West Yorkshire
Fire & Rescue Authority

OFFICIAL

Agenda item: 06

Quarterly Financial Review

Finance and Resources Committee

Date:	31 January 2025
Submitted by:	Director of Finance and Procurement
Purpose:	To present a quarterly review of the financial position of the Authority
Recommendations:	That members note the content of the report That members approve the revised capital plan.
Summary:	The purpose of this report is to present an overview of the financial performance of the Authority up to the end of December 2024. The report deals with revenue and capital expenditure.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Alison Wood, Director of Finance and Procurement Alison.wood@westyorksfire.gov.uk 07500 075362
Background papers open to inspection:	None
Annexes:	Appendix A – Revision 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, cost centre 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

2.1 Revenue Budget Revision

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 budget. The following paragraphs detail the movements to and from contingencies during the reporting period.

2.2 Budget Adjustments

Since the budget was approved in February a number of additional costs and some budget reductions have been identified. Due to the time lapse of the budget being calculated in November and the start of the financial year in April, it is usual that there is some variance to the approved budget allocations.

Budgets are regularly reviewed during the year either as part of the monthly budget monitoring process or during the calculation of the revenue budget for the following year.

Below are explanations of the movements to and from general contingencies in the third quarter of 2024/25:

2.2.1 Transfers to General Contingencies

a) A review of support staff budgets by the finance team and budget holders during the budget setting process has identified a forecast underspend of £0.325m in 2024/25. This is primarily for existing vacant posts that have either had a delay in appointing or are still vacant. Posts that were vacant as of the 1st of April are held in contingencies and not in base employee budgets.

b) There is a forecast underspend of £0.080m on the electricity budget which is due to a reduction in unit costs after the budget was set in November 2023.

c) There is an over provision of £0.224m for the support staff pay award which has been transferred from the employee contingency to the general contingency. The pay award provision for support staff totalling £0.745m was calculated on the original support staff budget but due to budget adjustments on support staff salaries during this financial year, the cost of the pay award is less than forecast. The pay award provision was held in employee contingencies.

2.2.2 Transfers from General Contingencies

There have been no transfers from general contingencies in the third quarter of 2024/25.

2.2.3 Contingency Budgets

The table below summarises the current contingencies budgets position:

	Opening Balance 1/10/24 £0	**Transfer to/from Contingencies** £0	**Closing Balance 30/9/24** £0
General Contingency	3,234	629	3,863
Employee Contingency	745	-745	0
TOTAL CONTINGENCIES	3,979	-116	3,863

3. Expenditure Monitoring

3.1 This report is based on expenditure to mid-September 2024 and includes eight salary payments in 2024/25. The projected outturn is based on the current year's 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 £0.184m 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 Team on a monthly basis.

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

	Revenue Budget	Forecast	Variance
	£0	£0	£0
Employees			
Wholetime	62,611	62,543	-68
On Call Firefighters	2,485	2,442	-43
Control	2,505	2,467	-38
Support Staff	14,779	14,728	-51
Contingency Crews	188	183	-5
Employee Contingency	0	0	0
Pensions	1,600	1,600	0
Training	1,845	1,883	38
Other Employee	757	751	-6
TOTAL	86,770	86,597	-173
Premises	6,114	6,100	-14
Transport	2,388	2,355	-33
Supplies and Services	7,532	7,567	35
Contingency - General	3,862	3,862	0
Support Services	358	352	-6
Capital Charges	9,022	9,022	0
Income	-3,142	-3,135	7
Net Expenditure	112,904	112,720	-184

3.4 An explanation of the variances over £20,000 is explained below:

3.5 **Employees** -£173,000

3.5.1 Wholetime Firefighters -£68,000

There is currently a forecast underspending of £68,000 in whole time fire fighter employee budgets. This is due to a number of additional leavers than budgeted and employees retiring earlier then their forecast retirement date. In addition, the first recruits' course of 2025 has been put back by a month to the 5th of February which has realised a small saving. The workforce plan is monitored closely on a monthly basis against actuals in post to that included within the budget.

3.5.2 On-call Firefighters -£43,000

There still is a forecast underspend on on-call firefighters of £43,000, the budget for on-call 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. This forecast does not include the increased on-call activity caused by Storm Darragh at the beginning of December.

3.5.3 Control -£38,000

The forecast underspend is due to control staff vacancies, the team has had a number of retirements and due to the recruitment and training process there is a time lag in filling these vacant posts. Some of this underspend has been offset by increased overtime which is used to fill the vacant posts.

3.5.4 Support Staff -£51,000

There is a projected under spend on support staff of £51,000 which is due to posts that are currently being advertised and have yet to be filled. The savings from posts that were vacant from April to December have been transferred to contingencies as detailed in section 2.2.1. The budget for posts that were vacant on the 1st of April 2024 and have yet to be advertised are held in the general contingency budget, so as not to distort budget monitoring.

3.5.5 Training £38,000

The training budget for external training is forecast to overspend by £38,000. A revenue bid totalling £0.581m was approved for inclusion in the 2024/25 training budget. Due to the restricted access to training at FSHQ, some training has been undertaken at the Fire Service College. This budget is closely monitored by the training department and finance and a budget increased maybe required before the end of the financial year.

3.6 **Transport** -£33.000

It is forecast that transport budgets will underspend by £33,000; this is a combination of under and overspending over several budget headings. The largest are under spends against tyres, spare parts, external repairs and workshop equipment which has been slightly offset by an overspend in vehicle consumables.

3.7 **Supplies and Services** - £37,000

The net underspend is spread over a number of budget headings within supplies and services. There is a small forecast overspend on clothing, USAR training, legal expenses, and ICT maintenance and support which has been offset by underspends on fire prevention publicity, printing and stationery, laundry and ICT consumables. These areas of expense are closely monitored, and some budget adjustments may be required before the end of the financial year.

4. Impact on Revenue Balances

4.1 The projected under spending will have the effect of increasing usable reserves which is detailed in the table below:

Description	Usable Reserves £000's
Opening Balance 1/4/24	
General Fund	5,700
Earmarked Reserves	26,020
Forecast use of reserves in 2024/25	-9,578
Impact of forecast	184
Forecast Usable Reserves at 31/3/2025	**22,326**

5. Contact Procedure Rules

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

5.2 In the third quarter of 2024/25, there has been one waiver to exemptions in excess of £75,000:

In order to maintain consistency with asset valuations for both financial accounting and business rates purposes, a waiver was signed to continue using our incumbent estates valuer, Avison Young. This totals £0.100m and is for a five-year period, (i.e.) £0.0200m per annum. We have a specialist at Avison Young who has been valuing our assets over a five-year period, to change suppliers would mean that the new valuer would have to measure and value all our estate which would, if we went out to market would incur additional costs.

6. Capital Expenditure Monitoring.

6.1 At its meeting on the 29th of February 2024 the Authority approved a five-year capital programme of £67.936m which included slipped schemes from 2023/24 totalling £29.703m, and £10.137m of new schemes in 2024/25 adding to a total capital budget of £39.840m for the current financial year.

6.2 **Revised capital plan 2024/25**

In conjunction with a review of revenue budgets, managers were also asked to review the capital schemes for which they are responsible for. This has resulted in £3.144m been requested to be slipped into the next financial year and £0.127m been removed from the capital plan.

6.3 A brief explanation of the adjustments is provided below, and these are also itemised in Appendix A.

6.3.1 Slipped Schemes:

a) The Operational Equipment Team encountered some changes in staffing throughout the year, which impacted their capacity and ability to complete the schemes following within the original timeframes:

- Featherweight/light portable pumps - £0.120m
- Mainline branches - £0.020m
- MIBS Stretches - £0.055m
- Tirfors and ancillary equipment - £0.060m

Additionally, the team received a number of reactive tasks and projects through business as usual that were deemed to be of higher priority, further contributing to the delays. As a result, the above schemes required to be slipped into 2025/26.

b) The replacement of Rescue Jackets scheme totalling £0.200m needs to be slipped into 2025/26. To reduce duplication and improve efficiency the Authority will purchase the rescue jackets through a regional or national procurement exercise. Work is ongoing to prepare for the route to market and specification, and it is anticipated that the contract will be placed in 2025/26.

c) Part of the Breathing Apparatus Mechanical and Drying Units capital scheme amounting to £0.050m needs to be slipped into 2025/26 which is the proportion of the scheme that is attributable for the installation in Keighley Fire Station. The timeline for this installation in Keighley has been amended due to build program changes.

d) The upgrade of the facilities at Rawdon requires £0.215m of funding slipping into 2025/26. This is due to a delay in the awarding of the tender to complete the works. Before the scheme went out to tender, the Head of Estates looked to procure the project through a partnership framework with West Yorkshire Police however, the costs were deemed excessive. As a result, the scheme went out to open tender, the tender was awarded in November and to ensure continuity of work and avoid impacts on service delivery during the Christmas period it was planned the works would commence in January 2025.

e) The scheme for Otley showers and boilers has been delayed and £0.030m of the scheme needs slipping into 2025/26. The reason for the delay was partly due to staff changes at the station which prolonged the consultation period and the completion of designs which were completed in-house by the Authority's new building surveyor. As with Rawdon, it was decided to start the project post the Christmas break to ensure continuity of work and avoid impacts on service delivery.

f) Although the refurbishment of Bingley will be completed in 2024/25, some £0.020m is required to be slipped into 2025/26 to cover the defects liability period.

g) Illingworth refurbishment needs slipping in full to 2025/26, amounting to £0.700m. This is due to the anticipated costs of the works and the proposed redevelopment of Halifax Fire Station. As such the Head of Estates is looking at emergency response cover in this region before committing to a refurbishment of Illingworth.

h) There will be a remaining retention payment on the boiler upgrade scheme of £0.006m as of the 31st of March 2025. This was for the replacement of the boiler at Halifax Fire Station.

i) The Rastrick Fire Station Ventilation scheme needs £0.071m slipping into 2025/26. This is due to delays in the provision of design information from our consultant who is also working on other fire station schemes on our behalf. The scheme will be tendered in this financial year with contractors planned to be on site in April.

j) The Electric Vehicle charges schemes has been paused in order to establish wider fleet requirements. The remaining monies totalling £0.047m in this scheme are required to be slipped into 2025/26.

k) Some £1.5m of the scheme for the rebuild of Keighley Fire Station needs slipping into 2025/26. This is due to project delays due to asbestos, ground conditions and temporary accommodation has caused the programme to run over from the original schedule.

l) The remaining balance on the MDT software scheme totalling £0.050m has been slipped into 2025/26. The implementation of the new MDT software is currently in progress and further unexpected development costs may be required in 2025/26.

6.3.2 Removal of Schemes:

m) The Un-interrupted Power Supply (UPS) on stations capital scheme has been completed and no further costs are anticipated. The balance of £0.089m can be removed from the capital plan.

n) £0.038m of the print solution capital scheme can be removed from the capital plan. All station and HQ printers have been replaced, the remaining balance of £0.065m will be used to replace the printers in training and reprographics.

6.4 **Virements Between Capital Schemes**

As detailed in section 6.6, the Executive Leadership Team can authorise capital approvals and virements to £0.100m. Virements in excess of £0.100m need Finance and Resources Committee approval.

6.4.1 During the third quarter of 2024/25, the Head of ICT has requested that £0.104m is vired from the underspend on the VM server hardware and DMZ server replacement schemes to the Data Transfer Centre. The Data Transfer Centre is relocating from the Service Delivery Centre to Ossett Fire Station.

Both the VM server hardware and the DMZ server replacements have come in under budget because during market engagement it was identified that the specification costs for both servers were less than that previously estimated when the capital bid was submitted.

The Data Transfer Centre costs were estimated in 2022/23; following the procurement process it has become clear that the costs associated with constructing a data centre, of sufficient standard, are significantly higher. Whilst options were provided to build the data centre within its original budget of £0.250m, this does not provide adequate levels of resilience.

6.5 **Capital Payments 2024/25**

6.5.1 The actual capital payments to date total £17.812m which represents 51.93% of the revised capital plan. If commitments are included in this, the actual expenditure to date is £31.622m which equates to 92.19% of the capital plan.

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

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

6.5.2 A summary of expenditure to date against each individual scheme which includes revised schemes detailed in 6.2 is attached to this report in Appendix B.

6.6 **Executive Leadership Team Approvals**

6.6.1 At the Authority AGM in 2010, the Executive Leadership Team was given delegated power to approve individual virement between capital schemes of up to £100,000. Details of any approvals will be reported to committee throughout the year as part of this report.

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

6.6.3 Between October and January, the Executive Leadership Team have approved eight virements with a net zero cost which are shown in the table below:

Schemes Approved by the Executive Leadership Team

Date	Directorate	Scheme	Approval £	Virement £
18/10/2024	Service Support	Display Equipment		30,000
		Printers		-30,000
07/01/2025	Service Support	Cookridge Refurbishment		-62,020
		Odsal Fencing		-11,964
		Dewsbury Showers		-31,385
		Slaithwaite Fire Escape		-62,000
		Meltham Externals		-40,000
		Bingley Refurbishment		207,369
			0	0

6.7 Capital receipts

6.7.1 Capital receipts expected in 2024/25 will be for the sale of appliances which exceed £10,000. There have been no capital receipts in the first three quarters of 2024/25.

7. Treasury Management

7.1 The Authority approved its Treasury Management Strategy on the 29th of February 2024 in accordance with the CIPFA Code of Practice on Treasury Management.

7.2 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 thirteen years.

7.3 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.

8. Debtors

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

8.2 The level of outstanding debt owed to the Authority to the end of December 2024 is £634,879 which can be profiled as follows:

Less than 60 days - £ 285,192

Greater than 60 days - £ 349,687

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

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

8.4 As detailed above, there is currently £133,290 of debt which is at the recovery stage. However, previous experience suggests that the Authority will recover all of the outstanding debts.

9. Creditors

9.1 The Authority is required to pay all non disputed invoices within 28 days of receipt. In the first 6 months of the current financial year the Authority has received 6,787 invoices and paid 94% of them within 28 days, of which 63.06% were autopaid

10. Financial Implications

10.1 These are included within the main body of the report

11. Legal Implications

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

12. Human Resource and Diversity Implications

12.1 There are no human resource or diversity implications arising from this report

13. Equality Impact Assessment

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

(EIA template and guidance)

14. Health, Safety and Wellbeing Implications

14.1 There are no health, safety and wellbeing implications arising from this report

15. Environmental Implications

15.1 There are no environmental implications arising from this report.

16. Your Fire and Rescue Service Priorities

16.1 This report links with the Community Risk Management Plan 2022-25 strategic priorities below:

- Provide ethical governance and value for money.

17. Conclusions

17.1 This report identifies that the Authority is currently forecast to under spend its rev budget in 2024/25 by £0.184m.

17.2 During the third quarter of 2024/25, there was a net transfer from contingencies to revenue budgets of £0.116m, the majority was the transfer of the support staff pay award provision following the pay award agreement.

17.3 A review of capital schemes was undertaken by budget holders resulting in £3.144m of capital schemes being slipped into 2025/26 and £0.127m being removed completely from the 2024/25 capital plan.

Appendix A

Directorate	Scheme	Original Capital Plan 2024/25 £	Slippage to 2025/26 onwards £	Removal from Plan £	Revised Plan 2024/25 £
Service Delivery	Featherweight/Light portable pumps	120,000	-120,000		0
Service Delivery	Mainline Branches	20,000	-20,000		0
Service Delivery	MIBS Stretchers	55,000	-55,000		0
Service Delivery	Rescue Jackets	200,000	-200,000		0
Service Delivery	Tirfors and Ancillary Equipment	60,000	-60,000		0
Service Delivery	Breathing Apparatus Mechanical & drying units	112,000	-50,000		62,000
Service Support	Rawdon Upgrade of Welfare Facilities	216,475	-215,000		1,475
Service Support	Otley Showers and Boilers	65,000	-30,000		35,000
Service Support	Bingley Refurbishment	808,888	-20,000		788,888
Service Support	Illingworth Refurbishment	700,000	-700,000		0
Service Support	Boiler Upgrades	200,000	-6,200		193,800
Service Support	Rastrick Ventilation	73,500	-71,000		2,500
Service Support	Electric Vehicle Chargers	122,505	-46,640		75,865
Service Support	Keighley Rebuild	4,773,421	-1,500,000		3,273,421
Service Support	MDT Software	49,776	-49,776		0
Service Support	Un-Interrupted Power Supply (UPS) on Stations	88,599		-88,599	0
Service Support	Print Solution	102,538		-38,000	64,538
TOTAL		**£7,767,702**	**-£3,143,616**	**-£126,599**	**£4,497,487**

Appendix B

Capital Budget Monitoring Summary 2024/25

Department	Capital Plan 2024/25					Adjustments to the Capital Plan in 2024/25					Capital Expenditure 2024/25			
	Capital Bids 2024/25	Agreed 24/25 from 23/24 (Schemes over 2 years)	Agreed Slippage in year	Slippage b/f	Total Capital Plan 2024/25	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2024/25	Actual expenditure incurred to date	Forecast Expenditure	Total Expected Expenditure in 24/25	Forecast over / (under) spend
Property Services	2,634,000	0	864,731	557,772	4,056,503	0	(208,369)	0	(1,423,940)	2,424,194	908,560	622,834	1,531,394	(892,800)
CRMP	1,100,000	2,099,942	3,643,555	8,791,488	15,634,985	0	0	0	1,500,000	17,134,985	9,174,749	6,593,098	15,767,847	(1,367,139)
ICT	716,000	0	623,009	177,543	1,516,552	(250,000)	0	0	(176,375)	1,090,177	32,970	895,500	928,470	(161,706)
Transport	3,015,000	3,403,000	0	4,326,457	10,744,457	(2,500,000)	(75,000)	2,011,355	(2,765,000)	7,415,812	6,014,828	1,171,574	7,186,402	(229,410)
Training Centre	20,000	0	0	0	20,000	(20,000)	0	0	0	0	0	0	0	0
OHSU	17,745	0	0	0	17,745	0	0	0	0	17,745	9,970	0	9,970	(7,775)
Finance	765,000	0	0	0	765,000	0	0	0	0	765,000	0	765,000	765,000	0
Operations	1,469,000	2,122,500	1,530,368	1,562,945	6,684,813	0	(15,000)	0	(1,662,000)	5,007,813	1,357,788	3,630,355	4,988,143	(19,670)
Fire Safety	400,000	0	0	0	400,000	0	0	0	0	400,000	312,987	87,013	400,000	0
	10,136,745	7,625,442	6,661,663	15,416,205	39,840,055	(2,770,000)	(298,369)	2,011,355	(4,527,315)	34,255,726	17,811,852	13,765,374	31,577,226	(2,678,500)

Capital Budget Monitoring 2024/25
Service Support - Property

Committee Approval	Details of Scheme	Capital Plan 2024/25					Adjustments to the Capital Plan in 2024/25					Capital Expenditure 2024/25				
		Capital Bids 2024/25	Agreed 24/25 from 23/24 (Schemes over 2 years)	Agreed Slippage in year	Slippage b/f	Total Capital Plan 2024/25	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2024/25	Actual expenditure incurred to date	Forecast Expenditure	Total Expected Expenditure in 24/25	Forecast over / (under) spend	
F&R 14.04.23	Odsal Fire Station	0	0	0	5,000	5,000	0	0	0	0	5,000	4,412	0	4,412	(588)	
F & R 08/04/22	Cookridge	0	0	0	73,878	73,878	0	(62,020)	0	0	11,858	5,858	0	5,858	(6,000)	
F & R 08/04/22	CCTV Upgrades	0	0	0	9,665	9,665	0	0	0	0	9,665	3,316	9,665	12,981	3,316	
F & R 08/04/22	Mirfield Asbestos Removal	0	0	0	722	722	0	0	0	0	722	850	722	1,572	850	
F & R 08/04/22	Stanningley Charging Points	0	0	0	1,467	1,467	0	0	0	0	1,467	0	1,467	1,467	(0)	
F&R 14.04.23	Rawdon - Facilities upgrade	0	0	150,000	66,475	216,475	0	0	0	(215,000)	1,475	0	0	0	(1,475)	
F&R 14.04.23	Otley - Showers	0	0	0	65,000	65,000	0	0	0	(30,000)	35,000	1,200	33,000	34,200	(800)	
F&R 14.04.23	Odsal boundary fence	0	0	0	15,862	15,862	0	(11,964)	0	0	3,898	3,916	0	3,916	18	
F&R 14.04.23	Ludo charging points	0	0	0	118,002	118,002	0	0	0	0	118,002	79,023	34,980	114,003	(3,999)	
F&R 14.04.23	Dewsbury Showers	0	0	0	50,000	50,000	0	(32,385)	0	0	17,615	18,615	0	18,615	1,000	
F&R 14.04.23	Bingley - Upgrade works	0	0	714,731	94,157	808,888	0	0	0	(20,000)	788,888	611,571	180,000	791,571	2,683	
F&R 14.04.23	Wetherby - Kitchen	0	0	0	13,104	13,104	0	0	0	0	13,104	5,987	7,000	12,987	(117)	
MB 03/05/2023	Leeds BA room	0	0	0	1,500	1,500	0	0	0	0	1,500	1,117	1,500	2,617	1,117	
MB 07/02/2024	FSHQ Boiler	0	0	0	435	435	0	0	0	0	435	435	0	435	0	
F&R 17/4/24	24/25 EV Chargers	80,000	0	0	42,505	122,505	0	0	0	(46,640)	75,865	75,865	0	75,865	0	
F&R 17/4/24	24/25 Hunslet Refurbishment	800,000	0	0	0	800,000	0	0	0	(160,000)	640,000	0	0	0	(640,000)	
F&R 17/4/24	24/25 Bradford F/S Dorms & Showers	450,000	0	0	0	450,000	0	0	0	0	450,000	0	100,000	100,000	(350,000)	
F&R 17/4/24	24/25 Slaithwaite fire escape	85,000	0	0	0	85,000	0	(62,000)	0	0	23,000	926	22,000	22,926	(74)	
F&R 17/4/24	24/25 Illingworth	875,500	0	0	0	875,500	0	0	0	(875,100)	400	543	0	543	143	
F&R 17/4/24	24/25 Meltham Fire Station - Fabric	70,000	0	0	0	70,000	0	(40,000)	0	0	30,000	0	30,000	30,000	0	
F&R 17/4/24	24/25 Boiler Upgrade Schemes	200,000	0	0	0	200,000	0	0	0	(6,200)	193,800	94,926	200,000	294,926	101,126	
F&R 17/4/24	24/25 Rastrick ventilation	73,500	0	0	0	73,500	0	0	0	(71,000)	2,500	0	2,500	2,500	0	
	TOTAL	2,634,000	0	864,731	557,772	4,056,503	0	(208,369)	0	(1,423,940)	2,424,194	908,560	622,834	1,531,394	(892,800)	

Capital Budget Monitoring 2024/25

Service Support - CRMP

Committee Approval	Details of Scheme	Capital Plan 2024/25					Adjustments to the Capital Plan in 2024/25					Capital Expenditure 2024/25				
		Capital Bids 2024/25	Agreed 24/25 from 23/24 (Schemes over 2 years)	Agreed Slippage in year	Slippage b/f	Total Capital Plan 2024/25	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2024/25	Actual expenditure incurred to date	Forecast Expenditure	Total Expected Expenditure in 24/25	Forecast over / (under) spend	
F & R 14/10/2022	Keighley	0	0	1,289,215	3,484,206	4,773,421	0	0	0	1,500,000	6,273,421	1,723,847	4,549,000	6,272,847	(574)	
	Halifax	50,000	0	100,000	0	150,000	0	0	0	0	150,000	0	0	0	(150,000)	
	Huddersfield	1,050,000	0	100,000	0	1,150,000	0	0	0	0	1,150,000	0	0	0	(1,150,000)	
	FSHQ Offices/Training Arena	0	2,099,942	2,154,340	5,307,282	9,561,564	0	0	0	0	9,561,564	4,952,998	2,044,098	6,997,096	(2,564,468)	
	FSHQ Fire Station	0	0	0	0	0	0	0	0	0	0	746,092	0	746,092	746,092	
	FSHQ BA/ICT	0	0	0	0	0	0	0	0	0	0	1,057,310	0	1,057,310	1,057,310	
	FSHQ TRTC	0	0	0	0	0	0	0	0	0	0	694,502	0	694,502	694,502	
	TOTAL	1,100,000	2,099,942	3,643,555	8,791,488	15,634,985	0	0	0	1,500,000	17,134,985	9,174,749	6,593,098	15,767,847	(1,367,139)	

Capital Budget Monitoring 2024/25
Service Support - ICT

Committee Approval	Details of Scheme	Capital Plan 2024/25					Adjustments to the Capital Plan in 2024/25					Capital Expenditure 2024/25			
		Capital Bids 2024/25	Agreed 24/25 from 23/24 (Schemes over 2 years)	Agreed Slippage in year	Slippage b/f	Total Capital Plan 2024/25	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2024/25	Actual expenditure incurred to date	Forecast Expenditure	Total Expected Expenditure in 24/25	Forecast over / (under) spend
F&R 17/4/24	VM Server Hardware	140,000	0	0	0	140,000	0	0	0	0	140,000	0	75,500	75,500	(64,500)
F&R 17/4/24	VDI server replacement	80,000	0	0	0	80,000	0	0	0	0	80,000	0	80,000	80,000	0
F&R 17/4/24	Mobile Phone replacement	225,000	0	0	0	225,000	0	0	0	0	225,000	0	225,000	225,000	0
F&R 17/4/24	DMZ server replacement	40,000	0	0	0	40,000	0	0	0	0	40,000	0	0	0	(40,000)
F&R 17/4/24	PC replacement programme	200,000	0	0	0	200,000	0	0	0	0	200,000	0	200,000	200,000	0
F&R 17/4/24	Kemp Virtual Load balances	20,000	0	0	0	20,000	0	0	0	0	20,000	0	0	0	(20,000)
F&R 17/4/24	Visitor Management Solution	11,000	0	0	11,000	22,000	0	0	0	0	22,000	0	0	0	(22,000)
	Additional resource for HR & Rostering	0	0	0	18,655	18,655	0	0	0	0	18,655	0	0	0	(18,655)
	ICT Station Equipment	0	0	0	1,393	1,393	0	0	0	0	1,393	0	0	0	(1,393)
F & R 15/07/2022	UPS on Stations	0	0	0	88,599	88,599	0	0	0	(88,599)	(0)	0	0	0	0
F&R 14.04.23	MDT Software	0	0	270,471	37,328	307,799	(250,000)	0	0	(49,776)	8,023	8,023	0	8,023	0
MB 17/01/2024	Prevention tablet refresh	0	0	0	20,568	20,568	0	0	0	0	20,568	24,947	0	24,947	4,379
F&R 17/4/24	Data Transfer centre	0	0	250,000	0	250,000	0	0	0	0	250,000	0	250,000	250,000	0
F&R 20/10/23	Print Solution	0	0	102,538	0	102,538	0	0	0	(38,000)	64,538	0	65,000	65,000	462
	TOTAL	716,000	0	623,009	177,543	1,516,552	(250,000)	0	0	(176,375)	1,090,177	32,970	895,500	928,470	(161,706)

Capital Budget Monitoring 2024/25

Service Delivery - Fire Safety

Committee Approval	Details of Scheme	Capital Plan 2024/25					Adjustments to the Capital Plan in 2024/25					Capital Expenditure 2024/25				
		Capital Bids 2024/25	Agreed 24/25 from 23/24 (Schemes over 2 years)	Agreed Slippage in year	Slippage b/f	Total Capital Plan 2024/25	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2024/25	Actual expenditure incurred to date	Forecast Expenditure	Total Expected Expenditure in 24/25	Forecast over / (under) spend	
N/A	Smoke Alarms	400,000	0	0	0	400,000	0	0	0	0	400,000	312,987	87,013	400,000	0	✓
	TOTAL	400,000	0	0	0	400,000	0	0	0	0	400,000	0	0	0	0	✓

Capital Budget Monitoring 2024/25

People and Culture - OHSU

Committee Approval	Details of Scheme	Capital Plan 2024/25					Adjustments to the Capital Plan in 2024/25					Capital Expenditure 2024/25			
		Capital Bids 2024/25	Agreed 24/25 from 23/24 (Schemes over 2 years)	Agreed Slippage in year	Slippage b/f	Total Capital Plan 2024/25	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2024/25	Actual expenditure incurred to date	Forecast Expenditure	Total Expected Expenditure in 24/25	Forecast over / (under) spend
MB 28/05/2024	OHU Equipment	17,745	0	0	0	17,745	0	0	0	0	17,745	9,970	0	9,970	(7,775)
	TOTAL	17,745	0	0	0	17,745	0	0	0	0	17,745	9,970	0	9,970	(7,775)

Capital Budget Monitoring 2024/25
Service Delivery - Operations

Committee Approval	Details of Scheme	Capital Plan 2024/25: Capital Bids 2024/25	Capital Plan 2024/25: Agreed 24/25 from 23/24 (Schemes over 2 years)	Capital Plan 2024/25: Agreed Slippage in year	Capital Plan 2024/25: Slippage b/f	Capital Plan 2024/25: Total Capital Plan 2024/25	Adjustments to the Capital Plan in 2024/25: Removal from Plan	Adjustments: Virement	Adjustments: Increase to Capital Plan	Adjustments: Slippage c/f	Adjustments: Revised Capital Plan 2024/25	Capital Expenditure 2024/25: Actual expenditure incurred to date	Capital Expenditure 2024/25: Forecast Expenditure	Capital Expenditure 2024/25: Total Expected Expenditure in 24/25	Capital Expenditure 2024/25: Forecast over / (under) spend
F&R 04/02/22	Command Support	0	0	43,785	0	43,785	0	0	0	0	43,785	0	0	0	(43,785)
F & R 03/02/23	Particulate Flash Hoods	0	0	80,000	0	80,000	0	(80,000)	0	0	0	0	0	0	0
MB 20/04/22	BA Cleaning & drying Units	0	0	0	36,890	36,890	0	0	0	0	36,890	13,518	23,000	36,518	(372)
MB 14/12/22	Wildfire Vehicle	0	0	0	102,348	102,348	0	0	0	0	102,348	0	0	0	(102,348)
MB 01/06/22	Ladders	0	0	50,000	59,973	109,973	0	(15,000)	0	0	94,973	80,970	29,002	109,972	14,999
F & R 03/02/23	Uniform	0	0	100,000	19,472	119,472	0	(119,472)	0	0	0	0	0	0	0
MB 01/06/22	Body Worn Cameras	0	0	67,515	0	67,515	0	0	0	0	67,515	0	67,515	67,515	0
MB 30/05/23 - Approved 23/24	Hose Reels	0	10,500	32,500	0	43,000	0	0	0	0	43,000	0	43,000	43,000	0
F&R 14/04/23	BA Cylinders	0	0	0	16,557	16,557	0	0	0	0	16,557	17,704	0	17,704	1,147
F&R 14/04/23	BA Compressors	0	0	0	130,000	130,000	0	0	0	0	130,000	147,593	50,000	197,593	67,593
MB 30/05/23	Dividing Breeches	0	0	30,000	0	30,000	0	0	0	0	30,000	0	30,000	30,000	0
F&R 14/04/23 / 24/06/24	2nd Thermal Image Camera	25,000	0	0	7,813	32,813	0	0	0	0	32,813	21,344	11,500	32,844	31
F & R 21/07/23	Multi role PPE	0	0	200,000	276,500	476,500	0	199,472	0	0	675,972	504,072	172,000	676,072	100
MB 06/12/23	Washing Machines	0	0	0	10,000	10,000	0	0	0	0	10,000	13,900		13,900	3,900
F & R 21/07/23	New Control Project	0	1,000,000	926,568	903,392	2,829,960	0	0	0	0	2,829,960	192,809	2,778,959	2,971,768	141,808
	BA Ancillary Equipment	0	275,000	0	0	275,000	0	0	0	(275,000)	0	0	0	0	0
	BA Sets & Charging Kits	0	837,000	0	0	837,000	0	0	0	(837,000)	0	0	0	0	0
N/A	Hydrants	360,000	0	0	0	360,000	0	0	0	0	360,000	289,144	70,856	360,000	(0)
F&R 17/4/24	Defibrillators	250,000	0	0	0	250,000	0	0	0	0	250,000	0	125,000	125,000	(125,000)
F&R 17/4/24	Featherweight/Light portable pumps	120,000	0	0	0	120,000	0	0	0	(120,000)	0	0	0	0	0
	Foam Branches and Ancillary equipment	45,000	0	0	0	45,000	0	0	0	(45,000)	0	0	0	0	0
MB 20/06/24	Gas tight suit replacement	24,000	0	0	0	24,000	0	0	0	0	24,000	6,258	15,000	21,258	(2,742)
MB 03/07/24	Lay flat hose and Hose reel tubing	65,000	0	0	0	65,000	0	0	0	0	65,000	48,598	15,000	63,598	(1,402)
MB 08/05/24	Lockers	60,000	0	0	0	60,000	0	0	0	0	60,000	9,355	60,000	69,355	9,355
	Mainline Branches	20,000	0	0	0	20,000	0	0	0	(20,000)	0	0	0	0	0
	MIBS Stretchers	55,000	0	0	0	55,000	0	0	0	(55,000)	0	0	0	0	0
F&R 17/4/24	Rescue Jackets	200,000	0	0	0	200,000	0	0	0	(200,000)	0	0	0	0	0
	Tirfors and Ancillary Equipment	60,000	0	0	0	60,000	0	0	0	(60,000)	0	0	0	0	0
MB 03/07/24	Trauma bag replacement	40,000	0	0	0	40,000	0	0	0	0	40,000	0	40,000	40,000	0
MB 20/06/24	Water Rescue Equipment	20,000	0	0	0	20,000	0	0	0	0	20,000	0	12,000	12,000	(8,000)
F&R 17/4/24	Breathing Apparatus Mechanical & drying units	112,000	0	0	0	112,000	0	0	0	(50,000)	62,000	0	62,000	62,000	0
MB 20/06/24	Vehicle Stabilisation strut	13,000	0	0	0	13,000	0	0	0	0	13,000	0	13,000	13,000	0
	Operational PPE 2020/21	0	0	0	0	0	0	0	0	0	0	12,523	12,523	25,046	25,046
	TOTAL	1,469,000	2,122,500	1,530,368	1,562,945	6,684,813	0	(15,000)	0	(1,662,000)	5,007,813	1,357,788	3,630,355	4,988,143	(19,670)

Capital Budget Monitoring 2024/25

Service Support - Training Centre

Committee Approval	Details of Scheme	Capital Plan 2024/25					Adjustments to the Capital Plan in 2024/25						Capital Expenditure 2024/25			
		Capital Bids 2024/25	Agreed 24/25 from 23/24 (Schemes over 2 years)	Agreed Slippage in year	Slippage b/f	Total Capital Plan 2024/25	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2024/25	Actual expenditure incurred to date	Forecast Expenditure	Total Expected Expenditure in 24/25	Forecast over / (under) spend	
	Virtual Reality	20,000				20,000	(20,000)				0	0	0	0	0	
	TOTAL	20,000	0	0	0	20,000	(20,000)	0	0	0	0	0	0	0	0	

Capital Budget Monitoring 2024/25
Service Support - Transport

Committee Approval	Details of Scheme	Capital Plan 2024/25					Adjustments to the Capital Plan in 2024/25					Capital Expenditure 2024/25				
		Capital Bids 2024/25	Agreed 24/25 from 23/24 (Schemes over 2 years)	Agreed Slippage in year	Slippage b/f	Total Capital Plan 2024/25	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2024/25	Actual expenditure incurred to date	Forecast Expenditure	Total Expected Expenditure in 24/25	Forecast over / (under) spend	
F&R 12/4/19	Welfare Vehicles	0	0	0	135,565	135,565	0	94,000	0	(230,000)	(435)	0	0	0	435	
	Airwave hardware	0	0	0	250,000	250,000	0	(239,000)	0	0	11,000	0	0	0	(11,000)	
F&R 19/4/24	Vehicle Replacement	3,000,000	3,403,000	0	3,660,892	10,063,892	(2,500,000)	0	1,858,000	(2,200,000)	7,221,892	5,923,927	1,171,574	7,095,501	(126,391)	
F&R 19/4/24	USAR Vans	0	0	0	280,000	280,000	0	55,000	0	(335,000)	0	0	0	0	0	
	Training Centre Telehandler	0	0	0	0	0	0	0	90,000	0	90,000	0	0	0	(90,000)	
F&R 19/4/24	Ladders	15,000	0	0	0	15,000	0	15,000	63,355	0	93,355	90,901	0	90,901	(2,454)	
	TOTAL	3,015,000	3,403,000	0	4,326,457	10,744,457	(2,500,000)	(75,000)	2,011,355	(2,765,000)	7,415,812	6,014,828	1,171,574	7,186,402	(229,410)	

OFFICIAL

Agenda item: 07

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

Finance and Resources Committee

Date:	31st January 2025
Submitted by:	Director of Finance and Procurement
Purpose:	To present a draft capital investment plan, a draft revenue budget and a Medium-Term Financial Plan 2025/26
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 2025/26 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 2025/26, a standstill budget, and a summary of activity in the current financial year.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Alison Wood, Director of Finance and Procurement, Alison.wood@westyorksfire.gov.uk 07500 075362
Background papers open to inspection:	Budget working papers
Annexes:	Appendix A – Capital Bids 2025/26 to 2029/30 Appendix B – Standstill Budget 2025/26

1 Introduction

This is a consolidated report which presents the Executive Leadership Team's proposals for: -

(i) A Capital Investment Plan for the five years to 2029/2030.
(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 Information

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.

Capital Plan

2.2 The Executive Leadership Team are proposing a five-year capital investment plan of £64.080m which includes expenditure of £10.438m in 2025/2026. This is analysed by department in the table overleaf.

2.3 The largest capital schemes in 2025/26 are the completion of the rebuild of Keighley Fire Station, the commencement of the rebuild of Huddersfield Fire Station and the implementation of the new command and control system.

2.4 The 2025/26 capital plan also includes:

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

2.5 Capital Plan including financing

DEPARTMENT	Forecast Outturn 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
CRMP	£15,767,847	£0	£0	£2,000,000	£6,000,000	£10,000,000	£18,000,000
Employment Services		£40,000	£0	£20,000	£0	£10,000	£70,000
Finance	£765,000	£800,000	£800,000	£800,000	£800,000	£800,000	£4,000,000
Fire Safety	£400,000	£400,000	£400,000	£400,000	£400,000	£400,000	£2,000,000
ICT	£928,470	£730,000	£1,120,500	£1,841,500	£483,000	£255,300	£4,430,300
Occupational Health and Safety Unit	£9,970	£34,400	£0	£0	£0	£0	£34,400
Operations Equipment	£5,033,143	£2,699,500	£890,000	£2,003,800	£1,671,500	£835,000	£8,099,800
Property	£1,531,394	£6,140,000	£9,420,000	£5,800,000	£3,000,000	£3,200,000	£27,560,000
Training Centre	£0	£177,400	£69,000	£69,000	£84,000	£69,000	£468,400
Transport	£7,186,402	£10,000	£0	£0	£0	£0	£10,000
Total	£31,577,226	£11,031,300	£12,699,500	£12,934,300	£12,438,500	£15,569,300	£64,672,900
Financing							
Borrowing	£20,284,226	£4,052,300	£9,499,500	£11,234,300	£10,988,500	£14,119,300	£49,893,900
Reserves	£9,493,000	£5,529,000	£500,000	£500,000	£500,000	£500,000	£7,529,000
Capital Receipts		£500,000	£1,750,000	£250,000			£2,500,000
Revenue Contributions	£1,800,000	£950,000	£950,000	£950,000	£950,000	£950,000	£4,750,000
Total	£31,577,226	£11,031,300	£12,699,500	£12,934,300	£12,438,500	£15,569,300	£64,672,900

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

Capital Financing

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

Capital Grants

2.8 The Authority does not anticipate the receipt of any capital grants in 2025/26.

Capital Receipts

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

2.10 From 2025/26 it is expected that the Authority will have capital receipts from the sale of the Service Delivery Centre, Cleckheaton Fire Station and Oakroyd Hall following completion of the FSHQ site re-development.

Borrowing

2.11 The balance of the expenditure will be funded by borrowing and the use of internal reserves, the table shows a total borrowing requirement of £49.301m over the period. The government provides no additional grant to assist the Authority with financing the capital plan.

2.12 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.

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

2.14 Due to the size of the capital plan over the next four years it is likely that the Authority will be required to take out external borrowing in Spring 2025, 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.

Reserves

2.15 The Authority has an earmarked reserve which is specifically for the funding of capital projects. Due to the nature of capital financing charges in the form of Minimum Revenue Provision (MRP) it is proposed that the purchase of long-life assets is funded from the capital financing earmarked reserve. This means that the only cost to revenue will be the interest charge on external loans and taxpayers of West Yorkshire will not be subject to MRP charges over the next forty years (i.e.) the life of the asset. For example, an asset costing £1m with an estimated life of 40 years the average annual charge of MRP and interest in revenue would be £67k per annum, this saving means that the Authority can spend this money on other areas. To put this into financial context, if the Authority had to borrow in full the cost of the FSHQ development of £31m, the annual cost to revenue would be £2.077m. over the life of the asset which is 40 years this would amount to £83m.

2.16 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.

2.17 The capital finance reserve, which has a balance of £15.1m as of the 1st of April 2024, will be used on the re-development of FSHQ and the remainder will be used to fund the rebuild of Huddersfield Fire Station. If the Authority underspends the revenue budget in 2024/25, this will be transferred to the capital finance reserve.

3. Prudential Indicators

3.1 The CIPFA Prudential Code requires that local authorities produce a number of prudential indicators before the beginning of each financial year and have them approved by the same executive body that approves the budget. The purpose of the indicators is to provide a framework for capital expenditure decision making, highlighting the level of capital expenditure, the impact on borrowing levels, and the overall controls in place to ensure the activity remains <u>affordable, prudent, and sustainable</u>. 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

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

Capital Expenditure, Capital Financing Requirement and External Debt

3.3 The Authority’s capital expenditure projections, from para 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 2025/26 £000's	Estimate 2026/27 £000's	Estimate 2027/28 £000's	Estimate 2028/29 £000's
CFR	68,831	74,146	81,318	87,534

3.4 The table shows an estimated borrowing requirement of £83.829m by 2028/29 which reflects the size of the capital plan and the need to take out external borrowing in 2025/26.

Limits to Borrowing Activity

3.5. 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 2024/25 and the next two financial years. This allows some flexibility for limited early borrowing for future years.

3.6 The Authority comfortably complied with the requirement to keep net borrowing below the relevant Capital Financing Requirement in 2024/25, and no difficulties are envisaged for the current or future years.

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

3.8 The Authorised Limit 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.

3.9 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.

	2025/26 £000's	2026/27 £000's	2027/28 £000's	2028/29 £000's
Authorised Limit for External Debt	65	74	86	97
Operational Boundary for External Debt	60	69	81	92

Affordability Prudential Indicators

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

3.11 Ratio of financing costs to net revenue stream.

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

	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28	Estimate 2028/29
Ratio of Financing costs to net revenue stream	6.11%	5.86%	5.71%	5.54%	5.38%

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

4. Revenue Budget and Medium-Term Financial Plan

4.1 Whilst the Authority will only be required to approve the budget and precept for 2025/26 it is important that the Authority consider the medium-term impact of the decision.

This section is split into five key areas: -

1 Review of the economy, cost pressures and the current year's budget position
2 The cost of a standstill budget for 2025/26
3 The draft Local Government Finance Settlement
4 Medium-Term Financial Plan
5 Reserves

National Overview

4.2. The country is continuing to face difficult economic times with high inflation, the highest interest rates in fifteen years and the general cost of living crisis. Although inflation has fallen, the cost of goods and services and the delivery of the capital plan has not reduced.

4.3 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.

4.4 This business case report, named the Fire Spending Proposal, was updated in September 2024 to reflect the current budgetary pressures affecting Fire and Rescue Authorities and was submitted to the Treasury to support additional and sustained funding for the fire sector. In return the fire sector will continue to deliver the efficiency and productivity commitments made in the last spending review.

4.5 The business case highlighted the cost pressures that are currently being faced across the sector:

- Increases in costs associated with fire reform such as new national fire standards, NJC reform and the College of Fire and Rescue.

- Potential that the new costing regime for the Building Safety Regulator is not cost neutral and could incur additional costs for the Authority if all work is not chargeable.

- Costs associated with achieving environmental targets such as net zero and costs incurred which are due to extreme weather conditions from flooding and wildfires.

- Costs associated with recommendations that fall out of the Grenfell Tower Phase 2 report which was published in September 2024.

- The fire standard on driver training and section 19 of the Road Safety Act has created additional driver training requirements which requires additional resources.

4.6 The business case requested the following to be considered in the Local Government Finance Settlement for 2025/26:

- Precept flexibility of £5 on a band D property, the current increase without holding a referendum is 2.99%. A £5 precept will provide the Authority with an additional £2.3m of council tax funding from that included in the 2025/26 Medium-Term Financial Plan.

- All grants continue to be fully paid, are rolled into core funding, and uplifted by CPI inflation. The receipt of annual grants does cause financial uncertainty as these have been subject to reductions in recent years. For example, the services grant has reduced from £1.7m to £0.173m over the past 3 years, a reduction of some 90%.

- Reintroduction of capital funding, Fire and Rescue Services unlike Local Authorities and the Police receive no capital funding. All capital expenditure has to be funded by either internal or external borrowing.

4.7 The business case was supported by a letter from the Chair of the Authority to our local MPs, and ministers at MHCLG and the Treasury.

4.8 Details of the Local Government Finance Settlement are provided in Section 5.2 of this report, but as a summary, precept flexibility of £5 was approved for Fire and Rescue Services but the other two requests were unsuccessful. The Funding Guarantee and the Services Grant have been removed and no capital funding was allocated to the fire sector.

Local Government Spending Review 2025

4.9 On the 12th of December, the Chancellor Rachel Reeves published the details of the upcoming Local Government Spending Review which is due to commence in March 2025. The outcome of the Spending Review will result in a multi-year settlement for the Local Government Sector.

4.10 During the review Government departments will be expected to find savings and efficiencies in their budgets, in a push to drive out waste in the public sector and ensure all funding is focused on the government's priorities. Every single pound the government spends will be subjected to a line-by-line review to make sure it's being spent to deliver the Government's Plan for Change and that it is value for money.

4.11 It will be the first time in over a decade that government departments have been asked to take such an approach, with what's called a "zero-based review" last undertaken 17 years ago.

4.12 Departments will need to ensure budgets are scrutinised by challenge panels of external experts including former senior management of Lloyd's Banking Group, Barclays Bank and the Co-operative Group. Panels will bring an independent view to what government spend is or isn't necessary, with a mixture of expertise from local delivery partners, think tanks, academic experts and private sector backgrounds. Departments will be advised that where spending is not contributing to a priority, it should be stopped.

Local Authority Funding Reform

4.13 The Autumn 2024 Budget announced the Government's intention to pursue a comprehensive set of reforms to place local government in a more sustainable position, based on a deprivation-based approach in 2025/26 followed by broader reform through a multi-year settlement from 2026/27. The current system is no longer fit for purpose with differences in assessments of how much different councils need to spend and how much they can raise themselves via council tax were last updated in 2013/14. Reform has been discussed for a number of years which was previously called "The Fair Funding Review".

4.14 The government's view is that there is a strong rationale for retaining a bespoke formula for Fire and Rescue Services and as such fire would be out of scope of this review. The government is considering updating the existing fire and rescue services Relative Needs Formula which was last updated over a decade ago and will be using data that is no longer reflective of the current need for Fire and Rescue Services. The current formula includes a basic allocation of funding per resident, with adjustments for coastline, population density and sparsity, deprivation, fire risk areas and community fire safety.

4.15 Consultation on the Local Authority Funding Reform was released at the same time as the Local Government Finance Settlement on the 18th of December and closes on the 12th of February 2025.

Fire Funding Reform – Business Case for Sustained Fire Funding

4.16 To support the fire sector's case in the 2026/27 spending review, NFCC, LGA and the Home Office will be submitting a business case to support funding fire reform.

It's worth pointing out that fire is not deemed to be a protected service unlike the NHS, defence and education so it is vital that the business case addresses the need for sustained and increased funding for the fire sector.

4.17 The business case will detail the following areas of investment that are required in the fire sector:

- Responding to Grenfell recommendations which will require an increase in fire protection employees to implement them.
- Maintaining firefighter health, safety and wellbeing by addressing issues of contaminants
- Addressing culture, inclusion and misconduct issues to ensure that fire and rescue services are open, inclusive and professional places to work.
- Further professionalism of fire and rescue services supported by the development of a College of Fire.
- Maintaining and improving the capital infrastructure of the service
- Improving the use of technology to deliver innovation and further improve efficiency and effectiveness.
- The need for capacity and capability to respond to new and emerging risks including wildfires, flooding, extreme weather events linked to climate change and new technologies such as the increased use of lithium-ion batteries.

4.18 The business case will be split into three areas

- Financial resilience to ensure that core spending power keeps pace with inflation, council tax flexibility continues at £5, pension funding is continued and rolled into core spending and funding is continued for national resilience assets.
- Significant capital investment to support fire fighter wellbeing and cultural improvements in fire buildings.
- Fund a nationally improved prevention infrastructure.

The business case is a work in progress and once completed and submitted I will update members accordingly.

Economic Overview

4.19 In terms of the overall economic position, the Consumer Price Inflation (CPI) has decreased steadily through to September 2024, where it hit 1.7%, the lowest level since April 2021. However, in both October and November CPI rose to 2.3% and 2.6% respectively with economists expecting to rise higher by the end of 2024. It must be noted that inflation forecasts are subject to change and are dependent on the world economy.

4.20 The Bank of England's monetary policy committee at its meeting on the 18th of December voted to keep interest rates at 4.75%. Our treasury management consultants, Link Group, forecast that the bank rate will reduce during 2025, but will be dependent on a fall in inflation.

4.21 The increase in interest rates is having a favourable effect on the Authority's investment income, it is forecast that in 2024/25 £1.400m will be earned in investment income. This is significantly higher than that received when interest rates were low which was £0.100m in 2021/22. This increase in investment income is used to support the capital plan.

4.22 It must be recognised that the Authority has used its cash reserves to pay for the development of FSHQ and as such the amount earned in investment interest will be somewhat reduced in 2025/26.

Financial Overview of West Yorkshire Fire and Rescue

4.23 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. During the peak period (17.00 to 21.00), the service responds to five new incidents every hour, often requiring more than one fire engine to each incident. On top of this business-as-usual demand, the service has responded to thirty emergencies requiring eight or more fire engines. The occurrence of wildfires and flooding and the associated financial pressures it brings has increased over the past few years, however, government funding has not increased to reflect this financial burden.

4.24 The Authority considered its revenue budget and precept strategy on the 29th of February 2024 and approved a precept increase of 2.99% resulting in a Band D property precept of £79.49. West Yorkshire Fire and Rescue still remains the fourth lowest precepting Fire Authority in England and Wales.

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

Pay Awards

4.25 Because employee costs constitute 75% of our expenditure, the impact of pay awards can have a significant impact on the revenue budget. Fortunately, the Authority approved a pay award provision of 5% in 2024/25 which was 1% over the agreed pay award. This saving enabled the service to run a mini budget review in June which saw new bids amounting to £0.379m being approved. For every 1% increase in the pay award over and above budget provision costs an additional £0.664m for all staff groups.

4.26 Both the Fire Brigades Union and Unison will likely submit a request for pay rises which are in excess of inflation and in line with those already approved for the public sector in 2024; teachers, NHS workers received a pay increase of 5.5% and Police 4.75%.

4.27 Increases to the National Living Wage will impact the support staff budget. Although the Authority's lowest grade pays higher than the National Living Wage (NLW), the margin is becoming reduced. In April 2025 the NLW is to increase to £12.21 an hour an increase of 6.7%, the lowest grade employee at West Yorkshire receives an hourly rate of £12.65.

Industrial Action

4.28 Finance and Resources Committee in October 2022 approved the creation of a new earmarked reserve for industrial action by the transfer of £1.00m from the pension ill health reserve. There is currently a balance of £0.610m in the reserve. In addition the Authority has continued to train and employ contingency crews albeit on a much-reduced level. The threat of industrial action has not gone away, as mentioned in section 4.26 the FBU have yet to submit a pay request which if unaffordable by fire and rescue services could result in industrial action.

4.29 The Authority needs to ensure that it has the funding to manage this should it occur. If such costs from industrial action could not be met from existing budgets the Authority would need to call upon its reserves. If the reserve were fully spent, funding from existing revenue budgets would be required. More detail on reserves is provided in section 9 of this report.

Pensions

4.30 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, the increase in employers pension contribution rates to 37.6% from the 1st of April 2024. This increased employer contributions by £3.590m which is included in base budgets.

4.31 Unfortunately, this increase in pension contributions is not fully funded by the Home Office, the amount of grant received is £2.915m, amounting to a shortfall of £0.675m equating to 81% being funded by grant. This grant has not been increased by the corresponding pay award of 4% and will be paid cash flat in 2025/26. However, because the grant is not included in our core funding, there is always uncertainty regarding the continuation of the grant, as the Home Office has to submit a bid to the Treasury each year to secure the funding.

4.32 The Director of Finance and Procurement has provided data to the Home Office to support an increase in pension grant for West Yorkshire.

4.33 In addition, there are the financial burdens from the O'Brien/Matthews case which effects our on-call firefighters. The Matthews case will introduce a second options exercise for on-call firefighters to join the Firefighters Pension Scheme 2006 from the start date of their employment. This will pose an administrative burden on the

Authority and changes to employers' rates will be included in the 2024 Government Actuary Department (GAD) actuarial valuation. These increases will take effect from April 2026.

National Insurance Funding

4.34 The Government will increase Employers National Insurance Contributions by 1.2% to 15% from April 2025 and reduce the per-employee threshold at which employers become liable to pay National Insurance from £9,100 to £5,000. This change has increased employee budgets by £2.095m. The Local Government Settlement provided details on how local government will be reimbursed for this increase. Although final funding allocations will not be available until the final settlement is released at the end of January, the government has provided details on the formula that will be used to distribute the grant. £515.00m has been allocated to MHCLG for the increased NI cost and included in this is £17.00m which has been specifically earmarked for Fire and Rescue Services. The formula is based on net current expenditure for each Local Authority, Fire Authority and Police Authority in 2024/25 (with some exclusions) which is collected on a central Government return called the Revenue Outturn.

4.35 Initial calculations have shown that West Yorkshire will receive £0.747m of grant for the NI increase, a shortfall of £1.348m which equates to 36% funding. All Fire Authorities will have a similar proportion shortfall in grant which the Home Office is aware of.

New Burdens

4.36 The Authority has received one off grants in 2024/25, to fund the financial pressures of the implementation of the Building Safety Bill, totalling £0.310m. Although this funding is welcomed, it is not built into the Authority's base budget and any spending commitments that extend beyond the grants will have to be funded from existing budgets. This means that long term spending plans cannot be based on one-year grants without no certainty of receiving the grants going forward.

4.37 The introduction of more thorough DBS checks for employees and the need to comply with the new Driver Training Fire Standard has resulted in additional financial burden for the Authority, amounting to £0.250m per annum. The Authority has received no additional funding to meet these new burdens.

4.38 Moreover, the Authority received notification from the Home Office in June 2022 that the Fire Link Grant is to be reduced by 20% each year over the next five years. The loss of grant in 2025/26 is £0.089m.

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

Inflationary pressures

4.40 Although inflation is reducing, the impact of inflation is continuing to have an impact on the Authority. The budgets for electricity and vehicle fuel were increased by £1.041m in 2023/24 and there has been no reduction in the cost of goods and services during the current financial year. It is expected that the increase in NI from April 2025, will push up prices in the private sector which could impact the cost of the Authority's existing and future contracts.

4.41 There have been large increases in the cost of capital schemes over the past two years, with both the re-development of the FSHQ site and the rebuild of Keighley Fire Station realising a 40% increase in cost against estimates. Initial estimates for the rebuild of Huddersfield fire station, is showing a 300% increase in cost from similar rebuilds completed pre covid.

4.42 The capital plan also includes provision to rebuild Halifax fire station over the next three years which may also experience even higher price increases. In addition, unless the capital finance reserve is "topped up," the Authority will have to borrow to pay for the rebuilds. This increases the capital financing charges which are charged to the revenue budget.

Data and Digital Strategy

4.43 The implementation of the data and digital strategy and the introduction of new technology is creating an increasing cost pressure on the revenue budget. This is because the purchase of software licences and ICT development is chargeable to revenue and cannot be capitalised. Previously, the Authority would purchase the system and host it on Authority owned servers which is a capital cost but now most systems are accessed via the cloud and as such the Authority does not own the system. If the Authority is to continue in its ICT transformation, there will need to be ongoing increases in the revenue budget in the Medium-Term Financial Plan to facilitate this.

Commitment to Net Zero

4.44 The Environmental Sustainability Strategy 2023-25 sets out how the Authority will reduce its impact on the environment. The new FSHQ has been designed to have the latest energy efficient technologies including LED lighting, smart thermostats, solar panels, water- saving fixture to name a few. Although these will reduce the cost of electricity, these advanced systems will require detailed management and maintenance which was not required in the previous HQ. A revenue bid totalling £0.150m has been submitted by the Head of Estates to recognise the increase in maintenance of the new HQ.

Financial Position 2024/25

4.45 In terms of the financial outturn, the Authority is forecast to under-spend the revenue budget by a forecast £0.184m for the current financial year. Any budget underspends will be used to make additional voluntary minimum revenue provision charges or make additional contributions to the capital financing reserve, which will reduce the Authority's capital financing requirement and reduce the revenue cost of the capital plan over the long term.

Background on West Yorkshire Central Government Funding

4.46 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.

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

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

The one-year settlements over the past five years have included no real terms growth in funding as central government grants were only inflated by CPI.

A Standstill Budget for 2025/26 – Maintaining the current level of service

4.48 A standstill budget has been prepared for 2025/26, for the purpose of providing a baseline from which to measure changes in the proposed budget. This is calculated by updating the 2024/25 budget for increases in pay and prices, new capital financing charges and other budget calculation adjustments. A standstill budget for 2025/26 would amount to £113.795m.

The changes from the 2024/25 budget are detailed in the table below.

2024/25 approved revenue budget	£m 112.904
Pay and price increase 2025/26	
Employee Inflation	2.786
Non Employee Inflation	0.453
Budget Adjustments	-1.194
One off Revenue Bids in 2024/25	-1.153
2025/26 Standstill Budget	**113.795**

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

4.49 The main changes to the 2024/25 budget are explained below:

a) **Pay and Price Increases** These represent the full year effect of the 2024/25 pay awards for operational staff and a provision for a 4% pay award for all staff in 2025/26. It also includes price increases that have been built into the base budget for 2025/26.

b) **Budget Adjustments** The revenue budget is calculated on a zero-based budget basis, so the budget adjustments represent the changes between the budget calculations in 2024/25 and 2025/26.
For example, the changes could be one off costs, reductions in costs due to contract renewals, demand changes etc.

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

A subjective analysis of the Standstill budget for 2025/26 is shown in Appendix B.

Revenue Balances

4.50 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 2024 and is published on the Authority's website.

The strategy for the use of reserves to support the Medium-Term Financial Plan is detailed in section 9 of this report.

Minimum Revenue Balance

4.51 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.

4.52 As of the 1st of April 2024 the Authority had £5.700m of general fund reserves and £25.986m in earmarked reserves.

4.53 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.

4.54 The General Fund reserve balance of £5.700m represents 4.8% of the draft revenue budget, which is in line with the National Framework guidance on balances.

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.

5.2 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 Ministry of Housing, Communities and Local Government (MHCLG) the SFA is comprised of Revenue Support Grant (RSG) and Baseline Funding levels which is the Business Rates Top Up grant which is the governments projection of the Authority's 1% share of the business rates income raised in West Yorkshire. The Authority also receives specific grants from the Home Office to fund pensions, national resilience, and fire protection.

Draft Settlement

5.3 The provisional Local Government Settlement was published on the 18th of December 2024 and is subject to a four-week consultation period which closed on the 15th of January 2025. Much of the methodology for the Provisional Statement was set out in a policy statement published on the 28th of November 2024.

The provisional grant allocations for 2025/26 are shown in the table below.

	2024/25 Actual £m	2025/26 Draft £m
Settlement Funding Assessment:		
Revenue Support Grant	20.783	21.137
	20.783	**21.137**
Base line funding (business rates)		
Top Up Grant (Central Pool)	18.499	18.703
Top Up (Local)	8.273	8.364
Local Government Finance Settlement	**47.555**	**48.204**

5.4 The revenue support grant has increased in line with September CPI, which was 1.7% and overall baseline funding has increased by 1.1% which a combination of the freezing of the small business rates multiplier, an increase in the standard multiplier to 55.5p, and the 1.7% CPI uplift on baseline funding levels.

5.5 The Local Government Finance settlement for 2025/26 has increased by £0.648m. Unfortunately, the reduction in CPI inflation in September to 1.7% had an adverse effect on the amount of core funding to be received in 2025/26. Included in the Medium-Term Financial Plan was a 2% assumption for CPI inflation increase, this 0.3% reduction resulted in a £0.142m reduction in central government funding. Moreover, inflation is currently at 2.7%, meaning that there are real terms cut in the settlement funding assessment.

The final settlement will be issued early February.

Core Spending Power

5.6 The core spending power is a measure of the estimated resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the Local Government Finance Settlement.
In the draft Local Government Finance settlement, the average increase in core spending power across the Local Government sector is a 6% increase, with Metropolitan District Councils receiving the largest increase of an average of 8.6%. Core spending power for all standalone Fire Authorities has increased by 2.8%.

The 2025/26 core spending power for West Yorkshire has increased from £108.689m in 2024/25 to £111.925m in 2025/26, an increase of 2.98%. The core spending power increase comprises inflationary increases to the settlement funding assessment, an assumed tax base growth of 1.0%, a precept increase of £5 for a Band D property and increases for the under indexing of the business rates multiplier.

Changes to Grants 2025/26

5.7 The following grants (applicable to fire and rescue authorities) are to be removed in 2025/26:

a) The Funding Guarantee Grant was introduced in 2024/25 to ensure that all authorities received at least a 4% increase in their core spending power before council tax is increased. The 2025/26 settlement announced that this funding guarantee has been adjusted so that the increase in council tax is now included in the calculation and that eligibility to receive the grant is based on whether an Authority maintains its core spending power in cash-terms (i.e. no increase is factored into the formula). Thus, if council tax is increased then no Authority will receive the funding guarantee grant. In 2024/25, West Yorkshire received £1.369m of funding guarantee grant. The Medium-Term Financial Plan assumed a 50% reduction in this grant based on the uncertainty surrounding the continuation of annual grants not rolled into core funding.

b) The Services Grant has also been removed, the amount of grant the Authority received had significantly reduced from £1.700m in 2022/23 to £0.173m in 2024/25. Once again, the Medium-Term Financial Plan assumed a 50% cut in this grant in 2025/26.

c) The Rural Services Delivery Grant was payable to fire and rescue services who faced financial challenges in providing a fire service in rural areas. West Yorkshire have never received this funding allocation.

5.8 The settlement announced the introduction of two new grants; The Children's Social Care Grant totalling £0.25 billion and a one-year Recovery Grant totalling £0.60billion. The Recovery Grant is to be allocated based on deprivation and councils that have low council tax bases. Almost all metropolitan districts (33 out of 36) will receive a proportion of this grant.

Prior to the draft settlement, it was hoped that the Authority may receive a share of an unallocated proportion of the recovery grant as the Authority covers some of the largest areas of deprivation in England. However, it has been confirmed that no Fire and Rescue Authority will receive a share of this grant.

National Insurance Grant

5.9 This is a new grant payable in 2025/26 to compensate local government for the increase to employers' national insurance from the 1st of April 2024. As explained in section 4.34, the Authority is expected to receive £0.747m of this grant which represents a shortfall of £1.348m. The final grant to be received will be released with the final Local Government Finance Settlement in early February. As such this is still subject to change.

Under Indexation Grant

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

5.11 The government announced in the Autumn Statement that the small business rate multiplier for 2025/26 will be frozen at 49.9p and the standard business rates multiplier will be frozen at 55.5p. Local authorities are compensated from this freeze by a Section 31 grant called the Under Index Grant. The calculation of the grant has become very complicated due to the uncoupling of the small and standard business rates multiplier in 2024/25. The Director of Finance and Procurement has been working closely with CIPFA to determine the correct methodology for the fire sector.

5.12 It has been estimated that the Authority will receive £3.756m of under index grant direct from central government in 2025/26 and the proportion of under index grant due from the five district councils will be known after the submission of the National Non- Domestic Rates Return (NNDR1) on the 31st of January 2025.

Business Rates

5.13 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.

5.14 The settlement indicates the Authority will receive £27.068m in business rate income with £18.703m paid directly from central government in the form of top up grant and the balance of £8.365m being paid by the five district councils which equates to 1% of the income they collect.

5.15 The Authority in addition receives Section 31 grant to compensate for any policy changes introduced around local business rates. The district councils confirm the size of grant when they submit their National Non-Domestic Rate returns (NNDR1) to the MHCLG by the 31st of January. The government has provided local councils with a number of grants to ease the burden of the cost-of-living crises on businesses, this means that the size of section 31 grant attributable to fire may be significantly different than that included in the funding estimates in the Medium-Term Financial Plan. The budget report will include the actual section 31 grants declared by the district councils.

5.16 Business Rates baselines will be reset in 2026/27, the first in over a decade. The intention of the reset is to ensure funding is targeted where it is needed most and restoring the balance between aligning funding with need and rewarding business rates growth. The impact on the Fire Authority is unknown but it is expected that the Government will introduce transitional arrangements to take into account the financial impact of the reform.

Collection Fund

5.17 The district councils collect West Yorkshire Fire's share of council tax on our behalf and manages this through a collection fund, if the collection rate is higher than expected this generates a collection fund surplus. Conversely, if the collection rate is set higher than actual receipts this will cause a collection fund deficit. The Authority has in previous years (excluding 2020/21) benefited from a collection fund surplus, which is used to support the revenue budget.

5.18 Returns from one district councils are currently declaring a council tax and business rates deficit of £0.098m, this position will change once all returns have been received.

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

Tax Base

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

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

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

5.20 The five district councils have declared an average tax base increase of 1.33% in 2025/26 which is higher than the 1.1% forecast increase included in the 2024/25 Medium-Term Financial Plan, this has generated an additional £0.133m of precept income than that forecast. The lowest increase was Wakefield at 0.27% and the highest been Calderdale at 3.48%.

Referendum Principles

5.21 The Draft Local Government Finance Settlement has set the basic referendum limit for Fire Authorities at £5 in 2025/26 and 2.99% for local authorities.

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

The referendum threshold for the Police and Crime Commissioners has been set at £14 (£13 in 2024/25).

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

Precept Income

5.22 As Members are aware, the Authority is also dependent upon precept income from the five districts which will provide £54.389m of its income in 2024/25. This income is dependent upon two factors, namely the size of the tax base and the precept set by the Authority.

5.23 A precept increase of £5, would generate an additional £4.191m in 2025/26 of precept income from that generated in 2024/25.

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

Precept Increase £5

	Annual	Per month	Per Week	Increase from 24/25
Band A	£56.33	£4.69	£1.08	£3.34
Band B	£65.71	£5.48	£1.26	£3.89
Band C	£75.10	£6.26	£1.44	£4.45
Band D	£84.49	£7.04	£1.62	£5.00

Precept Increase 2.99%

	Annual	Per month	Per Week	Increase from 24/25
Band A	£54.58	£4.42	£1.02	£1.59
Band B	£63.67	£5.15	£1.19	£1.85
Band C	£72.77	£5.89	£1.36	£2.11
Band D	£81.87	£6.62	£1.53	£2.38

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 Director of Finance and Procurement uses a Risk Management Matrix to calculate the minimum level of balances.

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

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

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

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

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

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

7. Revenue Budget 2025/26

7.1 The table below shows the revenue budget and estimated funding for 2025/26 and shows the impact of a precept increase of £5 and an increase in precept of 2.99%. Based on estimated funding, if members decide to increase the precept by £5 or 2.99%, the Authority either deliver a balanced budget or require the use of reserves of £1.838m respectively.

	£5	2.99%
Revenue Budget	**£m**	**£m**
Standstill Budget	115.966	115.966
Revenue Bids	1.247	1.247
Cost pressures	0.226	0.226
Budget 2025/26	**117.439**	**117.439**
Funding		
Revenue Support Grant	21.137	21.137
Business Rates - Top Up	18.703	18.703
Business Rates - Local Share	8.364	8.364
Business Rates - Local Share Adjustment	-0.238	-0.238
Collection Fund Deficit	-0.120	-0.120
Business Rates Deficit (net)	-0.065	-0.065
Section 31 Grant - Local Share	3.311	3.311
Under Index Grant	3.756	3.756
National Insurance Grant	0.746	0.746
Services Grant	0.000	0.000
Funding Guarantee	0.000	0.000
Pension Grant	2.916	2.916
Precept income	58.582	56.744
Recruitment Reserve	0.347	0.347
Funding 2025/26	**117.439**	**115.601**
Budget Deficit	**0.000**	**-1.838**

The grants highlighted in orange are provisional figures and will be confirmed once the NNDR1 returns are received from the district councils and the final settlement is received from MHCLG.

Budget Calculations

7.2. The Authority had a balanced budget in 2024/25 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 Director of Finance and Procurement accompanied with an action plan for correction or re-alignment.

7.3 The transfer of budgets to contingencies that were approved at Finance and Resources in July and October 2024 and increases and changes to employee budgets approved at People and Culture Committee in March and July 2024 have been incorporated into the base budget for 2025/26.

7.4 The budget is calculated ensuring that each area of expense, whether it be revenue or capital, meets one or more of the Authorities' CRMP priorities:

a) Provide a safe, effective and resilient response to local and national emergencies
b) Focus our activities on reducing risk and vulnerability.
c) Enhance the health, safety, and well-being of our people.
d) Work with partners and communities to deliver our services.
e) Use resources in an innovative, sustainable, and efficient manner to maximise value for money.
f) Develop a culture of excellence, equality, learning, and inclusion.

7.5 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 the Executive Leadership Team 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 the Executive Leadership Team to ensure that it meets the service priorities.

Recruitment and Retirements

7.6 There are twenty-nine planned retirements, of which nine have already handed in their notice to retire and twenty-five new recruits in 2025/26, these are phased during the year, but due to external factors timings are subject to variation. The operational employee budget is calculated using the workforce plan which underpins the Community Risk Management Plan (CRMP). The workforce plan manages the recruitment process so that employee strength is aligned to the establishment, which is currently 937 wholetime employees.

Recruitment Reserve

7.7 It is forecast that the Authority will be 6 posts above establishment as of the 1st of April 2025, this is an additional cost of £0.347m which will be met from the recruitment reserve. This new reserve was approved at Finance and Resources Committee in July 2024 and will be used for periods when the Authority is running above establishment.

Capital Finance Reserve

7.8 The Authority has included provision in the capital plan to rebuild Huddersfield and Halifax fire stations within the next four years, and due to inflation, it is likely that these estimates will increase; the cost of both FSHQ and Keighley Fire Station rebuild increased by 40% from estimates. If the Authority does not use reserves for the replacement of long-life assets, it means that MRP charges will need to be applied to the rebuilds, which will be charged over the life of the asset (40 years).

7.9 It is thus important that the capital finance reserve is topped up, so that it can fund future station rebuilds. It is recommended that if there is surplus funding once the final settlement is determined it is transferred to the reserve in 2025/26.

Budget Growth, Savings and Cost Pressures 2025/26

7.10 In addition to the budget adjustments approved at committee during 2024/25 there are a number of areas of growth, savings and cost pressures that have been identified as part of the budget planning process. Revenue bids totalling £3.169m were submitted of which £1.247m of this growth is unavoidable and hence essential. Due to the draft current financial position, only the essential bids have been approved. If additional funding is provided at the Final Settlement, some non-essential revenue bids will be included in the revenue budget.

The £0.226m identified as cost pressures would have to be met regardless of funding levels.

i. Employee Budgets

a) A bid totalling £0.072m has been submitted for the extension to a fixed term post to project manage the rebuild of Huddersfield Fire Station; by managing this in-house, it saves the cost of employing consultants to manage the project which would be more costly.

ii. Non-Employee Budgets

b) £0.574m has been added to training budgets, the training budget has been reduced over a number of years, resulting in the number of training bids that have been submitted for 2025/26 has exceeded budget provision. This additional funding is essential to support safety-critical, mandatory and service priority courses and qualifications. This budget was increased for one year in 2024/25 and is forecast to be fully spent.

c) Currently, LGV training, assessment, and theory tests are conducted internally, with the driver training team completing an average of twenty-five LGV five-day courses per year. This approach offers flexibility and comes at a significantly reduced cost. Some individuals take up to 12 months to complete the LGV theory test, prolonging training periods thus delaying the availability of qualified drivers which then impacts appliance availability. Current capacity allows for only fifteen Emergency Fire Advanced Driving (EFAD) courses per year.

Outsourcing initial LGV training at a cost of £0.107m in 2025/26, will free up approximately 125 driver training days over the next three years. This additional capacity will enable the Driver Training school to increase Emergency Response Driving (ERD) courses from fifteen to thirty-two per year, thus increasing the number of fully trained ERD drivers.

d) £0.258m has been included for the increase in maintenance costs in the running of the new FSHQ, additional inspection costs for diesel tanks on fire stations due to contaminants and a small increase in the service and maintenance costs of EV chargers.

e) A move to clean cab ways of working and decontamination have seen a change in how often firefighter PPE is laundered. The kit has a lifespan of 50 washes which is less than under previous cleaning arrangements. A revenue bid of £0.150m is required to increase the stock of PPE as it is anticipated that the lifespan of the kit will be considerably reduced.

f) £0.058m has been included for an increase for the cost of the Mobile Data Terminal (MDT) licences and associated support and maintenance.

g) There are a number of smaller growth requests which are for water testing and Motion Picture Licencing Company licence costs totalling £0.028m.

iii. Cost Pressures

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

h) (£0.152m) has been deducted from employee budgets for vacancy management for support staff.

i) The overtime budget is forecast to overspend in 2024/25, this is due to increase in sickness, attendance on training courses and staff vacancies. A cost pressure was included in 2024/25 to fund this scenario which has been duly called upon to support the employee budget in this financial year. For prudency, a provision of £0.100m has been included to support the employee budgets if overtime remains at a high level in 2025/26.

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

k) A provision of £0.128m has been included in employer pension contributions to fund the cost of those firefighters who have opted out of a pension scheme, re-joining. This provision assumes that 25% may decide to opt back in.

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

iv) Budget Calculation Assumptions

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

- A precept increase of £5 in 2025/26, 2.99% each year thereafter.

- Tax base increases in 2025/26 of 1.33% and 1.1% increase each year thereafter.

- Pay increases for all staff groups of 4% in 2025/26, and 2% each year onwards.

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

- Central government grant to increase by September CPI inflation, at 1.7% in 2025/26 and 2% each year thereafter.

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

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

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

8. Medium Term Financial Planning (MTFP)

8.1 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.

8.2 As mentioned in the introduction to the report, the Authority will be asked to approve a four-year MTFP, including the revenue budget for 2025/26. The MTFP will address the key issues of central government funding, precept strategy, cost pressures and the use of balances. This will be discussed with political groups and presented to the Authority within the final budget report to the Authority in February.

Financial Planning April 2025 Onwards

8.3 Although members will be asked to approve the budget for 2025/26, the longer-term impact on the MTFP also needs to be considered.

The table below shows the MTFP from 2026/27 to 2028/29, based on a precept increase of £5 in 2025/26. For all the three years the Authority will need to either use reserves or find efficiency savings to balance the budget.

	2026/27 £000's	2027/28 £000's	2028/29 £000's
Employees	97,252	100,235	103,044
Non Employee expenditure	17,040	17,371	17,710
Capital Financing Charges	7,373	7,373	8,038
Income	-2,933	-2,808	-2,746
Revenue Budget	**118,732**	**122,171**	**126,046**
Cost Pressures	1,010	1,111	1,127
Revenue Growth			
Revenue Bids	1,142	1,143	1,069
Use of Reserves	**-399**	**-314**	**-401**
Net Budget Requirement	**120,485**	**124,111**	**127,841**
Funded by:			
Council Tax Precept	60,915	63,368	65,902
Collection Fund Deficits	-90	-50	0
Local Business rates	8,294	8,464	8,638
Revenue Support Grant	21,560	21,991	22,430
Top Up grant	19,077	19,458	19,847
Section 31 Grants	7,067	7,218	7,362
Pension Grant	2,916	2,916	2,916
National Insurance Grant	746	746	746
Services Grant	0	0	0
Funding Guaratee	0	0	0
Total Funding	**120,485**	**124,111**	**127,841**

The MTFP has been prepared considering the assumptions outlined in 7.11

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

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

Local Government Funding Projections

8.5 As detailed in section 4.9 of this report, the Government confirmed in the draft Local Government Settlement that there is to be a local government spending review in Spring 2025 that will review the current formula for the distribution of core funding to the local government sector. This is also known as the Review of Relative Needs and Resources (The Fair Funding Review). Although the fire sector falls outside the review, there is to be a separate review into the allocation of fire resources which will include the updating of current data sets. This could have an unfavourable impact on this Authority if current formula is changed significantly as a large proportion of funding is related to population and deprivation. There is also to be a reset of the retained business rates retention system in 2026/27 which will have an impact on the Authority's proportion of retained business rates it receives from the district councils.

8.6 It has been assumed that there will be no cuts to central base line funding from 2026/27 and that government grant will continue to rise in line with September CPI inflation. There has been no guarantee that the Authority will continue to receive the annual grants to cover the costs falling out of Grenfell and the Building Safety Bill for which the Authority received £0.310m in 2024/25, if these grants were ceased the Authority would have to meet these costs from existing budgets or stop the work on these projects.

8.7 It has been assumed that the new National Insurance Grant, the Pensions Grant and the Under Indexing of Business Rates grant, for which the Authority will receive an estimated £7.418m in 2025/26 will remain at the same level in future settlements. Because these are not built into the base budget, continuation at the same level cannot be guaranteed. The 2025/26 settlement has seen the removal of both the Services Grant and the Funding Guarantee Grant so caution must be exercised when making assumptions around the continuation of grants that are not rolled into core funding.

8.8 The effect on the cost of goods and services from inflation and ongoing supply issues due to the world economy may add further pressure to the revenue budget. Moreover, the impact of the increase of the rate of national insurance on the cost of goods and services from the 1st of April 2025 is unknown which could potentially push our costs higher.

8.9 As detailed in section 4.25 of this report the Authority is facing a number of cost pressures particularly around pay which constitutes 74% of total expenditure. These are the pressures on pay awards, and the increase in fire fighter employer contributions from the actuarial valuation of pensions. A one percent increase in the pay award from that budgeted would increase ongoing employee costs by £0.664m per annum.

8.10 As Director of 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.

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

8.12 There is a mandatory requirement for a Local Authority to undertake an assessment of their financial resilience, however this is not compulsory for Fire and Rescue Authorities. CIPFA have devised a model to facilitate the financial resilience. An assessment of the Authority's financial reliance was undertaken prior to the setting of the 2025/26 budget which included an assessment against the three indicators in the CIPFA model.

8.13 These indicators are usable reserve levels, social care ratio and gross external debt. Based on these indicators, the Director of Finance and Procurement has assessed that the Authority has strong financial resilience, in that, usable reserves amount to 29% of the 2024/25 annual revenue budget, there is no social care requirement, and the Authority has a low level of debt.

9 Reserves

9.1 Finance and Resources Committee approved the Reserves Strategy in October 2024.

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

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

9.2 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	Reserves 2024/25	Planned Use 2024/25	Planned Use 2025/26	Planned Use 2026/27	Planned Use 2027/28	Planned Use 2028/29	Closing Balance 31/03/2029
General Fund		-£5,700,000						**-£5,700,000**
		£0						
Transparancy	Government Grant	-£76,890						**-£76,890**
Regional Control Funding	Government Grant	£0						**£0**
Enhanced Logistical Support	Government Grant	-£188,209			£100,000	£88,209		**£0**
Decontamination of Body Bags	Government Grant	-£40,000						**-£40,000**
Council Tax Reform	Government Grant	-£27,000						**-£27,000**
Business Rate Appeals	Internal & Grant	-£1,301,160						**-£1,301,160**
Tax Income Guarantee	Government Grant	£0						**£0**
COVID19	Government Grant	£0						**£0**
Pension Admin Remedy	Government Grant	-£134,413	£30,000	£40,000	£40,000	£24,413		**£0**
Serious Violence Duty	Government Grant	-£4,592	£4,592					**£0**
Insurance Claims	Internal	-£440,068						**-£440,068**
Service Support Reserve	Internal	-£641,132	£50,000	£150,000	£150,000	£150,000	£141,132	**£0**
Pension Ill Health Reserve	Internal	-£3,436,844			£1,458,000	£1,458,000	£520,844	**£0**
Provision for pay and prices	Internal	-£1,069,075						**-£1,069,075**
Industrial Action	Internal	-£610,302						**-£610,302**
Recruitment Reserve	Internal	-£1,459,000		£347,000	£350,000	£350,000	£350,000	**-£62,000**
Capital Financing Reserve	Internal	-£15,163,848	£9,493,000	£5,529,000	£141,848			**£0**
ESMCP	Internal	-£247,084			£247,084			**£0**
Medium Term Funding Impact	Internal	-£2,000,000		£1,000,000	£1,000,000			**£0**
Total Earmarked		**-£26,839,618**	**£9,577,592**	**£7,066,000**	**£3,486,932**	**£2,070,622**	**£1,011,976**	**-£3,626,496**
TOTAL USABLE RESERVES		**-£32,539,618**	**£9,577,592**	**£7,066,000**	**£3,486,932**	**£2,070,622**	**£1,011,976**	**-£9,326,496**

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

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

9.3 The Earmarked reserves will be used to support the MTFP as follows.

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

b) The pension ill health reserve may be called upon from 2026/27 to fund any increase in cost resulting from the increase in firefighter pension contributions that will not be met by government grant. Although it has been confirmed that the Authority will receive the £2.916m pension grant in 2025/26, this is a one-off grant and could be subject to reductions in future years. In addition, the financial impact of the Matthews exercise on employer pension contributions which is for on-call employees will be included in the firefighters' 2024 pension actuarial valuation. This could once again lead to an increase in employers pension contributions from April 2026.

c) The pay and prices reserve may be called upon to fund any inflationary increases in contracts that are not included in base budgets or pay awards that are over and above budget provision. To put this into financial context, for each additional 1% pay award costs £0.664m per annum.

Both the Fire Brigades Union and Unison have yet to submit a pay claim for 2025/26. If this is higher than the national employers can afford, it could lead to industrial action. For prudency, it is recommended that the industrial action reserve is maintained at its current level.

d) As detailed in paragraph 7.7, the Authority will be using the recruitment reserve in 2025/26 to fund the cost of being over establishment as of the 1st of April. It is intended that the Authority will recruit in advance to prevent going under establishment during the year. The reserve will be used to support this.

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

The Authority has included provision in the capital plan to rebuild Huddersfield and Halifax fire stations within the next four years, and due to inflation, it is likely that these estimates will increase; the cost of both FSHQ and Keighley Fire Station rebuild increased by 40% from estimates. If the Authority does not use reserves for the replacement of assets, it means that MRP charges will need to be applied to the rebuilds, which will be charged over the life of the asset (40 years).

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

g) As explained in section 4.9 there is to be a Local Government Spending Review in Spring 2025, and it is expected that this will include the updating of data sets which are used in the existing fire funding formula. If from 2026/27 the funding settlement is not as favourable as forecast in the MTFP and results in real terms funding cuts, the Authority will need to call upon its reserves in order to achieve a balanced budget. This will be met from the Medium-Term Funding Impact reserve. Moreover, as explained in the funding section of the report there are some grants that are not rolled in core funding and as such are subject to variation.

10. Financial Implications

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

11. Legal Implications

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

12. Human Resource and Diversity Implications

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

13. Equality Impact Assessment

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

14. Health, Safety and Wellbeing Implications

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

15. Environmental Implications

There are no environmental implications within this report.

16. Your Fire and Rescue Service Priorities

This report links with the Community Risk Management Plan 2022-25 strategic priorities below:

- Provide ethical governance and value for money.

17. Conclusions

This report provides members with the proposed draft revenue and capital budgets for 2025/26 to 2029/30 and a MTFP to 2028/29. This will be brought to Full Authority Committee on the 27th of February for approval.

Appendix A

Directorate	Department	Scheme Name	Total	2025/26	2026/27	2027/28	2028/29	2029/30
Service Support	Property	2025/26 Boiler Replacement Schemes	£250,000	£250,000	£0	£0	£0	£0
Service Support	Property	2025/26 Appliance bay door replacement	£100,000	£100,000	£0	£0	£0	£0
Service Support	Property	2025/2026 Boiler controls	£50,000	£50,000	£0	£0	£0	£0
Service Support	Property	2025/26 Leeds Refurbishment	£1,200,000	£480,000	£720,000	£0	£0	£0
Service Support	Property	2025/26 Fairweather Green Refurbishment	£1,200,000	£600,000	£600,000	£0	£0	£0
Service Support	Property	2025/26 LED Lighting	£200,000	£200,000	£0	£0	£0	£0
Service Support	Property	2025/26 EV Charging points	£300,000	£300,000	£0	£0	£0	£0
Service Support	Property	2026/27 Refurbishments	£11,600,000	£0	£2,600,000	£2,800,000	£3,000,000	£3,200,000
Service Support	CRMP	2026/27 CRMP	£18,000,000	£0	£0	£2,000,000	£6,000,000	£10,000,000
Service Support	Property	2025.26 Station Rebuild	£11,000,000	£3,000,000	£5,000,000	£3,000,000	£0	£0
Service Support	Property	2025/26 Ilkley Fire Station Refurbishment	£160,000	£160,000	£0	£0	£0	£0
Service Support	ICT	2025/26 PC refresh	£1,160,300	£210,000	£220,500	£231,500	£243,000	£255,300
Service Support	ICT	25/26 WiFi Refresh	£100,000	£100,000	£0	£0	£0	£0
Service Support	ICT	2025/26 Firewalls Refresh	£480,000	£240,000	£0	£0	£240,000	£0
Service Support	ICT	2025/26 Email and Web security	£60,000	£60,000	£0	£0	£0	£0
Service Support	ICT	2025/26 Backup solution	£120,000	£120,000	£0	£0	£0	£0
Service Support	ICT	2025/26 ITSM tool review	£0	£0	£0	£0	£0	£0
Service Support	ICT	2026/27 Multimedia Storage	£170,000	£0	£170,000	£0	£0	£0
Service Support	ICT	2026/27 GPS Repeaters on station	£80,000	£0	£80,000	£0	£0	£0
Service Support	ICT	2026/27 VOIP Server refresh	£200,000	£0	£200,000	£0	£0	£0
Service Support	ICT	2026/27 PA Systems on stations	£410,000	£0	£410,000	£0	£0	£0
Service Support	ICT	2026/27 ESM (ITSM) Review	£40,000	£0	£40,000	£0	£0	£0
Service Support	ICT	2027/28 Nimble Storage	£180,000	£0	£0	£180,000	£0	£0
Service Support	ICT	2027/28 Network Switches	£650,000	£0	£0	£650,000	£0	£0
Service Support	ICT	2027/28 UPS on stations	£280,000	£0	£0	£280,000	£0	£0
Service Support	ICT	2027/28 MDT Hardware	£500,000	£0	£0	£500,000	£0	£0
Service Support	Training Centre	2025/26 Laptop purchase	£30,000	£15,000	£0	£0	£15,000	£0
Service Support	Training Centre	2025/26 Trauma Manikins	£28,000	£28,000	£0	£0	£0	£0
Service Support	Training Centre	2025/26 Thermal Imaging Cameras (x4 cameras)	£19,600	£19,600	£0	£0	£0	£0
Service Support	Training Centre	2025/26 Thermal Imaging cameras (Flir)	£17,000	£17,000	£0	£0	£0	£0
Service Support	Training Centre	2025/26 Competency Dashboard System	£373,700	£97,700	£69,000	£69,000	£69,000	£69,000
Service Support	Training Centre	2025/26 PDRpro (Maintenance of Competence solution)	£0	£0	£0	£0	£0	£0
Service Support	Transport	2026/26 Workshops Lifting Ramp	£10,000	£10,000	£0	£0	£0	£0
Service Support	Operations Equipment	2025/26 Firefighter Structural PPE	£1,393,000	£1,393,000	£0	£0	£0	£0
Service Support	Property	2025/2026 Hunslet Fire Station	£1,500,000	£1,000,000	£500,000	£0	£0	£0
Service Delivery	Operations Equipment	2025/26 Breathing Apparatus Cleaning and Drying Units	£175,000	£65,000	£0	£55,000	£0	£55,000
Service Delivery	Operations Equipment	2025/26 BA Mask Comms	£19,000	£19,000	£0	£0	£0	£0
Service Delivery	Operations Equipment	2025/26 Drones	£13,500	£13,500	£0	£0	£0	£0
Service Delivery	Operations Equipment	2025/26 Fire Ground Radios	£625,000	£625,000	£0	£0	£0	£0
Service Delivery	Operations Equipment	2025/26 Powerboat Engines	£37,500	£37,500	£0	£0	£0	£0
Service Delivery	Operations Equipment	2025/26 Gas Tight Suits	£51,800	£11,500	£0	£13,800	£26,500	£0
Service Delivery	Operations Equipment	2025/26 Lay Flat Hose and Hosereels	£350,000	£70,000	£70,000	£70,000	£70,000	£70,000
Service Delivery	Operations Equipment	2025/26 Hydrants	£2,070,000	£450,000	£360,000	£450,000	£360,000	£450,000
Service Delivery	Operations Equipment	2025/26 Water Rescue Equipment	£75,000	£15,000	£15,000	£15,000	£15,000	£15,000
Service Delivery	Operations Equipment	2026/27 High Pressure Airmats	£125,000	£0	£125,000	£0	£0	£0
Service Delivery	Operations Equipment	2026/27 Radiation Survey Meter	£60,000	£0	£60,000	£0	£0	£0
Service Delivery	Operations Equipment	2026/27 Dosimeters personsal radiation monitor	£260,000	£0	£260,000	£0	£0	£0
Service Delivery	Operations Equipment	2027/28 Battery Powered Handtools	£100,000	£0	£0	£100,000	£0	£0
Service Delivery	Operations Equipment	2027/28 BA Apparatus	£1,300,000	£0	£0	£1,300,000	£0	£0
Service Delivery	Operations Equipment	2028/29 RTC Cutters, spreaders and rams	£1,000,000	£0	£0	£0	£1,000,000	£0
Service Delivery	Operations Equipment	2028/29 PPV Fans	£200,000	£0	£0	£0	£200,000	£0
Service Delivery	Operations Equipment	2029/30 Ground Monitors	£100,000	£0	£0	£0	£0	£100,000
Service Delivery	Operations Equipment	2029/30 Standpipes	£45,000	£0	£0	£0	£0	£45,000
Service Delivery	Operations Equipment	2029/30 ULPP's	£100,000	£0	£0	£0	£0	£100,000
Service Delivery	Fire Safety	2025/26 Smoke Alarms	£2,000,000	£400,000	£400,000	£400,000	£400,000	£400,000
People and Culture	Employment Services	2025/26 Production and design for revised Induction	£0	£0	£0	£0	£0	£0
People and Culture	Employment Services	2025/26 Induction production costs	£70,000	£40,000	£0	£20,000	£0	£10,000
People and Culture	Employment Services	2025/26 Occupational Psychology support for Wholetime Trainees	£0	£0	£0	£0	£0	£0
People and Culture	OHSU	2025/26 Replacement of gym dumbbells	£34,500	£34,500	£0	£0	£0	£0
Finance and Procurement	Finance	2025/26 Vehicle Leases	£4,000,000	£800,000	£800,000	£800,000	£800,000	£800,000
		TOTAL	**£64,672,900**	**£11,031,300**	**£12,699,500**	**£12,934,300**	**£12,438,500**	**£15,569,300**

Appendix B

2024/25	STANDSTILL REVENUE BUDGET	2025/26
£69.028	Firefighters	£72.244
£15.551	Support Staff	£16.490
£1.600	Pensions	£1.600
£1.760	Other Employees	£1.945
£5.921	Premises	£6.331
£2.521	Transport	£2.208
£6.500	Supplies and Services	£7.289
£0.349	Lead Authority Charges	£0.381
£7.755	Capital Financing	£7.853
£0.450	Contingency	£0.450
£111.434	**GROSS EXPENDITURE**	**£116.790**
-£2.964	Less Income	-£2.995
£108.469	**NET EXPENDITURE**	**£113.795**

OFFICIAL

Agenda item: 08

Treasury Management Mid-Year Review

Finance and Resources Committee

Date:	31st January 2025
Submitted by:	Director of Finance and Procurement

Purpose:	To present a mid-year review of Treasury Management activity of the Authority in 2024/25
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 the Authority. The report examines all Treasury Management activity to ensure that it is in accordance with the Authority's Treasury Management Strategy. In addition, the report provides an overview and outlook of the UK economy and the impact that this may have on investments and borrowing for the Authority.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Alison Wood, Director of Finance and Procurement, Alison.wood@westyorksfire.gov.uk 07500 075362

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

Annexes:
Appendix A – Investments on the 17th of December
Appendix B – Prudential Indicators

Making West Yorkshire Safer
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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, which is the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

1.3 Accordingly, treasury management is defined as:

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

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 2021).

Economic Update & Interest Rates

2.2. The Authority's treasury advisors Link Treasury Services Limited (Link) have provided officers with an Economic update reflecting April to September 2024/25. A summary of this can be seen below:

The third quarter of 2024 (July to September) saw:

a. GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
b. A further easing in wage growth as the headline 3myy rate fell from 4.6% in June to 4.0% in July.
c. CPI inflation hitting its target in June before edging above it to 2.2% in July and August.
d. Core CPI inflation increasing from 3.3% in July to 3.6% in August.

e. The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting.

f. 10-year gilt yields falling to 4.0% in September.

2.3 Although this report is a mid-year report, it is useful to provide current inflation and Bank of England interest rates. CPI inflation reduced to 1.7% in September, its lowest level since April 2021. This has funding implications for the Authority as core funding is increased annually in the Local Government Finance Settlement by September CPI. The assumption in the Medium-Term Financial Plan was for CPI inflation to be 2%, inflation at the lower rate of 1.7% has reduced the estimated increase in funding for 2025/26 by £0.142m.
The reduction in CPI inflation was short lived with October seeing an increase in inflation to 2.3% and a further increase in November to 2.6%.
In terms of interest rates, the Bank of England reduced the base rate to 4.75% in November 2024.

More detail on the UK economy provided by Link is in the paragraphs below:

a) The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.

b) The 1.0% m/m jump in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the ONS reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.

c) The government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be announced in the Budget, which could weaken GDP growth in the medium-term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Our colleagues at Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.

d) The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3myy growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.

e) Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

f) CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.

g) The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.

h) Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. Our central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however, although a November rate cut still looks likely, December may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.

i) Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.

Interest Rate Forecasts

2.4 The Authority has appointed Link Group as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates.

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

2.6 Links view is that the next reduction in Bank Rate to be made in February 2025 and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank’s Quarterly Monetary Policy Reports (February, May, August and November).

2.7 Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025.

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

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Treasury Management Strategy Statement

2.9 The Treasury Management Strategy and the Annual Investment Strategy for 2024/25 were approved by Fire Authority in February 2024. There are no changes to either strategy; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The report covers the period 1st of April to the 17th of December 2024.

Investment Performance

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

2.11 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.

2.12 The Authority has invested an average balance of £26.0 million externally during the period, generating £1.018 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 (£42.287 million) as a single annual payment.

2.13 Monies have been invested in line with the Treasury Management Strategy using deposit accounts, money market funds and short-term deposits. Appendix A shows where investments were held at the start of April and as of the 17th of December 2024 by counterparty, by sector and by country.

2.14 The Authority's investment performance was monitored during the period, with the average lending rate of 5.24%, being above the weighted average 7-day London Interbank Offer rate of 4.95%.

Borrowing performance

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

Long-term loans at the end of December 2024 totalled £40.9 million (£41.9 million at the 31 March 2024). Current forecasts indicate that there will not be a borrowing requirement for the remainder of the financial year.

2.16 Public Works Loan Board (PWLB) loans total £38.9 million of long-term loans, with the remaining £2.0 million of external debt financed via a Lenders Option Borrowers Option (LOBO) loan. The maturity profile for fixed rate long-term loans is shown in Appendix B and shows that no more than 5% of fixed rate debt is due to be repaid in any one year. This is good practice as it reduces the Authority's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.

2.17 PWLB rates have been fairly consistent from April 2024. The 50-year PWLB target rate for new long-term borrowing started in 2024/25 at 5.10% and has increased during the year to a current rate of 5.40% in December. Expected rates in the beginning of 2025 remain at 5.40%.

2.18 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.

Revenue Budget Monitoring

2.19 The revenue budget contains a sum of £6.054 million for interest and provision for debt repayment for 2024/25.

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.

Prudential Indicators

2.20 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.

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

Risk and Compliance Issues

2.22 There are no risk or compliance issues to report.

2.23 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

These are included within the main body of the report.

4. Legal Implications

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

5. Human Resource and Diversity Implications

There are no Human Resource and Diversity implications associated with this report.

6. Equality Impact Assessment

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

7. Health, Safety and Wellbeing Implications

There are no Health, Safety and Wellbeing implications associated with this report.

8. Environmental Implications

There are no environmental implications associated with this report.

9. Your Fire and Rescue Service Priorities

This report links with the Community Risk Management Plan 2022-25 strategic priorities below:

- Provide ethical governance and value for money.

10. Conclusions

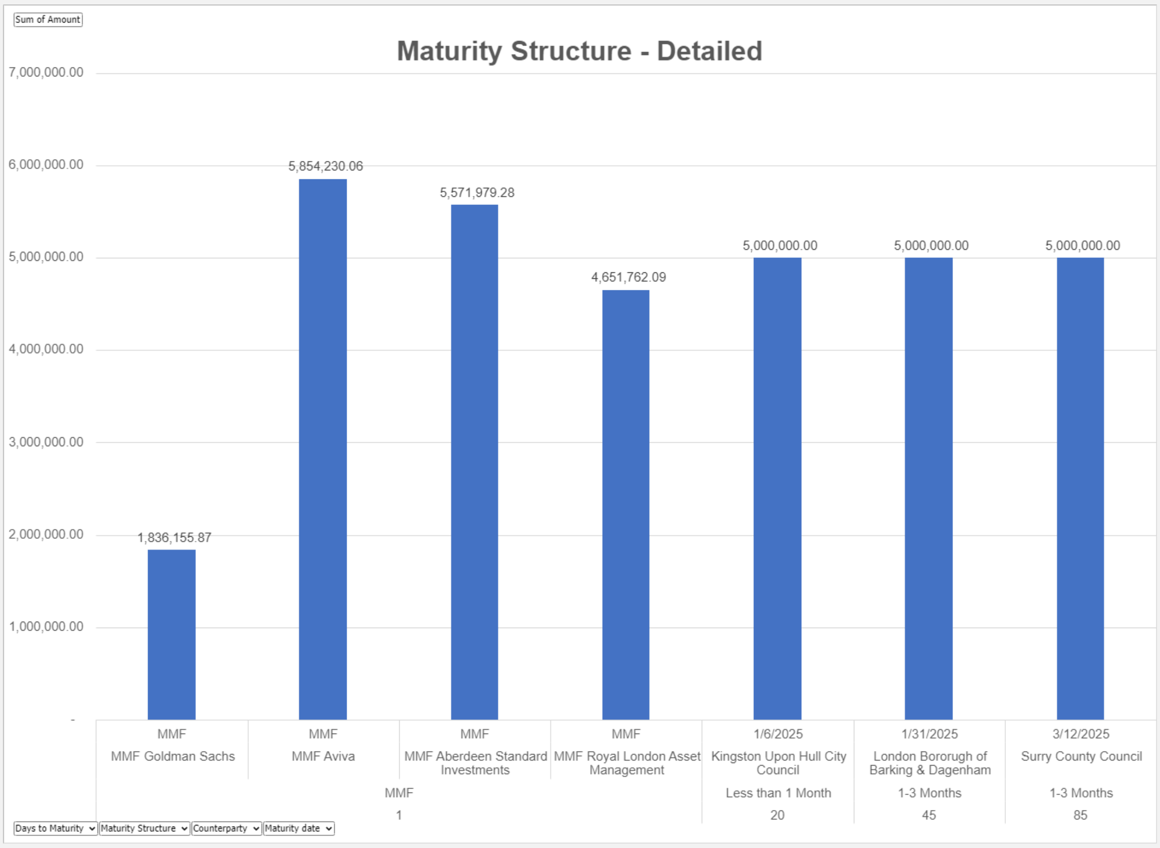
This report provides Members with an update on Treasury Management activity to the 17th of December 2024, which demonstrates that the Authority is operating within the Treasury Management Strategy and that activity complied with the approved prudential indicators.

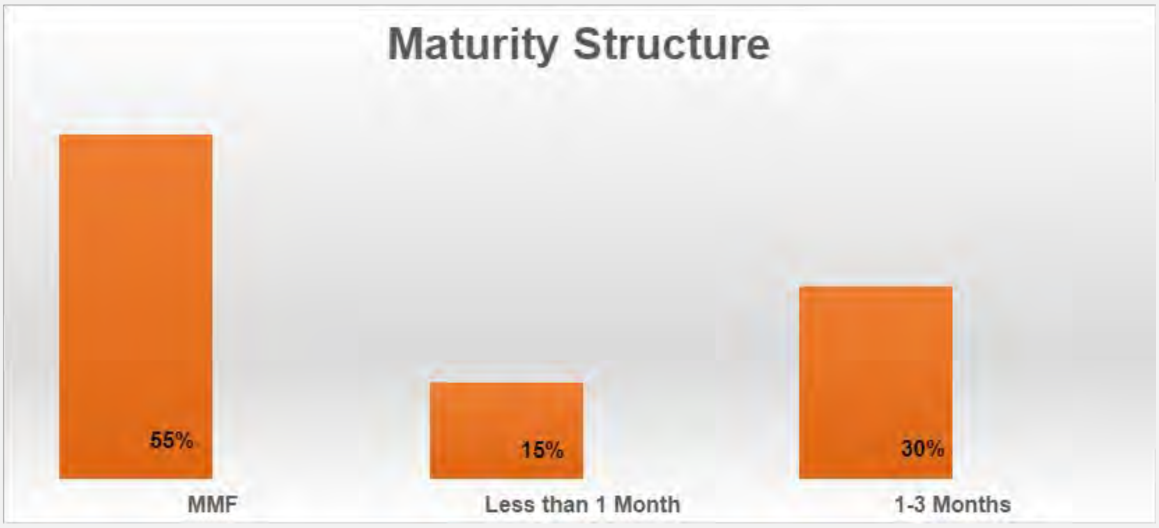
Appendix A

SPECIFIED INVESTMENTS					01-Apr-24			17-Dec-24		
Counterparty	Classification	Approved Strategy Limit	Approved Strategy Credit Rating	Credit Rating December 2024	£m	Interest Rate	Maturity Structure	£m	Interest Rate	Maturity Structure
Greater London Authority	LA	Unlimited	-	-	5.000	7.00	Less than 30 days			
Police and Crime Commissioners for West Mercia	LA	Unlimited	-	-	5.000	6.50	Less than 30 days			
London Bororugh of Barking & Dagenham	LA	Unlimited	-	-				5.000	5.05	Up to 2 months
Kingston Upon Hull City Council	LA	Unlimited	-	-				5.000	4.95	Less than 30 days
Surry County Council	LA	Unlimited	-	-				5.000	5.30	Up to 3 months
Aberdeen Standard	MMF**	6.000	-	AAAmmf	0.218	5.26	MMF	5.572	4.87	MMF
Aviva	MMF**	6.000	-	AAAmmf	0.064	5.20	MMF	5.854	4.61	MMF
Goldman Sachs	MMF**	6.000	-	AAAmmf	5.328	5.14	MMF	1.836	4.52	MMF
Royal London	MMF**	6.000	-	AAAmmf	3.572	5.22	MMF	4.652	3.97	MMF
TOTAL					19.182			32.914		

SECTOR ANALYSIS	01-Apr-24			17-Dec-24		
	£m	Counterparty Structure	Maturity Structure	£m	Counterparty Structure	Maturity Structure
Local Authorities / Central Government	10.000	52%	Less than 30 days	15.000	46%	Up to 3 months
MMF	9.182	48%	MMF	17.914	54%	MMF
TOTAL	19.182	100%		32.914	100%	

COUNTRY ANALYSIS	01-Apr-24			17-Dec-24		
	£m	Counterparty Structure	Maturity Structure	£m	Counterparty Structure	Maturity Structure
UK	10.000	52%	Less Than 30 days	15.000	46%	Up to 3 months
MMF	9.182	48%	MMF	17.914	54%	MMF
TOTAL	19.182	100%		32.914	100%	


Sum of Amount
Maturity Structure - Detailed
7,000,000.00
6,000,000.00
5,000,000.00
4,000,000.00
3,000,000.00
2,000,000.00
1,000,000.00
1,836,155.87
5,854,230.06
5,571,979.28
4,651,762.09
5,000,000.00
5,000,000.00
5,000,000.00
MMF
MMF Goldman Sachs
MMF
MMF Aviva
MMF
MMF Aberdeen Standard Investments
MMF
MMF Royal London Asset Management
1/6/2025
Kingston Upon Hull City Council
1/31/2025
London Bororugh of Barking & Dagenham
3/12/2025
Surry County Council
MMF
1
Less than 1 Month
20
1-3 Months
45
1-3 Months
85
Days to Maturity
Maturity Structure
Counterparty
Maturity date


Maturity Structure
55%
15%
30%
MMF
Less than 1 Month
1-3 Months

Appendix B

PRUDENTIAL INDICATORS ACTUALS 2024/25

Capital Expenditure, Capital Financing Requirement and External Debt

The table below draws together the main elements of the capital plans, highlighting borrowing and other financing arrangements. The table also shows the Capital Financing Requirement (CFR), which is the Authority's underlying external indebtedness for a capital purpose, compared with the expected borrowing position.

	Estimate 2024/25 £000's	Forecast Actual 2024/25 £000's	Estimate 2025/26 £000's	Estimate 2026/27 £000's	Estimate 2027/28 £000's
CFR b/fwd	53,195	53,195	79,332	78,162	80,428
Capital Expt	35,587	35,587	8,249	8,301	9,069
Capital Receipts	0	0	-3,500	0	0
Earmarked Reserve	-4,791	-4,791	-500	-500	-500
Revenue Contribution	-1,700	-1,700	-950	-950	-950
MRP	-2,959	-2,959	-4,469	-4,585	-4,723
Closing CFR	**79,332**	**79,332**	**78,162**	**80,428**	**83,324**

	Estimate 2024/25 £000's	Forecast Actual 2024/25 £000's	Estimate 2025/26 £000's	Estimate 2026/27 £000's	Estimate 2027/28 £000's
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PRUDENTIAL INDICATORS ACTUALS 2024/25

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CFR	79,332	79,332	78,162	80,428	83,324

Limits to Borrowing Activity

The first key control over the Authority's borrowing activity is a Prudential Indicator to ensure that over the medium term, net borrowing will only be for a capital purpose. Net external borrowing should not, except in the short-term, exceed the total CFR. This allows some flexibility for limited early borrowing for future years.

A further two Prudential Indicators control 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 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.

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

External Debt

The Authority is forecasting the levels of outstanding debt on the 31st of March 2025

	Actual Debt 31 March 2024 £m	%	Estimated Debt 31 March 2025 £m	%
PWLB Loans	39.90	95.2	38.9	95.1
LOBO	2.00	4.8	2.00	4.9
TOTAL	41.90	100	40.90	100

Affordability Prudential Indicators

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

Ratio of financing costs to net revenue stream.

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

	Actual 2023/24	Estimate 2024/25	Estimate 2025/25	Estimate 2026/27	Estimate 2027/28
Ratio of Financing to Net Revenue Stream	6.55%	6.02%	5.87%	5.98%	6.08%

Treasury Management Prudential Indicators

Interest Rate Exposures

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

	Limit 2024/25	Forecast Actual 2024/25
Interest at fixed rates as a percentage of net interest payments	60%-100%	100%
Interest at variable rates as a percentage of net interest payments	0% - 40%	0%

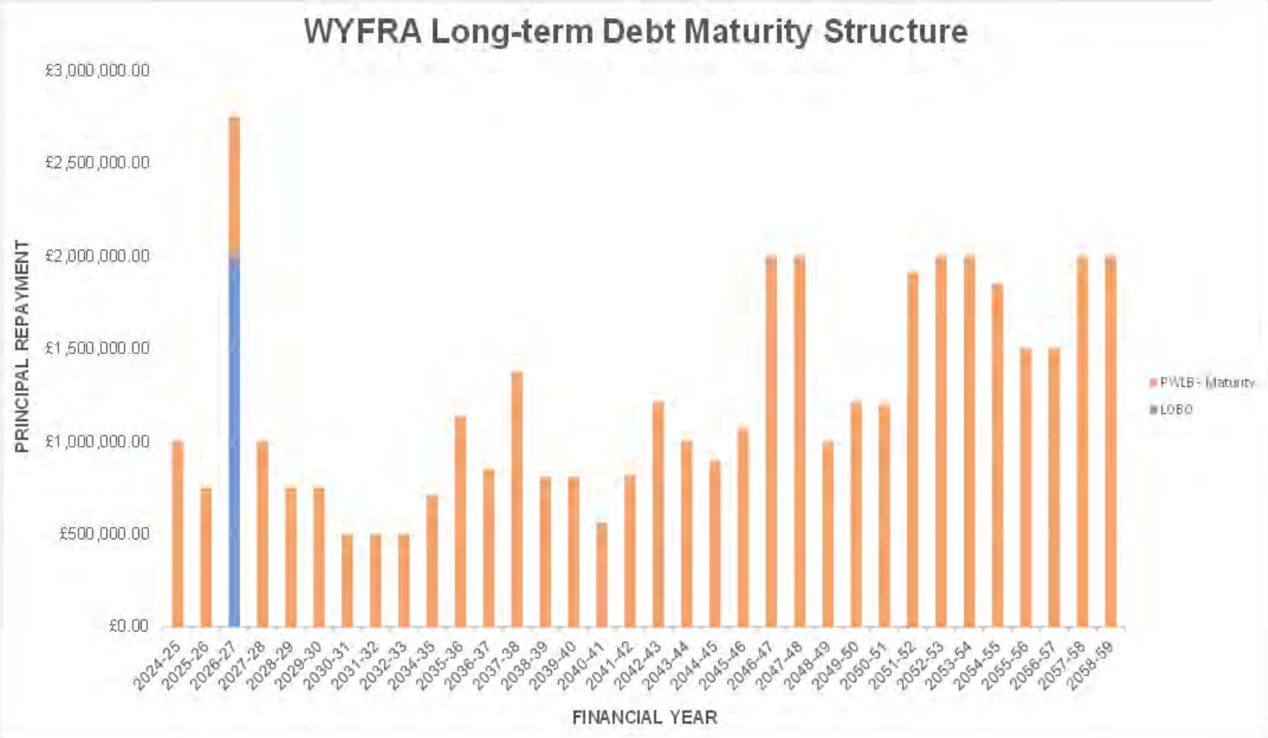
Maturity Structure of Borrowing

This indicator is designed to prevent the Authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.	Limit Set 2024/25	Forecast Actual 2024/25
Under 12 months	0% -20%	2.40%
12 months to 2 years	0% -20%	1.80%
2 years to 5 years	0% -60%	10.70%
5 years to 10 years	0% -80%	5.40%
More than 10 years	20% -100%	79.70%

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 365 days.

This indicator was set at zero as there was no intention to hold investments for treasury management purposes with maturity dates in excess of a year. There was no change to this position.

OFFICIAL

Agenda item: 09

Draft Treasury Management Strategy 2025/26

Finance and Resources Committee

Date:	31/01/2025
Submitted by:	Director of Finance and Procurement
Purpose:	To present the Draft Treasury Management Strategy 2025/26

Recommendations: To recommend to the Full Authority the approval of the Treasury Management Strategy 2025/26 which includes:

a) Treasury Management Practices
b) The Capital Strategy outlined from 2.1
c) The Borrowing Strategy outlined from 2.19
d) The Investment Strategy outlined from 2.30 and Appendix B
e) The policy for the provision of the repayment of debt outlined in Appendix D
f) The Treasury Management Prudential Indicators in Appendix E
g) The Capital Plan 2025/26 to 2029/30 in Appendix F

Summary: The Treasury Management Strategy Statement is an annual statement that sets out the expected treasury activities for the forthcoming year 2025/26. These activities include the Authority's expected borrowing and investments, cashflows and banking.

The Authority has adopted the CIPFA Code of Practice on Treasury Management and is thereby required to consider a Treasury Management Strategy before the start of the next 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 and investment strategy before the start of each financial year.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Alison Wood, Director of Finance and Procurement, Alison.wood@westyorksfire.gov.uk 07500 075362
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 the Repayment of Debt Appendix E – Treasury Management Indicators Appendix F – Capital Plan 2025/26 to 2029/30

1 Introduction

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

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

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

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

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

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

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

National Guidance and Governance

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

Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Authority for approval.

The Treasury Management Code requires an authority to implement the following:

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

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

1.9 The Local Government Act 2003, section 15 (1)(a), gives local authorities the power to use capital receipts to fund certain categories of expenditure. Guidance around the flexible use of capital receipts was issued by The Secretary of State and was effective from the 1st of April 2022. The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authorities', or several authorities, and/or to another public sector body's net service expenditure. A list of types of projects that would qualify for the flexible use of capital receipts is included in the Guidance. These include investment in service reform feasibility work, the cost-of-service reconfiguration, restructuring or rationalisation, improving systems to tackle fraud and corruption, setting up commercial delivery models to deliver services more efficiently. If the Authority decides to use capital receipts flexibly on projects included in the guidance, it is required to produce a Flexible use of Capital Receipts Strategy.

1.10 It is not expected that the Authority will call upon the flexible use of capital receipts and will continue to use them to fund existing capital expenditure. As such a capital receipts strategy is not required.

Governance

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

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

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

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

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

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

External Support

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

1.14 The Director of Finance and Procurement, the Head of Finance and the Senior Finance Manager who manages treasury on a daily basis receive daily, weekly, and monthly reports on treasury management activity within the UK, Europe and Worldwide.

Training

1.15 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

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.

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

2.3 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.

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

Capital Expenditure

<u>Capitalisation Policy</u>

2.4 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.

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

2.6 The Authority operates a de-minimis limit for capital scheme expenditure of £10,000. This means that items below these limits are charged to revenue rather than capital. The capital schemes that tend to be charged to revenue are for the purchase of operational equipment, for example, gas tight suits and water rescue equipment. Based on the 2025/26 capital plan, the annual financial impact in the revenue budget is a maximum of £10,000.

Governance

2.7 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.

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

2.9 The Director of Finance and Procurement 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 Executive Leadership Team 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.

2.10 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.

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

Capital Financing and Borrowing

2.12 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.

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

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

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

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

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

Director of Finance and Procurement Statement

2.14 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)

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

2.16 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

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

Forecasts for CFR as at the 31 March 2025 are as follows:

	Estimate 2025/26 £000's	Estimate 2026/27 £000's	Estimate 2027/28 £000's	Estimate 2028/29 £000's
CFR	68,831	74,146	81,318	87,534

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

	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28	Estimate 2028/29
CFR b/fwd	68,935	68,831	74,146	81,318
Capital Expt	10,438	12,700	12,934	12,439
Capital Receipts	-350	-2,000	0	0
Earmarked Reserve	-5,529	-500	-500	-500
Revenue Contribution	-950	-950	-950	-950
MRP	-3,713	-3,935	-4,312	-4,773
Closing CFR	**68,831**	**74,146**	**81,318**	**87,534**

2.18 Prior to 2009/10 the Authority's policy had been to borrow up to its CFR and investing externally the majority of its balances. With the onset of instabilities in the financial markets and the economic downturn, the policy changed to one of ensuring the security of the Authority's balances. This coincided with dramatic falls in investment returns making the budgetary benefit of maximising external borrowing more marginal. Over the past few years, the Authority has chosen to finance its capital expenditure by 'borrowing' internally. This has principally been because of the relatively low rates of interest receivable on investments prior to the beginning of 2022, particularly when compared to the cost of borrowing longer term loans from the PWLB. Interest received on investments has increased following the continued high bank base rate over the past year with the average rate been at 5.24%, however, there has been an increase in PWLB borrowing rates, which is still at a higher rate than that earned on investments.

Borrowing Strategy

Borrowing Arrangements

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

2.20 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.

2.21 It is predicted that as at the 31 March 2025, the Authority will have total external borrowing and other long-term liabilities of around £40.9 million.

This is analysed as follows:

	Estimated Debt 31 March 2025 £m	%
PWLB Loans	38.9	95.1%
LOBO	2.0	4.9%
TOTAL	40.9	100%

2.22 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 2025/26.

2.23 The Authority also has a LOBO (Lender's Option, Borrower's Option) loan. The way this loan works is that the Authority pays interest at a fixed rate (4.63%) for an initial period and then the lender has the option in the secondary period to increase the rate. If the option is exercised, the Authority can either accept the new rate or repay the loan. The Authority's loan is in its secondary period with intervals of 5 years between options. The next option date is May 2026. There have been moves by some lenders to amend the terms of their LOBO loans to convert them to 'vanilla' fixed rate loans. No approach has yet been made by Dexia Credit Local, the lender to the Authority to amend any of the conditions of the loan.

2.24 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.

2.25 In terms of meeting the Authority's borrowing requirement over the next five years, it is proposed to take out short term temporary borrowing until the long term PWLB rate reduces to previous levels which is forecast to be March 2026.

The table below shows the forecast for PWLB bank rates to March 2027

PWLB	Dec-24 %	Mar-25 %	Sep-25 %	Mar-26 %	Sep-26 %	Mar-27 %
5 year	5.00%	4.90%	4.60%	4.50%	4.30%	4.10%
10 year	5.20%	5.10%	4.80%	4.70%	4.50%	4.30%
25 year	5.60%	5.50%	5.30%	5.10%	4.90%	4.70%
50 year	5.40%	5.30%	5.10%	4.90%	4.70%	4.50%

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

Borrowing in Advance of Need

2.27 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.

Debt Rescheduling

2.28 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.

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

Investment Strategy

Overview

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

2.31 The Authority's Investment Strategy has regard to:

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

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

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

2.33 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.

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

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

2.35 As at the 31 March 2025, the Authority is expected to have around £14.0 million invested externally, primarily in instant access accounts or short-term deposits, with local authorities, major British owned banks, building societies or Money Market Funds (MMFs). This will also ensure compliance with The Markets in Financial Instruments Directive II, whereby those maintaining a professional status must keep a minimum of £10 million invested at any point in time.

Guidance

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

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

- 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.

2.37 It is estimated that the Authority could have up to £42million to invest at times during the year which is a combination of cash received in advance, reserves and creditors.

Strategy

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

2.39 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.

2.40 A maximum limit of £6 million applies to any one counterparty and this applies to a banking group rather than each individual bank within a group.
For illustrative purposes, Appendix B lists which banks and building societies the Authority could invest with based on credit ratings as at the end of December 2024.

2.41 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.

2.42 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.

2.43 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.

2.44 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.

2.45 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.

2.46 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.

2.47 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 re-purchase agreements.

2.48 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.

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

2.50 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.

Prudential Indicators

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

3 Financial Implications

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

4 Legal Implications

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

5 Human Resource and Diversity Implications

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

6 Equality Impact Assessment

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

7 Health, Safety and Wellbeing Implications

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

8 Environmental Implications

The are no environmental implications associated with this report.

9 Your Fire and Rescue Service Priorities

This report links with the Community Risk Management Plan 2022-25 strategic priorities below:

- Provide ethical governance and value for money.

10 Conclusions

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

Credit and counterparty risk management

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

Liquidity risk management

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

Interest rate risk management

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

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

Exchange rate risk management

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

Refinancing risk management

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

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

Legal and regulatory risk management

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

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

Fraud, error and corruption, and contingency management

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

Market risk management

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

Environmental, Social & Governance Considerations

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

2. TMP2 Performance measurement

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

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

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.

4 TMP4Approved 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 Director of Finance and Procurement 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 Director of Finance and Procurement 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 Director of Finance and Procurement 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 Director of Finance and Procurement in respect of treasury management is set out in the schedule to this document. The Director of Finance and Procurement will fulfil all such responsibilities in accordance with the Authority's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on Treasury Management.

6. TMP6 Reporting requirements and management information arrangements

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

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

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

The present arrangements and the form of these reports are detailed in the treasury management strategy.

7. TMP7 Budgeting, accounting and audit arrangements

The Director of Finance and Procurement will prepare, and the Authority will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with the TMPs. Budgeting procedures are set out in the capital strategy included in section 2.1 of this report. The Director of Finance and Procurement will exercise effective controls over this budget and will report any major variations.

The Authority will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of this function's accounts is set out in section 2.1 of this document.

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

8. **TMP8 Cash and cash flow management**

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

9. **TMP9 Money laundering**

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

10. **TMP10 Training and qualifications**

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

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

11 **TMP11 Use of external service providers**

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

12. **TMP12 Corporate governance**

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

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

Appendix B

Investment Strategy

Specified

	Short-term Credit Ratings / Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at December 2024
	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 6	<100 days <6mth	
MMF (3)	-	-	-	6	Instant access/ up to 2 day notice	Aberdeen Standard, Aviva, Goldman Sachs, Royal London
UK Government (Fixed Term Deposits)	-	-	-	Unlimited	<6mth	
UK local authorities (Fixed Term Deposits)	-	-	-	Unlimited	Up to 364 days	London Borough of Barking & Dagenham, Kingston Upon Hull City Council, Surry County Council

Non-Specified (4)

	Short-term Credit Ratings / Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at December 2024
	Fitch	**Moody's**	**S & P**	**£m**	**Period (1)**	
UK Banks / Building Societies	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 £24 million.

Appendix C

__Credit ratings__

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

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

Appendix D

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

1. Background

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

2. Prudent Provision

2.1 The regulation does not itself define “prudent provision”. However,guidance issued alongside the regulations makes recommendations 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 theperiod implicit within the grant determination (4% reducingbalance).

3. MRP Overpayments

As defined in the Code the Authority has always set aside additional funding, on top of the regulated MRP, to repay the borrowing of money to fund capital. This additional funding that is set aside is called a Voluntary Revenue Provision (VRP). A change introduced by the revised DLUHC, now MHCLG, MRP Guidance, allows for any charges made over the statutory minimum revenue provision (MRP), to be reclaimed, if required, for use in the budget. These revised guidelines came into effect from the 1st of April 2019. Up until the 31 March 2024 the total VRP overpayments were £6.8m. These overpayments have allowed for prudent voluntary repayments to reduce the indebtedness of the Authority within a shorter timescale providing greater financial stability in the long term.

4. Proposed policy for 2025/26

4.1 The Authority has always been prudent when making provision for the repayment of debt. In addition to the minimum revenue provision of 4% of debt outstanding previously required, the Authority had regularly made additional voluntary contributions. These voluntary contributions have been calculated to reflect asset life. Thus, for example, debt used to finance vehicles, and many types of operational equipment has been fullyprovided for over a 10 to 15-year period and all new buildings over 40. Theseadditional voluntary contributions covered all debt, not just unsupported,and have been calculated using a sinking fund method with reference to asset lives.

4.1 It is proposed that if any MRP/Interest budget becomes available due to for example, capital schemes being re phased, a reduction in the capital plan 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 tomake one off MRP payments or be transferred to the earmarked capital finance reserve.

4.2 It is recommended that this policy is adopted for 2025/26. 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 for 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 inwhich the expenditure is incurred.

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

Appendix E

TREASURY MANAGEMENT INDICATORS

Gross Debt and the Capital Financing Requirement (CFR)

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

Interest Rate Exposures

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

It is recommended that the Authority sets an upper limit on its fixed interest rate exposures for 2025/26, 2026/27 and 2027/28 of 100% of net interest payments. It is further recommended that the Authoritysets an upper limit on its variable interest rate exposures for 2025/26, 2026/27 and 2027/28 of 40% of its net interest payments.

	Limit 2025/26	Forecast 2025/26
Interest at fixed rates as a percentage of net interest payments	60%-100%	100%
Interest at variable rates as a percentage of net interest payments	0% - 40%	0%

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 2025/26	Forecast Actual 2025/26
Under 12 months	0% -20%	6.8%
12 months to 2 years	0% -20%	2.5%
2 years to 5 years	0% -60%	5.0%
5 years to 10 years	0% -80%	5.3%
More than 10 years	20% -100%	80.4%

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

Total principal sums invested for periods longer than 364 days.

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

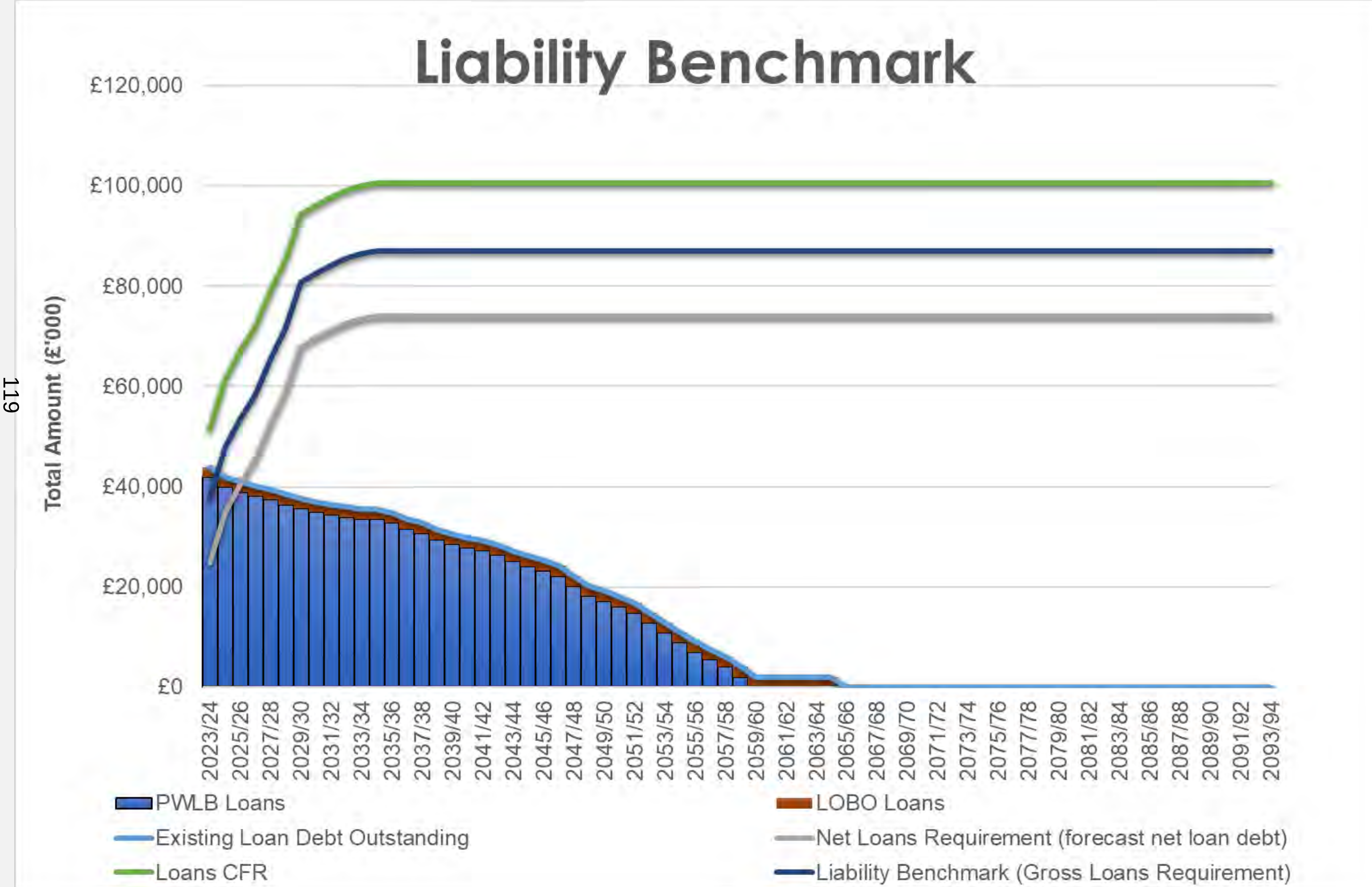
Liability Benchmark

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

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

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

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


Liability Benchmark
Total Amount (£'000)
£120,000
£100,000
£80,000
£60,000
£40,000
£20,000
£0
2023/24
2025/26
2027/28
2029/30
2031/32
2033/34
2035/36
2037/38
2039/40
2041/42
2043/44
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2071/72
2073/74
2075/76
2077/78
2079/80
2081/82
2083/84
2085/86
2087/88
2089/90
2091/92
2093/94
PWLB Loans
LOBO Loans
Existing Loan Debt Outstanding
Net Loans Requirement (forecast net loan debt)
Loans CFR
Liability Benchmark (Gross Loans Requirement)

Appendix F

DEPARTMENT	Forecast Outturn 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
CRMP	£15,767,847	£0	£0	£2,000,000	£6,000,000	£10,000,000	£18,000,000
Employment Services		£40,000	£0	£20,000	£0	£10,000	£70,000
Finance	£765,000	£800,000	£800,000	£800,000	£800,000	£800,000	£4,000,000
Fire Safety	£400,000	£400,000	£400,000	£400,000	£400,000	£400,000	£2,000,000
ICT	£928,470	£730,000	£1,120,500	£1,841,500	£483,000	£255,300	£4,430,300
Occupational Health and Safety Unit	£9,970	£34,400	£0	£0	£0	£0	£34,400
Operations Equipment	£5,033,143	£2,699,500	£890,000	£2,003,800	£1,671,500	£835,000	£8,099,800
Property	£1,531,394	£6,140,000	£9,420,000	£5,800,000	£3,000,000	£3,200,000	£27,560,000
Training Centre	£0	£177,400	£69,000	£69,000	£84,000	£69,000	£468,400
Transport	£7,186,402	£10,000	£0	£0	£0	£0	£10,000
Total	£31,577,226	£11,031,300	£12,699,500	£12,934,300	£12,438,500	£15,569,300	£64,672,900
Financing							
Borrowing	£20,284,226	£4,052,300	£9,499,500	£11,234,300	£10,988,500	£14,119,300	£49,893,900
Reserves	£9,493,000	£5,529,000	£500,000	£500,000	£500,000	£500,000	£7,529,000
Capital Receipts		£500,000	£1,750,000	£250,000			£2,500,000
Revenue Contributions	£1,800,000	£950,000	£950,000	£950,000	£950,000	£950,000	£4,750,000
Total	£31,577,226	£11,031,300	£12,699,500	£12,934,300	£12,438,500	£15,569,300	£64,672,900

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Agenda item: 10

Annual Procurement Update

Finance and Resources Committee

Date:	31st January 2025
Submitted by:	Director of Finance and Resources
Purpose:	The report provides an annual procurement update to Members
Recommendations:	Members note the report
Summary:	This report provides an annual update for Members on procurement activity since the last annual update in Feb 2024.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Kim Larter Head of Procurement kim.larter@westyorksfire.gov.uk 07816 112635
Background papers open to inspection:	None
Annexes:	Annex 1 – Compliance with the Procurement and Commercial Fire Standard. Annex 2 – Procurement performance feedback from customers.

1. Introduction

1.1 This report provides members with the annual update on procurement activity since the last report on the 2nd of February 2024.

2. General Update

2.1. The Procurement Team is fully staffed with the introduction this year of the Procurement Assistant role, recruited to in September 2024 following approval at the People and Culture Committee meeting in March 2024. This role assists the team with administrative duties and will be integral to the successful implementation of the new Procurement Act and regulations.

2.2. The Procurement Action Plan is reviewed monthly with the Director of Finance and Procurement and provides a strategic overview of procurement activity.

2.3. The Savings Tracker provides a documented record of savings achieved in each financial year. This year the Home Office provided a standardised template to be used by all Fire and Rescue Services in the UK. Current annual savings from April 2024 to date are £819,292. Some examples of savings this year to date are:

- £85,000 on mobile SIM Cards.
- £67,000 on Microsoft Licences.
- £39,000 on service, maintenance and works relating to the MPTC Building (Fire House).
- £32,000 on the servicing and maintenance contract for heating and mechanical installations.
- £15,000 on the supply and fit of vehicle tyres.
- £14,000 for the new learning management system.

2.4. The current Contracts Register records two hundred and fifty six contract arrangements with an annual value of £25.7m (£20.1m in Feb 2024). As required under Local Government Transparency Code 2015, the Contracts Register is published quarterly on the Authority's website.

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

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

2.6. Customer feedback is requested on an annual basis (October) by the Head of Procurement, to obtain satisfaction levels of internal customers and to consider continuous improvement or determine changes required (to process, systems and documents). Feedback received in October 2024 was very positive and is provided at Annex 2. This evidences the extended reach of the Procurement Team this year, working with more teams and delivering excellent quality customer service.

2.7. Compliance with CPR (Contract Procedure Rules) remains positive. Regular meetings with Heads of Departments and Managers are undertaken to review current contracts listed on the Contracts Register and discuss plans for future procurement requirements. The non-compliance log in 2023-24 recorded thirteen instances. To date this year there are seven recorded.

2.8. The new Procurement Strategy 2025-2028 is drafted and has had the full EIA (Equality Impact Assessment) approved. This will be published in January 2025 and updated once CRMP strategic priorities are confirmed for 2025-2028.

3. Collaboration

3.1 The regional Yorkshire and Humberside procurement group continues to work effectively together to identify appropriate collaborative projects. During 2024 we have met with Ballyclare Ltd., who provide the region with fire kit. Some issues have been identified with Ballyclare Ltd. which include late deliveries and a lack of KPI reporting. Improvements are being made and the Head of Procurement is working closely with the Procurement Manager at South Yorkshire Fire and Rescue Service (regional lead on this contract) to drive further improvements.

3.2 The use of national framework agreements continues with a small amount of income received from CCS (Crown Commercial Services) and YPO (Yorkshire Purchasing Organisation). This income represents a rebate payment for WYFRS spend via a CCS or YPO framework agreement. CCS income in the last year was £1,897 and YPO income was £726.

3.3 The Head of Procurement was a key member of a small working group to complete the implementation of the Procurement and Commercial Fire Standard, provided on the Procurement page of the website. Please refer to Annex 1 for information relating to compliance with this Fire Standard.

4. New Procurement Act

4.1 The new Procurement Act was given Royal Assent in October 2023 and was planned to go live in October 2024 but this was delayed until February 2025 due to changes required to the National Procurement Policy Statement.

4.2 The Procurement Team have been attending all appropriate training sessions and webinars. The Head of Procurement and the Senior Procurement Officer have both undertaken and passed the additional 3-day ‘deep dive’ training. The Head of Procurement has superuser status in the large national project team (Community of Practice), working very closely with BLC (Blue Light Commercial) who are leading on implementation with the Home Office. An internal audit has been undertaken to determine readiness for implementation of the new regulations in February 2025 which achieved substantial assurance.

4.3 The workload for the Procurement Team will significantly increase due to substantial reporting and publishing requirements under the new regulations. The new Procurement

Assistant will assist with the administrative elements associated with each procurement process undertaken.

4.4 Current procurement documents and templates are being reviewed to ensure all changes required are made prior to go live. Transition requirements have been fully considered with relevant processes in place to allow the new and old regimes to run concurrently for a period of time.

4.5 Monthly updates are received by the Procurement Team from the current E-procurement system provider (In-Tend) to ensure that all necessary changes are made in readiness for go live. This has been a considerable amount of work and effort on In-Tend's part and is reassuring that the system will be able to transition smoothly.

4.6 A RAID (Risk, Assumption, Issue, Dependency) log for implementation is provided below and is reviewed regularly alongside the readiness dashboard.

No	Category	Description	Priority	Actions	Owner(s)
1	RISK	Team Resource depleted	MEDIUM	All team aware of changes, guidance available and training undertaken. Customers informed of potential resource issues and requested to be tolerant and plan procurement activity.	Procurement Team
2	RISK	In-Tend not ready for go-live	HIGH	Manual process via e-mail could be utilised. In-Tend are confodent all changes required will be made.	Procurement Team
3	RISK	Implementation date late	LOW	Little risk as we would carry on as we are.	Procurement Team
4	RISK	Competitive Flexible Procedure	HIGH	No case law and potential for challenge so wait until process is proven and utilise Open procedure or direct award.	Procurement Team
6	RISK	New supplier database doesn't work	LOW	Existing SQ (Selection Questionnaire) would be used.	Procurement Team
6	ASSUMPTION	No new major changes introduced	LOW	Guidance indicates no new changes will be introduced, procurement team keeping a watching brief.	Procurement Team
7	ASSUMPTION	Provision of guidance is continued	LOW	Procurement team keeping a watching brief.	Procurement Team
8	DEPENDENCY	Customer requirements during January and February 2025	LOW	Customers aware of change and reluctance to publish new tenders during February unless operational need is urgent.	Customers
9	DEPENDENCY	Timelines are as planned	LOW	Contingency to carry on as we are.	Procurement Team

5. Key Performance Indicators Update

2023-24 reported KPIs to date are as below:

a) Total contracts (and annual value)	256 contracts totalling annual value of £25.7m are recorded on the Contracts Register.
b) No. of "renewable" contracts that expired without being timely relet	No. of "renewable" contracts that expired without being timely relet is 3 (previously 6 in Feb 2024).
c) Efficiencies (revenue budget savings, cost avoidance)	£819,292
d) Number of FTS* and Sub-FTS tenders published and progressed (accumulative since Oct 2020)	34 FTS and 56 Sub-FTS (above £30,000) published (*FTS is 'Find a Tender Service' replacing 'OJEU (Official Journal of the European Union)' following Brexit.
(e) % regional spend	2022-2023 Spend data - 36.3% spend within the County of West Yorkshire, an increase of 4.1% on previous year and 36.3% within the County of Yorkshire, an increase of 5.9% on previous year.

6. Financial Implications

6.1 No financial implications identified.

7. Legal Implications

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

8. Human Resource and Diversity Implications

8.1 No implications identified.

9. Equality Impact Assessment

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

10. Health, Safety and Wellbeing Implications

10.1 No health, safety and wellbeing implications identified.

11. Environmental Implications

11.1 No environmental implications identified.

12. Your Fire and Rescue Service Priorities

12.1 This report links with the Community Risk Management Plan 2022-25 strategic priorities below:

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

13. Conclusions

Compliant procurement continues to deliver value to the Authority.

14. Annex 1 – Compliance with the Procurement and Commercial Fire Standard

To achieve this Fire Standard, a fire and rescue service must:	Evidence
1. have a Procurement/Commercial Strategy (or equivalent) linked to wider FRS goals and objectives.	Procurement Strategy in place and 2025-28 draft awaiting approval
2. conduct all commercial and procurement activity in compliance with relevant procurement legislation and any other statute, law, government policy notes.	PCR 2015 adhered to. PA23 preparedness audit received substantial assurance.
3. have an internal procurement policy in place which defines procurement procedures and complies with all relevant procurement legislation and is subject to regular review.	CPR (forms Part 4 of the Constitution) in place and reviewed annually. Practical guide to applying CPR also in place.
4. manage the risk of fraud, bribery, and corruption (including cyber risk, data breach, modern slavery) within their supply chains.	Current PCR SQ (Selection Questionnaire) in place, CPD (Central Digital Platform) will replace SQ in PA23. Modern Slavery Policy in place and Modern Slavery Statement updated annually. Robust Supplier Set Up process in place with Finance.
5. produce, publish, and maintain a commercial pipeline and contracts register.	Contracts Register embedded and managed centrally by the procurement Team. Currently drafting a pipeline document to adhere to PA23.
6. clearly define those accountable and responsible for its procurement and commercial activity and ensure sufficient capability and capacity to deliver, including ongoing training and continued professional development.	Procurement Team of 5 in place. 2 Level 6 MCIPS qualified, 1 Level 4 CIPS qualified, 1 working toward Level 4 CIPS and 1 willing to work towards Level 4 CIPS (following successful completion of probationary period - March 2025). Ongoing training I the form of formal and tactical training undertaken. PA23 modules completed by 4 staff with 2 completing additional Deep Dive training.

7. make use of appropriate systems and data to enable process efficiency, robust controls and effective and compliant decision making.	In-Tend system used to manage tender process, OPEX system used for purchasing order management (linked to SAP for Finance) which also tracks Contract spend, PID (Project Initiation Document) and PAD (Procurement Approval Document, with authorisation milestones) embedded. Spend analysis undertaken to identify maverick spend. Contracts Register. Annual update provided to Finance and Resources Committee each February.
8. ensure that both internal and external stakeholders are engaged at the earliest opportunity to help inform the procurement strategy and process.	PID introduced to facilitate each tender strategy. Training and workshops regularly held to educate customers. Category specific contract management training being undertaken. Procurement page on website with comprehensive information. Head of Procurement is an active member of SLT and Risk Management, Information Governance, Business Continuity and Environmental working groups.
9. prepare well drafted procurement and commercial documentation (tender documents including terms and conditions) to protect the interests of the service and Fire Authority.	Comprehensive suite of procurement document templates are embedded for consistency. Contract terms and Conditions (reviewed legally in 2024) in place. Guidance documents and manuals readily available to customers. Annual review of all documents undertaken and all documents are accessibility compliant.
10. conduct proportionate due diligence, including financial analysis on the selected supplier prior to recommending a contract award.	Current PCR SQ (Selection Questionnaire) in place, CPD (Central Digital Platform) will replace SQ in PA23. Creditsafe check undertaken prior to award and automatically monitored during contract term. PAD approval required before proceeding to contract award.
11. publish details of the relevant data and information (where required) in accordance with internal policies, procedures and procurement regulations.	Contracts Register published on website quarterly. Relevant procurement notices published aligned with PCR2015 requirements.
12. identify key suppliers and develop and/or maintain business continuity arrangements for contracts where failure presents a clear risk to organisational objectives.	BCP embedded and reviewed quarterly. Relevant KPI's included in contracts and monitored during term of contract.
13. ensure payments to suppliers and subcontractors are prompt and in line with contractual requirements.	Robust Finance procedures in place.

14. ensure that organisational decisions and the measures implemented support equality, diversity, and inclusivity, are non-discriminatory and that appropriate impact assessments are undertaken.	EIA (Equality Impact Assessment) undertaken on all new procurement policies and reviewed annually. Social Value, Equity and Inclusion and Environmental considerations form part of each procurement project with a minimum of 10% quality award criteria applied.

To achieve this Fire Standard, a fire and rescue service should:	
15. segregate expenditure into distinct categories such as markets, geography, and demographics, aligning to national and local strategies and categories.	Category management embedded (Fleet, ICT, Property Services, Professional Services and Ops Equipment). Regional Procurement Group established, to consider collaborative regional procurement opportunities. Spend analysis undertaken to ensure compliant spend with a non-compliance tracker embedded.
16. consider aggregating demand and using collaborative and sector led procurement processes.	Regional Procurement Group established, to consider collaborative regional procurement opportunities. NFCC Workplace Forum and BLC Hub with other Purchasing Consortia (e.g. CCS, YPO etc.) for frameworks regularly utilised.
17. consider the use of established model contract templates (e.g. Government Standards).	Government Standards applied accordingly.
18. evaluate options for accessing the supply market in order to conduct efficient procurement processes that maximise competition between suppliers, provide value for money and deliver the intended business outcomes.	PID defines the important elements of each tender process to ensure options appraisal for routes to market is optimal.
19. conduct tender evaluation processes with cross-functional teams and evaluators and ensure there are no conflicts of interest that could prejudice the process.	Signed conflict of interest form required from each evaluation panel member, if conflict exists panel member removed. Evaluation guidance and matrix template consistently utilised, with moderation meeting facilitated by the Procurement Team. Pricing evaluation undertaken only by Procurement Team and double checked by peers which is only
20. establish contract management plans that defines the roles and the responsibilities of each party.	Specification and KPIs define the requirements from the winning bidder. PID defines the level of contract management to be undertaken. Tailored contract management workshops are required - Procurement Team drafting plans for these.

21. consider grant funding to support efficiency and wider social value agendas.	Forums used to discuss funding options e.g.Net Zero, solar etc. Small income generated by use of YPO and CCS framework agreements.
22. benchmark contract prices against the market and other public sector organisations to ensure prices represent value for money.	Use of CCS marketplace for ICT consumables is embedded. For Property Service, regular use of …......... GSCI Commodity Index is useful for tracking commodity prices. Regular supplier review meetings with contracted suppliers to discuss issues in markets is undertaken. Economies of scale using framework agreements provides assurance of best pricing. Quarterly meetings attended with YPO energy team tracking pricing for Gas and Electricity.
23. provide guidance, training and support to staff who are undertaking commercial activities and promote effective contract management and commercial delivery.	Annual workshops are undertaken alongside ongoing training with category teams. Plans are being drafted for wider organisational communications (e.g. a short video detailing the role of the Procurement Team, PowerPoint packs with voiceover as a reference tool, comprehensive suite of manuals and guidance documents is in place.
24. regularly review supply chains and maintain procurement/commercial risk registers.	Risk is monitored within the Contracts Register rating likelihood and impact. Reviewed regularly by the Procurement Team.
25. capture lessons learned through the commercial lifecycle to facilitate continuous improvement.	Debrief sessions held following each tender exercise to discuss what went well and what may need amending as part of continuous improvement.
26. maximise opportunities gained from supporting the National Fire Chiefs Council (NFCC) network by sharing learning and experiences, collaborating, and contributing to the continual improvement of the service.	Procurement Team are members of various NFCC and BLC forums. Evidence available to show sharing of experience and tender documents.

15. Annex 2 – Performance feedback from customers.

Name	Feedback provided
Richard Young	See EK comments (as a group)
Emma Kettlewell	Hope your ears weren't burning this morning, we were having our monthly team meeting so I'd asked this question to provide feedback from us all. I'm going to use 'we' generally from a department, rather than individuals' names. It's all generally really positive, we think we work well together as departments and you are all really easy to get along with – Rich is a great addition to your team and the little interactions we've had with Laura have been really encouraging. Everyone is also looking forward to having our own framework and working together with your team on that. We do have a couple of suggestions on processes which we feel could enhance the way we utilise procurement: - We think the Conflict of Interest (CoI) form is issued too early – we sign it before we've done the site visits or seen any expressions of interest and feel that is too soon to tell whether we have a CoI. Whilst there will be potentially obvious scenarios to declare sometimes upfront it may be a case of 'I've worked previously with this contractor whilst employed elsewhere' which may not become apparent until you bump into them. - Would we be able to have the cost and quality information together if we have an evaluation panel that will not be assessing the costs? This could speed up the contract award if we can get a head start on cost whilst others are doing quality? - In addition to the above, if we could have the costs and quality (the evaluation panel) it could assist some of the quality questions, in terms of when we're asking for logistics plans and programmes it would indicate exactly that for which they have allowed. - We would like a better understanding of what are Contract Procedure Rules and what is personal preference and what can be changed to suit the needs of the specific contract. - We would like our Procurement Officer to sit with the Team, but still report to yourself. This would allow Rich to absorb general day to day activities and understand some of the frustrations/barriers we deal with external contractors. And likewise, we would like to occasionally sit with Procurement for general exposure. - Is there any scope for the Procurement Officer to be involved in the management of the Contracts post award? Not necessarily on small projects but on lengthy contracts it would enable the Team to forge relationships with our contractors without then having to reprimand them for poor performance on KPIs. This would require further discussions on boundaries and the level on involvement for the workloads of everyone involved. (This was mentioned as a positive comment was received regarding how involved previous procurement assistants were on some contracts). - We would like to see the introduction of perhaps a property signature on the PAD – we are seeing more and more

	than we are not being consulted on projects until it is too late – a recent example being Control project with Telent and new kit arriving with no consideration to storage for it on stations. Final point to add is how accommodating you are when managing your Team, you're always prepared to listen to our suggestions and streamline processes to meet our needs – so thank you!
Simon McCartney	The Procurement team are always act in a professional manner, whilst working on projects together. They promote partnership and a joined up approach when working on Tenders or RFQ's together. Every time I work with a member of the team they are helpful and will always try and assist, I never hear "that isn't my job". Although the team has had changes in personnel , the people that are appointed are great individuals to work with, very approachable and knowledgeable in the area they work. I still believe it would have benefitted both our teams to share office space in the new HQ together as we work closely on various projects.
Glynn Richardson	I just wanted to pass on feedback from completing the Telematics tender scoring today with Wayne and Laura. The level of detail, support and assurance they bring is exceptional - particularly in their analysis of supplier responses and administrative support. If you ever doubt the impact that you and your team are having on the organisation, this is a great example of how things should be done, and the value they bring to ensuring technical accuracy and compliance - all done with a sense of humour!
Richard Chapman	Nothing but praise for the team. Wayne has been excellent regarding helping me with the Telemetry Tender, wouldn't have been able to do it without him. Sue as always the font of all knowledge and is always there whether it be Opex or General enquiries as regards orders. And finally yourself with Procurement and helping me with Tenders and processes on them, I couldn't do what I do without you guys, you guys are an important part of the cog in Transport. Procurement certainly has come a long way for the better since I started, more structured now which is a good thing.
Dan Brown	The feedback to procurement from ICT is all positive. The support provided has been excellent and your team has a true open door policy. Wayne has provided a top tier service, he's flexible and is always willing to look at all options that best fit the situation. I appreciate the pull on procurement from ICT and something I'm looking to continually improve in the future is the early engagement with procurement for up and coming project works. I feel we have a mutual balance of understanding between both teams, ICT are busy but so is everyone else, so my focus will be on trying to make sure we engage asap to work out timelines. One thing I think has worked well, is giving Wayne overall view of all the projects and proposed timelines we've assigned so I'm focused on keeping this transparency in place going forward. All I could ask is that you and the team keep doing what you're doing, it is appreciated. Thank you

Lucy Price	Every interaction I have had this year with any of the team has been great. Everyone is pleasant, helpful, and willing to give time and energy to help explain the what's / why's of the processes and just be on hand to answer questions and offer support. Personally, your support, honesty and understanding around the areas of work we need to move forward and address around Comms has also been excellent. I am confident we can pick up the phone and ask for advice and guidance on matters so we can work to get the most appropriate outcome. Being part way through a couple of processes right now I can't comment on outcomes specifically but feel we're moving in the right direction.
Rosana Rategh	We've had 2 tenders this year I believe (Gym servicing equipment and EMDR tender) and again, Sue was fantastic. The only thing I can thing to flag (if helpful) is that I very rarely need to raise a purchase order (so every time I do I've forgotten how to do it). A couple of months ago I needed to, so contacted finance who directed me to some instructions on how to raise a purchase order - which I think procurement might have put together, from what they advised? I followed the relevant document, but it didn't seem fully completed - I can't remember the ins and outs but I remember when I got to the bottom step of the process on the document I still hadn't finished raising the PO, if that makes sense? The document may have been missing a few final steps. So I called finance who weren't sure either, but I screen shared OPEX and between the two of us we eventually figured it out. I can't remember who I spoke to, but it was a man. So it might be worth reviewing that particular document?
Dave Teggart	The work you have been undertaking with your team over the last couple of years is starting to pay off, as their meetings are happening more regularly with my team and starting to bear fruit when it comes to planning and timelines for future work. That being said, we are still under estimating how much time it takes to pull things together and get from an idea of what we want to release of a tender. Which reminds me, I've got a half finished email that I need to send back to Sue about Body Worn Video! The tender process always throws up unexpected things or highlights a lack of thoughts in their creation. For instance, the Defib tender had input from Cas Care dept about their requirements, yet we hadn't asked YAS (as our clinical lead) if there were things we should be asking for or discounting, hence the suppliers asking us questions that we are now struggling to answer and needing to go to Yas at this late stage, which is holding up the tender. All in all, I think we are in a better place than we were, as much because of the improved relationships across Ops Equip, Stores and Procurement. One of the things we do need to improve is the transition from initial purchase into BaU and onward replacement by Stores. So whilst this isn't a true Procurement function, it's something we need to plan for at the outset, rather than getting to the finish and then handing it over. From my point of view the MDT tender went well for all its complexities and the potential for tripping up part way through and Wayne did a great job of keeping things on the right track throughout the various stages.

Scott Donegan	Unfortunately, I was never in role where procurement played a big part of my job before the Procurement Team was established. Therefore I have little to compare the new team to. However, from my recent experience (last three years) what I have seen is: Team members who are incredibly assured in their roles Team members who are excellent communicators Team members that take the opportunity to teach and guide those of us less experienced And most importantly team members who seem to understand what we are trying to achieve as an organisation in term of bettering the community, they seem to understand that everything is not just task and finish.
Craig Binns	We have had excellent support from Wayne throughout the time the project has been running. He has provided advice and taken forward work on our behalf. Where we have experienced difficulties he has used his expertise to advise and guide us towards the right decisions. Involved in other areas of the work in order to ensure consistency I and the rest of the Project Team really value the help and support he has provided. He is a real asset to the procurement team and the wider organisation.
Julie Jowett	I’m sure Craig Binns will have already responded to your feedback request. However, I also wanted to pass on my positive experiences with your team. Wayne Robinson has been instrumental to our project in recent months. (You were too, obviously, in the earlier stages when we were writing the requirements and going out to tender – so thank you!). Wayne is always professional, helpful and polite. He absolutely knows his stuff and is a pleasure to work with – a valuable asset to your team I’m sure. Sally Lowery – so helpful. I think I must be annoying for her as I often submit things wrong, however she always helps me and is polite and friendly. You have some good people Kim, so you are doing a great job!
Zoe Archer	It’s always a pleasure working with you and your team - it’s clear that you all take pride in delivering excellent customer service, and this is definitely felt across SIAT. The teams friendly, approachable and willing to help attitude (even for those impromptu calls late in the day more recently) really do make a difference! The support we receive from you personally is fantastic, whether its navigating HMI processes, Self-Assessment, Fire Standards, or providing niche procurement advice when needed. Your punctuality with returns and honest, speedy input is invaluable and really does enable the SIAT processes to run smoothly. I also want to highlight the recent Fire Standards implementation meeting and procurement training - our position with the Procurement and Commercial Fire Standard fills us with confidence that we are excelling - it’s exciting that we are already looking ahead at the stretch outcomes given this is the most recently published Fire Standard! The procurement training session Sarah and I attended a few weeks ago was superb. It was well targeted, and we both left with valuable learning that we can apply to our project monitoring processes moving forward.

Judi Haigh	As far feedback for the Procurement Team, as a small team (SIAT) we rarely have the need to purchase high-cost items that would fall under a procurement process, but I know you have been really helpful with the Smarter Working Awards queries that Zoe had recently. From an organisation point of view, I think the procurement team and the sound processes you have in place gives us the assurance we need that we are in 'safe hands'. The processes in place when procuring items/services are clear, standardised and straightforward to follow in my opinion, the team are on hand to answer any questions/queries and are always helpful and approachable. I think the amount of savings you have made speak for themselves and show the efficiencies you are making year on year, which was identified in our R3 HMICFRS inspection. I'm not sure if there is anything you could do to improve, maybe a little more communication service wide to give a better understanding to the wider organisation would help, but I think I'm being a bit picky with that.
Neil Paget	I find the Procurement team generally helpful and informative to the procurement process we are required to follow as per WYFRS procedures. The team are readily available to assist and are helpful, friendly, and easily approachable. For me, the negative is the Quality Evaluation Template, particularly when we have an evaluation for a tender with lots of bidders, I just find it a bit tricky to complete easily, maybe that's just my lacking in button pushing skills, although from what I can gather it is an improvement on the previous. On the whole my experience with the Procurement team is a very positive one.

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Agenda item: 11

Virement of Capital Funds: Otley and Rawdon Station Redevelopments

Finance & Resource Committee

Date:	31 January 2025
Submitted by:	Director of Service Support

Purpose: The report seeks retrospective approval following consultation with the Chair of the Finance and Resources Committee for funds originally set out in the Authority's Capital Plan for Hunslet Fire Station being vired to Otley and Rawdon Fire Stations in the current financial year and a new capital scheme has been created to replace the boilers in TRTC.

Recommendations: That members note the content of the report and approve the action taken.

Summary: The refurbishment and upgrade work at Otley and Rawdon Fire Stations underwent a robust open tender exercise. Both schemes have experienced tender return sums that are higher than the original budgeted costs anticipated by the property department. In addition to the higher-than-expected tender returns, unexpected boiler failures and an increase in costs in this area has seen some of the funds originally earmarked for Otley boilers (part of our boiler replacement programme) being used at Halifax Fire Station. In addition to the Otley and Rawdon projects, upon undertaking annual servicing of the boilers at the Technical Rescue Training Centre (TRTC), (new HQ site), following the handover from Willmott Dixon, two of the three modular boilers have failed and require replacement.

Following consultation with Management Board and the Chair of the Finance and Resources Committee, funds attributed to Hunslet Fire Station for refurbishment works have been vired to Otley and Rawdon to cover this shortfall. A new capital bid for Hunslet will be submitted for the financial year 2025/26. The decision was made not to delay and retender as this would likely see costs increase further. TRTC boiler issues were identified in late December 2024, the decision was made by the Head of Estates in consultation with ACO Service Support and subsequently Director of Finance and Procurement to replace the boilers and associated water heater in the TRTC building.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Richard Young, Head of Estates Richard.Young@westyorksfire.gov.uk
Background papers open to inspection:	None
Annexes:	None

1. Introduction

1.1 The paper is informing the Finance and Resource Committee, monies in the capital plan assigned for Hunslet Fire Station has been vired to Otley and Rawdon Fire Stations and a new project set up to address the boiler issues in TRTC

2. Information

2.1 Otley and Rawdon Fire station are in the 2024/25 capital plan for refurbishment, both schemes were slipped from financial year 2023/24. Both projects were costed using historical project data and pricing guides with inflation added to reflect anticipated 2024 price submissions.

2.2 Rawdon initially had prices obtained via the Lindum Group Framework through West Yorkshire Police, the price of which was circa £480k. The decision was made to park the scheme and obtain competitive prices through an open tender process, due to the cost. Ten compliant bids were received ranging from £340k to £460k. The budget in the capital plan remaining after the design consultancy fees for Rawdon, is £200k. The successful tender submission and subsequent contract award is for the sum of £338,139.23, risk contingency, temporary works and furniture are to be added to this taking the overall project budget to £415,000.

2.3 Otley has been tendered, we received 6 compliant bids, the successful tender submission and subsequent contract award is for the sum of £206,768.82, risk contingency, temporary works and furniture are to be added taking the overall project budget to £240,000 .The budget in the capital plan remaining after design consultancy fees for Otley is £134k, this is to deliver the shower project and the new boiler works, both schemes being combined to promote efficiencies.

2.4 The building works attributed to the Otley project are circa £74k, the remainder of the submission being linked to Electrical and Mechanical works to deliver the full scheme. Otley has seen small areas of scope creep due to staff changes and requirements; it is felt however the scope creep in parts is justifiable and makes better efficient use of the station.

2.5 TRTC building has been handed over, upon undertaking the annual servicing of the boilers and water heaters, it was established that two of the three modular boilers are beyond repair and the water heater is approaching end of life. This was discovered late December. Costs for replacement from our servicing contractor Sayes have been received for the sum of £59,682.00, this has been reviewed by the property team and represents value for money. The decision was made by the Head of Estates, in consultation with ACO Service Support and subsequently Director of Finance and Procurement to instruct the boiler replacement and upgrades. Delaying this work would further impact on the delivery of training for new recruits and firefighters.

2.6 Property requested that the capital monies attributed to Hunslet were vired to Rawdon and Otley respectively, and a new project set up for the replacement of the boilers in

TRTC. It is acknowledged that the monies required to deliver Rawdon exceed the constitutional threshold of £100k that can be approved by the Executive Leadership Team. However, the projects needed to be awarded as delaying to meet with F and R committee schedules, meant the projects would require another tendering exercise, this could have seen an even further increase in costs. The decision was made by the Head of Estates, in consultation with ACO Service Support and subsequently Director of Finance and Procurement to instruct the boiler replacement and upgrades in TRTC. Delaying this work would further impact on the delivery of training for new recruits and firefighters.

2.7 The reasons for budgets needing increasing for the Rawdon and Otley schemes are the boilers at Halifax have taken a substantial portion of the budgets assigned for Otley boilers. Prices for Mechanical and Electrical works across both schemes are considerably more expensive than budgeted for, we have liaised with our consultants, and we have been informed the liquidation of ISG has seen this area of work increase by 30-40%. We are trying to be as accurate as possible with all budgets, this is becoming increasingly difficult in today's VUCA environment.

3. Financial Implications

3.1 Dialogue with the Director of Finance, Alison Wood, the wider Board of Directors and Councillor Tulley, has taken place, it was agreed to vire the monies from Hunslet, with retrospective reporting and justification presented to F & R by the Head of Estates in January 2025 F & R committee meeting.

3.2 The overall capital funds attributed to Hunslet are £800k, currently split £640k for financial year 2024/25, with £160k forecast for spend in 2025/26.

3.3 Any underspend from the virement and establishment of the boiler project at TRTC will be removed from the capital plan moving forward.

3.4 Hunslet will have a new bid submitted for financial year 2025/26, this bid will reflect the current financial environment and anticipated tender returns.

4. Legal Implications

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

5. Human Resource and Diversity Implications

5.1 There are no human resource and diversity implications arising from this report.

6. Equality Impact Assessment

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

7. Health, Safety and Wellbeing Implications

7.1 There are no health safety and wellbeing implications arising from this report.

8. Environmental Implications

8.1 There are no environmental implications arising from this report.

9. Your Fire and Rescue Service Priorities

- Improve the safety and effectiveness of our firefighters.
- Promote the health, safety, and wellbeing of all our people.
- Achieve a more inclusive workforce, which reflects the diverse communities we serve.

10. Conclusions

10.1 Property is endeavouring to be more accurate and precise with budget estimating in relation to property refurbishments. This is becoming increasingly difficult in the environment we find ourselves in which is seeing increased construction costs across the board. The department have, over the last 3 years been accurate in setting budgets across the full capital programme of works. Despite our best assessments on this occasion, we have underestimated the costs to deliver the works at both aforementioned stations.

10.2 Moving forward we have reassessed the property plan for the financial year 2025/26 and increased the costs accordingly. It is proposed however costs could continue to fluctuate and we may find ourselves in this position on other schemes moving forward.

10.3 Property are conscious, not to overestimate works and have funds surplus to act as a safety net, a position supported by the Director of Finance and Procurement.

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Agenda item: 12

Firefighter PPE Replacement

Finance & Resources Committee

Date:	31 January 2025
Submitted by:	Director of Service Support
Purpose:	To highlight to members the Firefighter PPE Replacement Programme for 2025.
Recommendations:	That members approve the purchase of firefighter PPE to replace garments at the end of their useful life.
Summary:	The report highlights the need to replace older stocks of Bristol firefighter PPE with the newer specification Ballyclare PPE. The report seeks committee approval to place an order with a value of £1.393m with Ballyclare using an existing procurement framework, before the capital plan for 2025/26 is approved on 27 February 2025. This will significantly reduce delivery time, minimising disruption from PPE shortages and equip 2025 recruitment courses.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Glynn Richardson, Head of Transport & Logistics glynn.richardson@westyorksfire.gov.uk
Background papers open to inspection:	None
Annexes:	None

1. Introduction

1.1 A previous firefighter structural PPE replacement project in 2021/22 delivered a change from older Bristol garments to a newer Ballyclare system. To maximise the life of outgoing Bristol stocks, those garments with less wear and tear were retained – it is these garments which are now approaching end of life and need to be replaced. One set of PPE is made up of two garments – tunic & trousers.

1.2 The lifespan of structural PPE is set at 40 washes, or five repair patches being applied. These criteria ensure that the heat-resistant properties and outer integrity of PPE is maintained to meet the required standards for controlling flame spread and heat resistance. The decision to repair / condemn PPE is made on behalf of WYFRS by our laundry supplier, Elis.

1.3 This programme also allows a transition towards garments fabricated under the new BS469:2020 standard (superseding BS469:2005). This is desirable to ensure we issue equipment to the highest specification - existing Ballyclare garments will remain in service as the change in standard is not applied retrospectively.

2. Information

2.1 Whilst the previous decision to retain older Bristol stocks was sound, they have now inevitably reached the end of their useful life, with many garments failing inspection each month through the number of patches applied.

2.2 The lead time for replacement stock from Ballyclare is 18 to 20 weeks, which creates difficulties in delivering this PPE in time for it to be useful for operational crews and for three recruit courses planned in 2025.

2.3 This scheme is included within the 2026/26 Capital Plan, however the usual cycle for approval of the capital plan would significantly delay the delivery and usefulness of this order. Therefore, this report requests that members agree to approve an order to Ballyclare with a value of £1.393m ahead of the 2025/26 capital plan being agreed.

2.4 There will be no spend against this order until after the capital plan is agreed – with estimated delivery and invoicing in June 2025. The order will be placed through the existing Yorkshire & Humber regional contract for the provision of structural firefighter PPE.

2.5 This project will deliver the following improvements:

1. Replacement PPE stock for operational fire crews at front line stations to allow more frequent washing of PPE post incident when contaminated.
2. Creation of a dedicated PPE stock for BA to allow for more frequent washing and Elis turnaround times between ‘hot wears’.
3. Allow sufficient stocks of new PPE for 2025 recruits / transferees.
4. Create additional capacity within HQ Stores to function as a buffer stock.

5. Allow begin the transition of structural PPE to the new BS469:2020 standard.
6. Allow improved tracking of garment location to reduce ‘downtime’ and instances of delays during the laundry process.

3. Financial Implications

3.1 This contract requires capital investment for a single order of Ballyclare PPE to be completed in 2025/26.

Service Area	Number Required (sets)	Cost
FF Personal Issue	1,200	£ 622,668
BA Training	400	£ 207,556
2025 Recruits	270	£ 140,100
Transfers from other FRS	54	£ 28,020
Stores Spare Stock	376	£ 195,102
Stock Monitoring System	1	£ 200,000
Totals	2,300	£ 1,393,446

3.2 A bid totalling £1.393m has been included in the capital plan for 2025/26 which will be presented to the Fire Authority for approval on the 27th February. The capital financing charges associated with this scheme are included within the revenue budget from 2025/26.

4. Legal Implications

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

5. Human Resource and Diversity Implications

5.1 No Human Resource or Diversity implications have been identified.

6. Equality Impact Assessment

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

7. Health, Safety and Wellbeing Implications

7.1 This programme will have a positive impact on the health, safety, and wellbeing of operational staff, ensuring that we continue to meet the highest standards for the provision and use of structural PPE.

8. Environmental Implications

8.1 No environmental impacts have been identified.

9. Your Fire and Rescue Service Priorities

9.1 This report links with the Community Risk Management Plan 2022-25, directly contributing to the following strategic priorities:

- Improve the safety and effectiveness of our firefighters.
- Promote the health, safety, and wellbeing of all our people.
- Provide ethical governance and value for money.
- Plan and deploy our resources based on risk.

10. Conclusions

10.1 That members approve note the report and approve an order of 2,300 sets of Ballyclare structural PPE, with an order value of £1.393m.

10.2 That members approve the placing of this order before the capital plan for 2025/26 is approved.

West Yorkshire Fire & Rescue Authority

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Agenda item: 13

Vehicle Telematics Replacement

Finance & Resources Committee

Date:	31 January 2025
Submitted by:	Director of Service Support
Purpose:	To highlight to members the Vehicle Telematics Replacement Programme for 2025.
Recommendations:	That members approve the purchase of telematics hardware to enable existing systems to be updated.
Summary:	The attached report highlights the need to update existing telematics hardware which is coming to the end of its useful life. In addition, this programme will provide additional functionality to improve our ability to monitor road risk by identifying high risk drivers.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Glynn Richardson, Head of Transport & Logistics glynn.richardson@westyorksfire.gov.uk
Background papers open to inspection:	None
Annexes:	None

1. Introduction

1.1 Previous telematics projects in 2016/17 and 2021 expanded the use of vehicle-based data recorders across our fleet. This allowed the Transport department to gather information on vehicle utilisation, efficiency and speeding events, and this data has supported 3 separate fleet reviews in 2019, 2021 and 2023, removing low use vehicles and controlling fleet spend.

1.2 These devices have now reached the end of their useful life, with newer versions providing addition functionality and access to updated data dashboards.

1.3 Subject to separate approval by the Executive Leadership Team, these devices will be introduced into the Flexi Duty Officer (FDO) fleet of unmarked response vehicles to improve our management of road risk.

2. Information

2.1 A recent report by LMP Legal highlighted several areas in which WYFRS approach to managing road risk should be improved, with specific actions identified to reduce the likelihood of collisions involving authority vehicles.

2.2 Central to this strategy is the ability to proactively monitor driver behaviour, with drivers who exceed the speed limit, accelerate, or brake harshly identified as being high risk with a recommendation for remedial action.

2.3 Early telematics devices had the ability to identify maximum speed events (e.g. driver travels at 85mph) but lacked the sophistication to alert for exceeding differential speed (e.g. 45mph in a 30mph zone). In addition to increasing the reliability of aging vehicle devices, this upgrade will allow greater analysis of these high-risk events to enable effective action to be taken.

2.5 This revised strategy for managing road risk will, for the first time, include FDO vehicles - with the device now incorporating the required technology to allow private and business journeys. This addresses a fundamental privacy concern expressed by representative bodies for this driver cohort.

3. Financial Implications

3.1 This contract requires capital investment for the upgrade to hardware, with ongoing revenue spend over the 5-year term for licensing and connectivity / data use. Costs are given as 5-year totals:

Capital	£200,000
Revenue	£310,000

3.2 The purchase of the hardware is an addition to the 2024/25 capital plan. As such there is no budget for the associated capital financing charges within the 2024/25 revenue budget. The cost of annual capital financing charges over the life of the asset, which is seven years, will cost £0.059m. This has been built into the 2025/26 revenue budget. The annual licensing costs, amounting to £0.62m per annum is included within existing revenue budgets.

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

4. Legal Implications

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

5. Human Resource and Diversity Implications

5.1 The fitting of telematics devices to FDO should be carefully planned and the impacts on the users' right to privacy understood. Legal advice (Weightmans LLP) suggests that the individuals' right to privacy is outweighed by the need to effectively manage risk where high powered vehicles are used for operational response on blue lights.

5.2 The device will be fitted with a privacy function, allowing drivers to choose not to share journey information when the vehicle is not used for work purposes. Where a driver forgets to switch the device from the privacy setting and undertakes a response drive, the device will automatically sense blue light input and switch to business mode. Allowing the journey to be tracked and data recorded.

6. Equality Impact Assessment

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

7. Health, Safety and Wellbeing Implications

7.1 After tactical firefighting, driving at work is the most dangerous activity WYFRS asks its employees to undertake. This investment in business intelligence will reduce the likelihood of drivers being involved in serious collisions and reduce the liability of the of the organisation, where it can demonstrate that we have allocated adequate resources to reduce the risk as far as reasonably practicable.

8. Environmental Implications

8.1 The following positive environmental benefits can be achieved through the use of telematics data to support fleet management;

- Fuel efficiency savings

- Co2 reductions

9. Your Fire and Rescue Service Priorities

This report links with the Community Risk Management Plan 2022-25, directly contributing to the following strategic priorities:

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

10. Conclusions

10.1 That members approve note the report and approve £200,000 capital and £310,000 revenue costs associated with the replacement of vehicle-based telematics devices throughout the fleet.