1.364
Pay and Price Increases	
Operational Employees	£1.662
Support Staff	£0.469
Non employee budgets	£0.460
2022/23 Standstill budget	**£89.288**

The main changes to the 2021/22 budget are explained below:

a) **Growth in 2021/22** Included within the 2021/22 was growth in capital financing charges, annual contracts, consultancy fees and equipment. In addition, no provision was made in the base budget for an employee pay award. These were approved growth for the current financial year only and is thus removed from the base budget for 2022/23.

b) **Pay and Price Increases** These represent the full year effect of the pay award and price increases that have been built into the base budget for 2022/23.

c) **Approved Transfers at Finance and Resources Committee** In order to ensure accurate budget monitoring, budgets are transferred from the revenue budget into contingencies during the year. This has a net effect on the overall budget and these transfers are re-set during the budget setting process.

d) **Budget Calculations** The calculated budgets are based on standstill costs and do not include areas for growth and savings which are identified separately in the MTFP.

A subjective analysis of the Standstill budget for 2022/23 is shown in Appendix B.

4.6 Revenue Balances

4.6.1 The Authority maintains both earmarked reserves and a general fund reserve, earmarked reserves are amounts set aside for a specific purpose and the general fund reserve is used to manage fluctuations in revenue budgets. The Authority's reserves strategy was approved at F&R in October 2021 and is published on the Authority's website.

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

4.6.2 Minimum Revenue Balance

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

As at the 1st April 2021 the Authority had £5m of general fund reserves and £32.3m in earmarked reserves.

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

5 Provisional Local Government Finance Settlement

5.1 The finances of government departments are determined by a process called the Comprehensive Spending Review (CSR); the Authority's last multi-year settlement ended in 2019/20. Since then the Authority has received one-year roll over budgets up to the current financial year. It was expected that a 3-year settlement would be awarded from April 2022 and the NFCC in conjunction with the Home Office and Local Government Association submitted a business case to the Treasury for sustained fire funding in anticipation of this.

The reason why the CSR is a one-year deal is that The Secretary of State, in his statement on the 16 December 2021, confirmed that the government is committed to ensuring that funding allocations for local government are based on an up-to-date assessment of their

needs and resources. The data used to assess funding distribution has not been updated for a number of years, dating back to 2013/14 for the majority of the formula. This will see the consultation of the Fair Funding Review in Spring 2022.
It is worth noting that although fire funding is distributed by the Department for Levelling Up, Communities and Housing (DLUHC), fire is outside the review and work will commence on determining a new formula for fire funding in the next spending review.

5.1.1 Following the conclusion of the CSR, funding allocations are distributed by the Local Government Finance Settlement, this is called the Settlement Funding Assessment (SFA). West Yorkshire Fire and Rescue receives its annual SFA via the DLUHC, the SFA is comprised of Revenue Support Grant (RSG) and Baseline Funding levels which is the Business Rates Top Up grant which is the governments projection of the services 1% share of the business rates income raised in West Yorkshire. The Authority also receives specific grants from the Home Office to fund pensions and National Resilience.

5.2 Draft Settlement

The provisional grant allocations for 2022/23 are shown in the table below.

	2021/22 Actual £m	**2022/23 Draft £m**
Settlement Funding Assessment:		
Top Up Grant central pool	16.922	16.922
Top Up local	7.814	7.814
Base line funding (business rates)	**24.736**	**24.736**
Revenue Support Grant	13.631	14.048
Local Government Finance Settlement	**38.367**	**38.784**

The revenue support grant has been uplifted by the change in CPI inflation between September 2020 and September 2021, an increase of 3.05%, resulting in an increase of grant from £38.367m to £38.784m. However, the base line funding level is cash flat in real terms as the government announced that the business rate multiplier will be frozen in 2022/23, local authorities are compensated from this freeze by Section 31 grant.

The final settlement will be issued early February.

5.2.1 Core Spending Power

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

In the draft local government finance settlement, core spending power across the fire sector has increased by 4.7%. The 2022/23 core spending power for West Yorkshire has increased from £83.6m in 2021/22 to £87.8m in 2022/23, an increase of £4.2m. This includes inflationary increases to revenue support grant, allocation of the new Services Grant (explained below) an assumed tax base growth of 1%, a precept increase, of 1.99% and increases for the under indexing of the business rates multiplier.

5.2.2 Service Grant 2022/23

This is a new one-off grant for 2022/23 worth £822m for the sector. This is distributed using the 2013/14 shares of the Settlement Funding Assessment which equates to additional funding of £1.7m for West Yorkshire. This grant is un-ringfenced and recognises the inflationary pressures on the sector resulting from pay and prices inflation in 2021/22 and the increase in National Insurance contributions from April 2022. The additional cost of the full year effect of the unfunded pay award in 2021/22 and the National Insurance increase is covered by the grant allocation.

Although the Services Grant is a one year grant its allocation is based on the existing settlement funding formula. In conjunction with the fair funding review, work will be undertaken in 2022/23 to determine the grant's method of allocation from April 2023. Thus the level of additional income from this grant cannot be automatically built into the base budget and a prudent approach must be taken when forecasting allocations in future years. The Secretary of State confirmed that this grant will be excluded from any proposed baseline for transitional support as a result of any proposed funding system changes.

5.2.3 Section 31 Grant

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

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

The Chancellor announced new rate relief schemes at the Autumn Budget and Spending Review 2021 which take effect in 2022/23, these include:

a. Freezing of the Small Business Multiplier for 2022/23. The loss in income that results from freezing the multiplier will be paid as a Section 31 grant which is calculated by multiplying the Top Up Grant by an adjustment factor. For 2022/23 the adjustment factor is 51/499.
b. A relief scheme in lieu of the transitional relief scheme that ends on the 31st March 2022, this scheme is called the 2022/23 Transitional Relief and Supporting Small Business Scheme

c. A business rate relief scheme to support local high street businesses as they recover from the pandemic

The Authority will receive a Section 31 grant of £1.7m in 2022/23 for the freezing of the multiplier explained in section a above.

5.2.4 Pension Grant

Confirmation has been received that the pension grant to cover the increased cost of employer FF pension contributions as a result of a reduction in the SCAPE discount rate will be paid as a cash flat grant in 2022/23. This means that the Authority will receive £4.285m, the same amount as in 2021/22. Following the transfer of responsibility for the grant payment from the Home Office to the DLUHC, it was expected that this would be rolled into base line funding. This has not materialised, and the grant will continue to be paid as a section 31 grant.

5.2.5 Collection Fund

The pandemic has created a number of financial burdens on the Authority, which is around the income the Authority receives from the five district councils, (i.e.) the collection fund and the tax base.

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

5.2.6 Unfortunately, Covid19 has had a significant impact on the councils' collection funds and based with the deficit at the 1st April 2021 being £2.21m (£1.281m council tax and ££0.929m business rates). The government passed legislation that enables local authorities to spread this deficit over three years rather than having to meet the loss in one financial year. To compensate local government for these deficits, the government introduced the Local Tax Income Guarantee grant which will fund 75% of irrecoverable losses from council tax and business rates. The Authority is due £1.103m of this grant, which has been paid in advance by government, however the grant does not cover 75% of the loss as the name suggests, it will cover 50% of the losses. This is due to the criteria in which the irrecoverable losses are calculated by government, it only compensates for losses in collectable council tax, so it excludes losses relating to bad debt and reductions in collection rates.

The loss attributable to the 2022/23 budget is £0.348m.

5.2.7 Tax Base

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

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

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

5.2.8 The pandemic had a huge impact on the council tax base, with the average tax base reducing in 2021/22 by 1.24%. This negative council tax base and the subsequent effect on precept income was compensated by central government in Local Council Tax Support grant for which the Authority received £1.176m, although welcomed this grant was £0.171m less than that included in the MTFP.

5.2.9 Current forecasts from the five district councils indicate tax base growth, at an average of 2.0%, the lowest growth been in Bradford at 1.0% and the highest growth in Leeds at 2.5%. This is higher than pre pandemic forecasts and caution must be exercised when forecasting tax base increases in future years as this increase at 2.0% is higher than past experience of 1.5%

The size of the collection fund deficit and tax base have to be legally declared by the 31st and 15th January respectively, so the figures in the above paragraphs are subject to change.

5.3 Referendum Principles

5.3.1 The Draft Local Government Finance Settlement has set the basic referendum limit at 1.99% for 2022/23 with a new referendum principle of £5 introduced for one year only for the eight lowest-charging fire and rescue authorities, of which West Yorkshire is the fourth lowest. The Secretary of States reasoning behind this flexibility is to “assist the eight lowest fire authorities address immediate pressures and to maintain a sustainable income baseline for future years”.

5.3.2 For information, local authorities are able to increase the precept by an additional 1% for adult social care, and shire district councils in two-tier areas will be allowed increases of up to 1.99% or up to and including £5 whichever is higher. None of these additional increases are applicable to the fire sector.

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

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

5.4 Business Rates

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

5.4.2 The settlement indicates the Authority will receive £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. As mentioned earlier this has been frozen and as such there is no increase from 2021/22.

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

5.5 Precept Income

5.5.1 As Members are aware, the Authority is also dependent upon precept income from the five districts which will provide £43.952m of its income in 2021/22. This income is dependent upon two factors, namely the size of the tax base and the precept set by the Authority.

As mentioned in 5.2.9, following a tax base reduction in 2021/22 due to the effects of Covid, a tax growth is forecast in 2022/23.

5.5.2 The precept flexibility of £5 afforded to the 8 lowest costing fire and rescue services, would generate an estimated additional £4.1m of precept income from that generated in 2021/22. In comparison, a precept increase of 1.99% would result in an estimated additional precept income of £1.681m. These estimates will be subject to change following confirmation of tax base growth from the five district councils.

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

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

7.1.1 As mentioned in the introduction to the report, the Authority will be asked to approve a four-year MTFP, including the Revenue Budget for 2022/23, The MTFP will address the key issues of central government funding, precept strategy, 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.

7.1.3 The table below shows the revenue budget for 2022/23 and shows the impact on funding of a precept freeze, an increase in precept of 1.99% and an increase of £5. If members decide to freeze or increase the precept by 1.99%, the Authority will need use reserves or find efficiency savings totalling £1.534m and £0.640m respectively. If the Authority approves an increase to the precept of £5, the Authority will be able to invest £1.807m into delivering services to the communities of West Yorkshire.

	Precept Freeze	1.99%	£5
Revenue Budget	**£m**	**£m**	**£m**
Standstill Budget	89.288	89.288	89.288
Recruitment and Retirements	0.269	0.269	0.269
Growth and Savings	1.962	1.962	1.962
Cost pressures	2.302	2.302	2.302
Budget 2022/23	**93.821**	**93.821**	**93.821**
Funding			
Revenue Support Grant	14.048	14.048	14.048
Business Rates - Top Up	16.922	16.922	16.922
Business Rates - Local Share	7.814	7.814	7.814
Section 31 Grant	2.975	2.975	2.975
Services Grant	1.700	1.700	1.700
Pension Grant	4.285	4.285	4.285
Precept income	44.891	45.785	48.232
Collection Fund Deficit	-0.706	-0.706	-0.706
Local Tax Guarantee grant	0.358	0.358	0.358
Funding 2022/23	**92.287**	**93.181**	**95.628**
Budget Deficit	**-1.534**	**-0.640**	**1.807**
Use of Reserves	**1.534**	**0.640**	**0**

7.1.3 Service Development

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

- Firefighter numbers have reduced from 1490 to 900 since 2009. Whilst this has enabled efficiency savings, it has placed significant pressure on the staffing and flexibility of our operational response service. The opportunity to increase the watch-based establishment of firefighters by thirty-four will enable the service to transition from the current, centralised control of staffing to a localised staffing model, over seen by each district command team. This approach will provide increased flexibility, resilience, and accountability at a local level, whilst reducing the current reliance and expenditure on overtime and detached duties. The savings achieved from a reduced expenditure on overtime will be re-invested in service delivery to improve productivity.

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

- The remaining funding will be used to make additional revenue contributions to the Capital Finance Reserve, which, following the completion of the FSHQ will be fully depleted. The Authority has included provision in the capital plan to rebuild Keighley, Huddersfield, and Halifax over the next five years, and due to inflation, it is likely that these estimates will increase.

7.1.4 The table below shows the effect on the precept to a Band D and a Band A council taxpayer based on the three options presented in the MTFP:

Band D		**2022/23 Precept Freeze**	**2022/23 1.99%**	**2022/23 £5.00**
Precept 2021/22	£67.18	£67.18	£68.52	£72.18
Cost per Week	£1.29	£1.29	£1.32	£1.39
Total Increase per week from 2021/22		0	£0.03	£0.10

Band A		**2022/23 Precept Freeze**	**2022/23 1.99%**	**2022/23 £5.00**
Precept 2021/22	£44.78	£44.78	£45.68	£48.12
Cost per Week	£0.86	£0.86	£0.88	£0.93
Total Increase per week from 2021/22		0	£0.02	£0.06

7.2 Budget Calculations

7.2.1 The Authority had a balanced budget in 2021/22 meaning that expenditure was matched by income.

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

7.2.2 The transfer of budgets to contingencies were approved at Finance and Resources in July and October 2021 and pending committee approval in January 2022 and increases in support staff employee budgets approved at Human Resources Committee in July, October 2021, and January 2022. These have been incorporated into the base budget for 2022/23.

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

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

7.3 Budget Growth and Savings 2022/23

7.3.1 In addition to the budget adjustments approved at committee during 2021/22 there are a number of areas of growth, savings and cost pressures that have been identified as part of the budget planning process. £1.5m of this growth is unavoidable plus, the £2.3m identified as cost pressures would have to be met regardless of funding levels.

Employees

a) (£0.232m) has been deducted from employee budgets for vacancy management for support staff.

b) £0.094m has been added to employee contingency budgets to cover the cost of three employees who have exceeded their projected retirement date and are still in employment at the time of budget setting.

c) The establishment for Group Mangers has been maintained at ten, which is an additional cost of £0.090m, previous budgets had approved that this be reduced to nine in 2022/23.

d) £0.350m has been provided for increased overtime costs which will be required to cover for leave that was deferred due to Covid19.

e) A provision of £0.104m has been included in employer pension contributions to fund the cost of those firefighters who have opted out of a pension scheme, re-joining. This provision assumes that 25% may decide to opt back in.

f) £0.186m has been included for the requirement to include overtime in holiday pay resulting from the Bear v Scotland ruling.

g) A provision of £0.200m has been included in the employee contingency which will fund the timing differences associated with recruitment prior to FF actual retirement dates. If a number of FF retire before their retirement date, the Authority will need to recruit in advance in order to mitigate the potential reduction in FF numbers.

h) As mentioned in section 4.3.4, the Authority has already paid some Immediate Detriment pensions, which may not be reimbursed by pension top up grant following the withdrawal of Home Office guidance in November 2021. This cost of ongoing pension payments is £0.081m which may have to be met from the revenue budget pending further Home Office direction.

i) A provision of £0.250m has been included in support staff salaries for the cost of a pay spine review. The aim of the review is to realign the grading structure of our support staff.

j) £0.621m has been included within support staff employee budgets for new support staff posts that will be subject to HR committee approval.

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

- Non- Employee Budgets

l) £0.200m has been allocated for the transition and enabling costs associated with the new FSHQ development.

m) The electricity budget has been increased by £0.101m which has been subject to budget reductions in previous years and has had increases to prices during the year.

n) There is a planned refresh of fire fighter fire gloves costing an estimated £0.180m, which, due to their washable nature are deemed a revenue rather than a capital cost.

o) In 2021/22, the Authority has an increase in public liability insurance of £0.183m, which, in the current financial year has been met from the insurance reserve as there was no existing budget provision for this cost. Reserves can only be used once, so this has been built into the base budget from 2022/23.

p) £0.151m has been included for the costs associated with the introduction of the performance management system.

q) The ICT repairs and maintenance budget has been increased by £0.594m which is for the additional licencing costs for the new wide area network and the development of systems detailed in the Digital and Data Review.

r) There are a number of smaller growth requests for equipment, subscriptions, and stationery totalling £0.159m relating to ongoing projects.

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

Budget Calculation Assumptions

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

- Precept increase of £5 in 2022/23 and 1.99% each year thereafter.
- Resumption of growth to the tax base from 2022/23 of 2% and 1.5% from 2023/24 and onwards.
- Pay increases for all staff groups of 4% in 2022/23, 3% in 2023/24 and 2% each year onwards.
- General price inflation of 2%.

- Central government grant to increase by CPI inflation, estimated to be 2% in 2023/24 and 1.3% each year thereafter
- Employees retire as per their projected retirement date and the Authority continues to recruit in order to maintain establishment at 900 whole time employees.

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

7.5 Financial Planning April 2023 Onwards

7.5.1 Although members will be asked to approve the budget for 2022/23, the longer-term impact on the MTFP also needs to be considered.

The table below shows the impact of a precept freeze, a 1.99% precept increase, and a £5 precept increase over the next three financial years. These forecasts assume a tax base growth of 1.5% and a precept increase of 1.99% from 2023/24 (excluding the precept freeze option).

It has been assumed that government funding will increase by CPI inflation and there will be no cuts to funding in the next Comprehensive Spending Review.

		Precept Freeze	**1.99%**	**£5**
2023/24	Standstill Budget	95.394	95.394	95.394
	Funding	92.882	94.719	97.26
	Deficit /Surplus	-2.512	-0.675	1.866
2024/25	Standstill Budget	97.714	97.714	97.714
	Funding	94.266	97.099	99.737
	Deficit /Surplus	-3.448	-0.615	2.023
2025/26	Standstill Budget	99.806	99.806	99.806
	Funding	95.308	99.192	101.932
	Deficit /Surplus	-4.498	-0.614	2.126

7.5.2 The table shows that the deficit from a precept freeze and a 1.99% precept increase will require the Authority to use reserves or find efficiency savings over the next three years.

7.5.3 It is expected that following the proposed Fair Funding Review in 2022/23, a multi-year settlement will be in place for 2023/24. Although the Chancellor has publicly stated that austerity is over, he has made no commitment to invest in the fire sector and the current funding settlement does not reverse the nine years of central grant reductions totalling £26.1m.

7.5.4 It has been assumed that there will be no cuts to central base line funding but there has been no guarantee that the Authority will continue to receive the annual grants to cover the costs falling out of Grenfell and the Building Safety Bill for which the Authority received £0.445m in 2021/22, if these grants were ceased the Authority would have to meet these costs from existing budgets or stop the work on these projects.

7.5.5 It has been assumed that the Services grant and the Under Indexing of Business Rates grant, for which the Authority will receive a total of £3.4m in 2022/23 will remain at the same level in future settlements, because these are not built into the base budget, continuation at the same level cannot be guaranteed. It has been confirmed that the one-off services grant would be excluded from any proposed baseline for transitional support as result of proposed funding system changes.

7.5.6 The ongoing impact of the pandemic must also be considered in terms of council tax and business rates revenue for which the Authority has no control over. In addition, the effect on the cost of goods and services from inflation and ongoing supply issues due to Brexit may add further pressure to the revenue budget.

7.5.7 As detailed in section 4.3 of this report the Authority is facing a number of cost pressures particularly around pay which constitutes 73% of total expenditure. These are the pressures on increased pay as a result of the White Paper on Fire Service Reform and the increase in fire fighter employer contributions from the actuarial valuation of pensions. The financial burden is currently unknown but could have a significant impact on the revenue budget.

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

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

7.6 <u>Reserves</u>

7.6.1 Finance and Resources Committee approved the Reserves Strategy in October 2021

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

Reserve Description	Origin	Opening Balance 01/04/2021	Planned Use 2021/22	Planned Use 2022/23	Planned Use 2023/24	Planned Use 2024/25	Planned Use 2025/26	Closing Balance 31/03/2026
General Fund		£5,000						**£5,000**
Transparancy	Grant	£54						**£54**
Regional Control Funding	Grant	£563		-£563				**£0**
Enhanced Logistical Support	Grant	£202			-£150			**£52**
Decontamination of Body Bags	Grant	£40						**£40**
Council Tax Reform	Grant	£27						**£27**
Business Rate Appeals	Grant	£1,114		-£350	-£350			**£414**
Tax Income Guarantee	Grant	£922	-£307	-£307	-£307			**£0**
COVID19	Grant	£1,356	-£1,092	-£264				**£0**
Insurance Claims	Internal	£419	-£180					**£239**
Service Support Reserve	Internal	£342	-£140	-£120	-£28			**£54**
Pension Equalisation Reserve	Internal	£4,583				-£4,583		**£0**
Provision for pay and prices	Internal	£2,127		-£1,083				**£1,044**
Capital Financing Reserve	Internal	£18,306	-£1,262	-£8,539	-£8,505			**£0**
ESMCP	Internal	£258				£258		**£516**
Medium Term Funding Impact	Internal	£2,000			-£1,000	-£1,000		**£0**
Total Earmarked		**£32,313**	**-£2,981**	**-£11,226**	**-£10,340**	**-£5,325**	**£0**	**£2,440**
TOTAL USABLE RESERVES		**£37,313**	**-£2,981**	**-£11,226**	**-£10,340**	**-£5,325**	**£0**	**£7,440**

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 MTFP as follows.

a) As mentioned in section 5.2.6 of the report, the funding shortfall attributable to the collection fund will be met from the Covid19 reserve. In addition, overtime which is payable for the back fill due to employee taking leave postponed to the pandemic will be charged to this reserve.

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

c) It is proposed that the capital financing reserve is used to fund the rebuilding of the three fire stations and the development of the FSHQ site as detailed in section 2 of this report. This will mean that capital financing charges in the form of statutory Minimum Revenue Provision is not charged to this £18.3m of capital investment resulting in revenue savings over many years. This is because Minimum Revenue Provision is chargeable to revenue over the life of the asset, in the case of a new fire station, 40 years. It is proposed that the capital finance reserve is maintained and “topped up”, although the reserve will be fully used for the FSHQ development, it is intended this reserve will be used to fund station rebuilds.

d) As explained earlier in the report there may be some additional revenue costs associated with the McCloud/Sargeant remedy. The Government has not given any indication 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 costs arising from the injury to feelings claim outlined in section 4.3.4 would have to be met from the pension equalisation reserve.

e) Due to the uncertainty regarding employees pay awards, provision has been made for the funding of an additional 1% pay increase over and above included in the MTFP costing an estimated £0.550m 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.

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

g) It is expected that from 2023/24, the Authority will receive a multi-year funding settlement, if this is not as favourable as expected and results in real terms funding cuts, the Authority will need to call upon its reserves in order to achieve a balanced budget. This will be met from the Medium-Term Funding Impact reserve.

8 Financial Implications

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

9 Legal Implications

There are no direct legal implications within this report

10 Human Resource and Diversity Implications

There are no human resource and diversity implications within this report

11 Health, Safety and Wellbeing Implications

There are no human resource and diversity implications within this report

12 Environmental Implications

There are no environmental implications within this report

13 Your Fire and Rescue Service Priorities

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

14 Conclusions

This report provides members with the proposed revenue and capital budgets for 2022/23 to 2026/27 and a MTFP to 2025/26. This will be brought to Full Authority Committee on the 24th February for approval.

Directorate	Description	Estimated Total Capital Cost	Estimated Capital Cost 22/23	Estimated Capital Cost 23/24	Estimated Capital cost 24/25	Estimated Capital cost 25/26	Estimated Capital cost 26/27
ICT	Firewall Replacement	£90,000	£90,000	£0	£0	£0	£0
ICT	WAN	£100,000	£100,000	£0	£0	£0	£0
ICT	VDI Resilience	£0	£0	£0	£0	£0	£0
ICT	UPS on Stations	£240,000	£240,000	£0	£0	£0	£0
ICT	Station ICT Hardware	£0	£0	£0	£0	£0	£0
ICT	FF Laptops	£93,000	£93,000	£0	£0	£0	£0
ICT	MDT	£150,000	£150,000	£0	£0	£0	£0
ICT	Management System	£0	£0	£0	£0	£0	£0
ICT	Digital Humans	£70,000	£20,000	£50,000	£0	£0	£0
ICT	Data Centres	£250,000	£0	£250,000	£0	£0	£0
ICT	Internet of Things	£50,000	£0	£50,000	£0	£0	£0
ICT	Drones	£16,000	£0	£16,000	£0	£0	£0
ICT	Resource Booking System	£38,000	£0	£38,000	£0	£0	£0
ICT	One View Performance Management	£50,000	£25,000	£25,000	£0	£0	£0
ICT	ICT Replacement Upgrades	£1,642,000	£0	£0	£552,000	£625,000	£465,000
Operations	Particulate Flash Hoods	£210,000	£210,000	£0	£0	£0	£0
Operations	BA Set Reducer	£46,150	£46,150	£0	£0	£0	£0
Operations	Water Rescue Equipment	£48,000	£0	£12,000	£12,000	£12,000	£12,000
Operations	Washable Fire Gloves	£0	£0	£0	£0	£0	£0
Operations	Lay Flat Hose	£250,000	£50,000	£50,000	£50,000	£50,000	£50,000
Operations	Gas Tight Suits	£51,000	£0	£12,000	£25,000	£0	£14,000
Operations	BA Cleaning & drying Units	£80,000	£40,000	£40,000	£0	£0	£0
Operations	Wildfire Vehicle	£182,000	£182,000	£0	£0	£0	£0
Operations	Water Hydrant	£1,960,000	£360,000	£450,000	£360,000	£450,000	£340,000
Operations	Wildfire PPE	£31,000	£31,000	£0	£0	£0	£0
Operations	BA Sets	£850,000	£0	£850,000	£0	£0	£0
Operations	BA Cylinders	£350,000	£0	£350,000	£0	£0	£0
Operations	BA Ancillary Equipment	£210,000	£0	£210,000	£0	£0	£0
Operations	Ladders	£243,025	£100,825	£79,875	£62,325	£0	£0
Operations	Uniform	£150,000	£150,000	£0	£0	£0	£0
Operations	Body Worn Cameras	£67,500	£67,500	£0	£0	£0	£0
Operations	Mobilising System	£2,000,000	£1,000,000	£1,000,000	£0	£0	£0
Operations	Gas Detector	£35,100	£35,100	£0	£0	£0	£0
Property	Cookridge	£500,000	£477,620	£22,380	£0	£0	£0
Property	CCTV Upgrades	£176,000	176,000	£0	£0	£0	£0
Property	Health & Safety Upgrades	£300,000	£300,000	£0	£0	£0	£0
Property	L8 Upgrades	£44,000	£44,000	£0	£0	£0	£0
Property	Mirfield Asbestos Removal	£41,000	£41,000	£0	£0	£0	£0
Property	Ludo Charging Points	£30,000	£30,000	£0	£0	£0	£0
Property	EV Charging Points	£65,000	£65,000	£0	£0	£0	£0
Property	Property Projects	£7,200,000	£0	£1,800,000	£1,800,000	£1,800,000	£1,800,000
Property	Stanningley Charging Points	£65,000	£65,000	£0	£0	£0	£0
IRMP	Keighley	£4,000,000	£1,900,000	£1,900,000	£200,000	£0	£0
IRMP	Halifax	£4,800,000	£100,000	£700,000	£2,000,000	£1,760,000	£240,000
IRMP	Huddersfield	£4,800,000	100,000	700,000	2,000,000	£1,760,000	£240,000
IRMP	FSHQ	£17,170,200	6,438,825	£8,585,100	£2,146,275	£0	£0
Transport	Vehicle Replacement	£14,254,961	3,650,183	3,813,720	3,255,129	£3,043,546	£492,383
Transport	Vehicle Telematics Upgrade	£100,000	100,000	0	0	£0	£0
Firesafety	Smoke Alarms	£2,000,000	400,000	400,000	400,000	400,000	400,000
		£65,098,936	**£16,878,203**	**£21,404,075**	**£12,862,729**	**£9,900,546**	**£4,053,383**

2021/22	STANDSTILL REVENUE BUDGET	2022/23
£55.401	Firefighters	£56.176
£11.725	Support Staff	£12.182
£1.800	Pensions	£1.800
£1.071	Other Employees	£1.093
£4.670	Premises	£4.717
£2.142	Transport	£2.249
£6.151	Supplies and Services	£5.764
£0.331	Lead Authority Charges	£0.285
£8.151	Capital Financing	£7.005
£0.674	Contingency	£0.450
£92.116	GROSS EXPENDITURE	£91.721
-£2.768	Less Income	-£2.433
£89.349	NET EXPENDITURE	£89.288

OFFICIAL-SENSITIVE

Portable Scene Lighting

Finance & Resources Committee

Date: 4 February 2022

Agenda Item: **10**

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

Purpose
To seek approval for the capital drawdown of funds to purchase this equipment

Recommendations
That Committee approves the purchase of the replacement portable scene lighting for all frontline appliances

Summary
This report is requesting approval to drawdown capital funds for the purchase of portable scene lighting for all frontline appliances. These funds were approved in the capital plan for 2021/22

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Area Manager (AM) David Teggart

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Background papers open to inspection: None

Annexes: None

1 Introduction

1.1 The budget for this was approved at the 25 February 2021 Authority budget meeting as part of the wider capital plan. Portable scene lighting has long been an essential piece of equipment on every front-line appliance. As our current lights come to the end of their life this purchase would also enable us to take advantage of recent advancements in battery technology.

2 Information

2.1 Portable scene lighting has been a staple of firefighting equipment for many years. It allows crews to work in dark and poorly lit areas, making it safer for our crews to operate in.

2.2 The current lighting carried on appliances has reached the end of its serviceable life. To increase the efficiency and versatility of lighting provision on appliances it is proposed to provide updated portable LED battery powered lighting units.

2.3 These units provide a reliable and robust lighting system that can be easily positioned at the scene of operations. This will enhance the health and safety provision for firefighters on the incident ground. The provision of LED bulb technology will remove the need to provide replacement bulbs as these bulbs/lighting units come with an extended guarantee.

2.4 Advances in battery technology will provide an enhanced capability at operational incidents now and into the future. The specification for these units will include a requirement for the batteries it uses to be compliant with battery powered tools on the fire appliance. This ensures a greater degree of resilience for whichever piece of equipment is being used.

3 Financial Implications

3.1 There is provision in the capital plan for the purchase of Portable scene lighting of £100,000.

3.2 Procurement of this equipment will be via a full tender process which will ensure compliance with contract procedure rules.

4 Legal Implications

4.1 The Monitoring 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 or diversity implications contained within this report.

6 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk))	Yes / No
Date EIA Completed	12/01/22
Date EIA Approved	tbc

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

7 Health, Safety and Wellbeing Implications

7.1 Failure to replace our current lighting units may impact on operational effectiveness due to the recharge and life cycle of the units, ultimately this may mean that a unit cannot provide a suitable amount of light for the period required due to the battery life draining.

7.2 Failure to maintain this capability could pose a risk to the Authority's reputation and the service it provides to the public of West Yorkshire.

8 Environmental Implications

8.1 As this procurement will replace a battery powered lamp with another battery powered lamp, there will be limited environmental implications. However, modern battery technology often charges faster and remains powered for longer, meaning there may be an overall reduction in the use of power, thereby leading to CO2 reductions.

9 Your Fire and Rescue Service Priorities

- We will reduce the risks to the communities of West Yorkshire
- We will continue to develop ways of working which improve the safety & effectiveness of our firefighters
- We will work efficiently to provide value for money and make the best use of reserves to provide an effective service
- We will use the HMICFRS assessment of 'Good' in all areas as a foundation to implement our improvement action plan with the aim of delivering an outstanding service
- We will actively look for opportunities to implement learning from the Grenfell Inquiry to improve how we respond to high rise emergencies and other foreseeable risks

10 Conclusions

10.1 The current lighting carried on appliances has reached the end of its serviceable life. The advancement of battery technology and modern portable LED lighting will enhance the operational effectiveness and health and safety provision for firefighters on the incident ground.

OFFICIAL-SENSITIVE

Workwear Uniform Replacement

Finance & Resources Committee

Date: 4 February 2022 | Agenda Item: **11**

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

Purpose

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

Recommendations

That Committee approves the purchase of the replacement uniform for all current uniform wearing staff

Summary

This report is requesting approval to drawdown capital funds for the purchase of replacement uniform to provide a single WYFRS workwear uniform for all staff that currently wears a variety of differing uniforms. These funds were approved in the capital plan for 2021/22

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: None

1 Introduction

1.1 The budget for this was approved at the 25 February 2021 Authority budget meeting as part of the wider capital plan. This report sets out the requirements to replace the existing differing uniforms provided to various service delivery/forward facing staff to a single WYFRS uniform for all staff that currently wears our uniform.

2 Information

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

2.2 In early 2021 WYFRS used Let’s Talk briefings with staff to discuss the potential change of uniform and the move to a single workwear uniform. Shortly after we conducted a staff survey specifically around uniform with the aim of understanding the opinions and views of all staff around a move towards a single more practical workwear uniform.

2.3 The results of the staff survey highlighted the differing thoughts and opinions between grey book (operational staff) and green book (non-operational staff). These included:

- All staff were supportive of the fact that anyone interacting with partners or members of the public should wear a uniform. Responses covered the need to look professional, as one organisation and offering security to the public in knowing you belong to a trusted service.
- Most staff indicated a want to move towards a more practical uniform that accounts for the diverse needs of the service.
- The larger percentage of grey book staff supported the position of remaining in a different uniform to green book staff.
- The larger percent of green book staff supported the move towards the same uniform for all staff.

2.4 This information was used to inform Management Team to ensure we were fully sighted on the feelings of staff prior to taking the decision to move away from differing uniforms to a single uniform for all public facing staff.

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

2.6 Since then, the Operational Equipment Team have been looking into the specification / requirements for shoes, trousers, skirts, shirts/t-shirts, belts, footwear and jackets.

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

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

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

3 Financial Implications

3.1 There is provision in the capital plan for the purchase of uniform of £200,000.

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

4 Legal Implications

4.1 The Monitoring Officer has considered this report and 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 The Operational Equipment Team have worked with key stakeholders including but not limited to Staff Networks, Equality, Diversity and Inclusion team, Change Support Network, operational staff, and non-operational staff on the specifications/requirements.

5.2 An EIA was completed and reviewed by the Equality, Diversity, and Inclusion team. The areas identified informed the specifications that were used during the consultation. This approach considered the practical and cultural issues a change of this magnitude will create. The options include suitable male and female fitting clothing in a wide range of sizes/lengths to suit all staff within service.

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

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

6 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk))	Yes / ~~No~~
Date EIA Completed	09/08/2021
Date EIA Approved	17/01/2022

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

7 Health, Safety and Wellbeing Implications

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

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

8 Environmental Implications

8.1 No environmental implications have been identified.

9 Your Fire and Rescue Service Priorities

- We will work efficiently to provide value for money and make the best use of reserves to provide an effective service
- We will support, develop and enable our people to be at their best
- We will continue working towards delivering a more inclusive workforce, which reflects and serves the needs of the diverse communities of West Yorkshire

10 Conclusions

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

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