



OFFICIAL

Quarterly Financial Review

Finance & Resources Committee

Date: 11 October 2019

Agenda Item:

6

Submitted By: Chief Finance and Procurement Officer

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

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

Summary The purpose of this report is to present an overview of the financial performance of the Authority of the first 5 months of the current financial year. The report deals with revenue and capital expenditure

Local Government (Access to information) Act 1972

Exemption Category: Nil

Contact Officer: Alison Wood, Chief Finance and Procurement Officer
T: 01274 655711
E: Alison.wood@westyorkshire.gov.uk

Background papers open to inspection: None

Annexes: Appendix A Capital Expenditure 2019/20
Appendix B Investment

SECTION 1 – REVENUE EXPENDITURE MONITORING

1 Introduction

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

2 Information

Revenue Budget Revision

- 2.1 When the revenue budget is approved an amount is included in contingencies for any budget increases/decreases that were not included within the original budget. There have been a number of transfers to contingencies since the last quarterly review report in July.
- The original budget for whole time firefighters has been reviewed and due to an increase in the numbers of retirements and changes in secondments between October 2018 when the budget was calculated and the end of the 2018/19 financial year, the original budget is over stated. As a result, in order to not distort budget monitoring, it is recommended that £411k is transferred from whole time employee budgets to the contingency budget.
 - At July Management Board it was approved to appoint an Operational Support Officer, which is a support staff position for six months following the retirement of the current post holder, who is in a grey book role. A report recommending a restructure of the whole operational support team will be presented to Human and Resources Committee on the 4th October. The cost of the six months appointment is £18k which has been transferred from the general contingency budget
 - There are three new secondees, one is a Station Manager who has been seconded to National Resilience at Merseyside Fire and Rescue and two support staff posts, both of which are seconded to the National Fire Chiefs Council, one as the Stay Wise Education Liaison Officer and the other as a National Early Interventions Liaison Officer. The cost in respect of the back fill of the posts is matched by the income that we are to receive as a result of the secondments, thus there is a net effect of £0.

The table below details the current contingencies budget position following the transfer

	<u>Balance</u> <u>12/7/19</u>	<u>Transfer to</u> <u>Contingencies</u>	<u>Closing</u> <u>Balance</u>
	£000	£000	£000
Employee Contingency	1,551	0	1,551
General Contingency	388		
Grey Book salaries		411	
Support Staff salaries		-18	
Secondment salaries		165	
Secondment income		-165	
		<u>393</u>	781
TOTAL	1,939	393	2,332

3 Expenditure Monitoring

- 3.1 This report is based on expenditure to the beginning of September 2019 and includes the first four salary payments of 2019/20. The projected outturn is based on current years' expenditure and is forecast to the end of the year based on previous expenditure profiles. Overall, the latest forecast indicates there will be an under spending of £499k in the current financial year.
- 3.2 An improved budget monitoring report for managers was introduced in 2018/19 which highlights those areas of concern using a Red, Amber, Green (RAG) rating. For those budgets that are forecast to overspend or under spend a red "cross" will be inserted against the budget line and for those within 5% of budget, an amber mark will be inserted. For those budgets where there is either a red or amber indicator, the budget holder will be required to provide an explanation as to the reason for the projected overspend. This has brought increased accountability to budget holders and is reported to Management Board on a monthly basis.
- 3.3 The table below summarises the forecast with an explanation of the causes detailed below.

	<u>Revenue</u> <u>Budget</u> £000	<u>Forecast</u> £000	<u>Variance</u> £000
Employees			
Whole time	48,337	48,145	-162
Retained	1,813	1,878	35
Control	1,806	1,786	-20
Support Staff	10,128	10,030	-98
Pensions	2,000	2,000	0
Training	787	787	0
Other Employee	390	367	-23
TOTAL	65,261	64,993	-268
Premises	4,417	4,397	-20
Transport	2,398	2,352	-46
Supplies and Services	5,194	5,175	-19
Contingency Pay and Prices	781	781	0
Contingency Directorates	1,551	1,551	0
Support Services	332	332	0
Capital Charges	7,948	7,948	0
Income	-2,735	-2,881	-146
Net Expenditure	85,147	84,648	-499

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

Employees -£268,000

Whole time Fire Fighters -£162,000

There is currently a forecast underspending of £162,000 in whole time fire fighter employee budgets.

This underspend is due a couple of factors; firstly, the May recruit course was for fifteen cohorts, one less that was included within the original budget and there have been three firefighters that have retired earlier than their budgeted leaving date from the service.

Retained Fire Fighters £35,000

There is a forecast overspend of £35,000 on retained employees. Due to the seasonal nature of retained expenditure this underspend can change during the course of the year. This will be monitored closely and profiles amended accordingly if required.

Control -£20,000

The projected underspend of £20,000 is due to one member of staff in control who was on a career break but has now resigned from the service.

Support Staff -£98,000

The projected under spend on support staff salaries is due to increase in staff vacancies than the amount included within the original budget. For example, in section 2.1 there has been an increase to the support staff budget for the operational support officer but due to the time taken to advertise and appoint there will be savings attributable to this delay. This is the case for all vacant posts.

Other Employee Costs -£23,000

The projected underspend is due to employee insurance being less than budgeted of £10k and a forecast underspend of £13k on relocation and medical expenses.

3.4 Premises -£20,000

The forecast under spend is due to a combination of:

- an increase in the cost of business rates on our premises in 2019/20 of £39k.
- a reduction in expenditure on repairs and maintenance of £59k.

The lean review of the authorisation of re-active station property repairs is expected to reduce the cost of property repairs and maintenance in the longer term, so the forecast under spend may be larger than currently forecast. This will be closely monitored as part of the budget monitoring process.

3.5 Transport -£46,000

The forecast underspending is due to:

- reduction in the cost of vehicle leasing of £14k. The installation of vehicle telematics in our fleet has enabled the fleet manager to identify those non-operational vehicles that are under-utilised and as a consequence terminate the lease contract.
- reduction in the cost of tyres of £10k, which can be attributed to a reduction in the size of the fleet.
- reduction in public transport and casual mileage of £22k. Costs charged to this code are for travelling to conferences, training courses and meetings. The forecast under spend is in line with outturn 2018/19 and will be monitored during the year.

3.6 Supplies and Services -£19,000

There is numerous minor under and over spending across the supplies and services heading. The most notable are:

- reduction in clothing of £40k. In 2018/19 the Authority replenished all shirts and trousers which means that there will be minimal expenditure on these items in 2019/20.
- reduction in Fire Prevention of £25k. This is due to the central management of the fire safety prevention campaigns the cost of which is met within other budgets.
- These savings have been offset by a forecast over spend in the cost of subscriptions, conference expenses, subsistence and youth training expenses.

3.7 Income **-£146,000**

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

- An increase in the provision of Young Firefighter courses which is greater than anticipated during budget preparation. The increase in income has resulted in higher costs in relation to equipment which is reflected in the supplies and services projections.
- The Authority receives £35k for the provision of Marauding Terrorist Firearms Attack (MTFA) grant which has not been included within the base revenue budget, thus there is a forecast over achievement of income of £35k. In previous years this has been included in the accounts as a government grant, the budget for 2020/21 will be adjusted accordingly.
- There is forecast a reduction in the income to be received from the sale of old equipment, fire alarm activation calls and telecom licences amounting to £35k.

4 Impact on Revenue Balances

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

Description	General Reserve £000
Balance at 1 April 2019	5,000
Impact of forecast	499
Transfer to Balances in year	
Planned use of balances	4
Forecast Balance at 31/3/2020	5,503

5 Capital Expenditure Monitoring

5.1 Introduction

At its meeting on 21 February 2019 the Authority approved a five-year capital programme of £25.074m which included schemes to the value of £6.581m for the current financial year. There have been a number of revisions to the plan which have been approved at Finance and Resources Committee in April and July respectively resulting in a total capital plan for 2019/20 of £12.35m.

5.2 Revised capital plan 2019/20

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

5.2.2 Management Board gave approval for an increase to the capital plan of £30k for the installation of additional eight electric charging points for vehicles at FSHQ, this requires member approval to increase the overall capital plan. For information, there will be a bid for the rolling out of electric charging points at fire stations in the capital plan 2020/21.

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

5.3 Capital Payments 2019/20

5.3.1 The actual capital payments to date total £0.7m, which represents 6% of the revised capital plan. If commitments are included in this, the actual expenditure to date is £5.1m, which equates to 41% of the capital plan.

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

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

5.4 Approvals under financial procedure 3.11

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

5.4.2 Since the last Finance and Resources Committee in July, the Management Board have approved schemes totalling £112.5k and these are detailed in the table below.

Schemes Approved by Management Board

Date	Directorate	Scheme	Approval	Virement
July	Service Support	Electrical Charging Points	£30,000	
		ICT Training Suite Hardware	£12,500	
	Service Delivery	Gas Tight Suits	£10,000	
		Lay Flat Hose	£50,000	
		Water Rescue Equipment	£10,000	
			£112,500	£0

5.5 Capital Receipts

In August 2019, the Authority sold a Combined Aerial Rescue Platform (CARP) for £24.5k, this capital receipt will be used to finance the capital plan.

6 Treasury Management

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

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 eight years.

Consequently, in the current financial year treasury management activity has been limited to investments. The table in Appendix B shows the Authority currently has total investments of £51.79m split between eleven counter parties with rates of interest receivable between 0.51% and 1.15%. The Authority received £35m of top up grant at the end of July which has boosted investments.

7 Debtors

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

7.2 The level of outstanding debt owed to the Authority to the end of August 2019 is £178,499 which can be profiled as follows:

Less than 60 days - £ 85,476
Greater than 60 days - £ 93,023

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

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

As detailed above, there is currently £99,853 of debt which is at the recovery stage. However, previous experience suggests that the Authority will recover all of the outstanding debts.

8 Creditors

- 8.1 The Authority is required to pay all non disputed invoices within 28 days of receipt. In the first 4 months of the current financial year the Authority has received 2,309 invoices and paid 91% of them within 28 days.

9 Financial Implications

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

10 Legal Implications

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

11 Human Resource and Diversity Implications

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

12 Health, Safety and Wellbeing Implications

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

13 Environmental Implications

- 13.1 There are no environmental implications arising from this report.

14 Your Fire and Rescue Service Priorities

- 14.1 This report supports all the fire and rescue service priorities

15 Conclusions

- 15.1 This report identifies that the Authority is currently forecast to under spend its revenue budget in 2019/20 by £499k. The budget will be monitored closely during the year in conjunction with directors and budget holders.

SUMMARY

Directorate	Capital Plan 2019/20						Capital Expenditure 2019/20				
	2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp schemes approved	Total	Over/(Under) spend to date	
Property services	£1,680,000	£801,164	£0	£30,000	£0	£2,511,164	£580,337	£349,867	£959,505	-£1,551,660	▶
IRMP	£0	£2,131,532	£0	£740,000	£0	£2,871,532	£2,612,695	£20,708	£2,633,403	-£238,129	▶
ICT	£1,695,500	£440,255	-£120,000	£330,000	£0	£2,345,755	£272,648	£182,123	£462,085	-£1,883,671	▶
HR	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	✔
Transport	£948,800	£750,000	£0	£0	£0	£1,698,800	£651,304	-£2,584	£648,720	-£1,050,080	▶
Operations	£1,757,000	£650,883	£0	£0	£0	£2,407,883	£240,656	£74,284	£339,240	-£2,068,643	▶
Fire Safety	£500,000	£19,500	£0	£0	£0	£519,500	£0	£67,500	£67,500	-£452,000	▶
Finance	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	✔
	£6,581,300	£4,793,335	-£120,000	£1,100,000	£0	£12,354,635	£4,357,639	£691,898	£5,110,452	-£7,244,182	▶

CAPITAL BUDGET MONITORING 2019/20

SERVICE SUPPORT

PROPERTY

Details of Scheme	Capital Plan 2019/20						Capital Expenditure 19/20			
	2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital total	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
Leeds - Replace Derv tank & general station refurbishments works	£30,000	£0	£0	£0	£0	£30,000	£0	£0	£0	£-30,000
Moortown - General refurb of facilities, including LED energy efficient lighting	£90,000	£0	£0	£0	£0	£90,000	£7,800	£0	£7,800	£-82,200
Cookridge General refurb and upgrade of accommodation and facilities, including LED lighting in appliance bays	£90,000	£0	£0	£0	£0	£90,000	£0	£0	£0	£-90,000
Huddersfield - Install energy efficient lighting to external areas, wash bays, appliance bays and upgrade of deteriorated wash bay & external works	£50,000	£0	£0	£0	£0	£50,000	£3,250	£0	£3,250	£-46,750
Holmfirth - Install energy efficient lighting to Ext areas and appliance bays. Upgrade External fabric	£50,000	£0	£0	£0	£0	£50,000	£3,250	£0	£3,250	£-46,750
Mirfield - Upgrading of mains distribution. Electrical installation and general refurb	£30,000	£0	£0	£0	£0	£30,000	£1,950	£0	£1,950	£-28,050
Odsal - General fabric upgrading , Replace windows and introduce LED Lighting	£80,000	£0	£0	£0	£0	£80,000	£7,008	£0	£7,008	£-72,992
Fairweather Green - Kitchen upgrade, Improvements to rear entrance layout , Replace above ground Derv storage tank, general LED lighting and refurbishment works	£80,000	£0	£0	£0	£0	£80,000	£7,008	£0	£7,008	£-72,992
Illingworth - General upgrade including external fabric and decorations	£90,000	£0	£0	£0	£0	£90,000	£7,884	£0	£7,884	£-82,116
Todmorden - Electrical rewire, LED Lighting and general refurb	£90,000	£0	£0	£0	£0	£90,000	£7,250	£0	£7,250	£-82,750
FSHQ - Adaptations rear of Multi purpose training Centre. Rear Ext stair case to upper levels	£100,000	£0	£0	£0	£0	£100,000	£21,938	£0	£21,938	£-78,062
Ossett - Conversion of designated former young firefighters vehicle and kit storage accommodation ground floor of Ossett to create a district meeting room	£100,000	£0	£0	£0	£0	£100,000	£24,162	£1,785	£25,947	£-74,053
Risk Register prioritised and general asbestos removal and general fabric upgrade at various locations	£100,000	£0	£0	£0	£0	£100,000	£21,517	£0	£21,517	£-78,483
Phased security, CCTV and Fire Alarm System installations and upgrading at various locations	£70,000	£0	£0	£0	£0	£70,000	£19,798	£0	£19,798	£-50,202
Phased upgrading of appliance bay doors , control Equip, automatic door and gate safety compliance improvements	£80,000	£0	£0	£0	£0	£80,000	£46,380	£652	£47,032	£-32,968
Phased installation and upgrading of surface water drainage interceptors	£80,000	£0	£0	£0	£0	£80,000	£0	£0	£0	£-80,000
Phased filling in of appliance bay pits and making good flooring to appliance bays	£60,000	£0	£0	£0	£0	£60,000	£53,899	£0	£53,899	£-6,101
Install of Energy efficient LED Lighting to appliance bays and wash bays	£60,000	£0	£0	£0	£0	£60,000	£4,473	£11,591	£16,065	£-43,935
Phased upgrade to fire station training towers including lightning protection and building fabric	£60,000	£0	£0	£0	£0	£60,000	£35,028	£0	£35,028	£-24,972
General electrical upgrade works.	£80,000	£0	£0	£0	£0	£80,000	£3,524	£0	£3,524	£-76,476
General mechanical and L8 Legionella prevention water management improvement and upgrading works as identified during services asset surveys and mechanical servicing regime	£100,000	£0	£0	£0	£0	£100,000	£11,083	£0	£11,083	£-88,917
Phased upgrade of fixed ladders and fire escapes	£50,000	£0	£0	£0	£0	£50,000	£0	£0	£0	£-50,000
Phased minor equality /dignity alterations improvements & facilities	£30,000	£0	£0	£0	£0	£30,000	£4,950	£0	£4,950	£-25,050
Phased operational and training facility and welfare accommodation upgrades	£30,000	£0	£0	£0	£0	£30,000	£7,733	£6,650	£14,383	£-15,617
Electric vehicle charging points	£0	£0	£0	£30,000	£0	£30,000	£0	£0	£0	£-30,000
TOTAL NEW CAPITAL SCHEMES 19/20	£1,680,000	£0	£0	£30,000	£0	£1,710,000	£299,885	£20,678	£320,563	£-1,389,437

Details of Scheme	2019/20 Original Capital Plan	2018/19 Slippage b/f	2019/20 Decrease	2019/20 Increase	2019/20 Slippage c/f	2019/20 Capital total	2019/20 Commitments Opex	2019/20 Total Exp	2019/20 Total	2019/20 Over/(Under) spend to Date
FSHQ - Training tower upgrade	£0	£17,983	£0	£0	£0	£17,983	£1,700	£2,637	£4,336	-£13,646
Security, CCTV, PAC access, intruder ala	£0	£1,000	£0	£0	£0	£1,000	£1,000	-£175	£825	-£175
Upgrade to brick built towers including structural repairs and upgrade of existing electrical system - Meltham FSHQ Works 18/19	£0	£1,940	£0	£0	£0	£1,940	£1,916	£0	£1,916	-£25
New Car Park Training Centre 17/18	£0	£46,728	£0	£0	£0	£46,728	£0	£0	£0	-£46,728
FSHQ Retaining and Boundary Walls	£0	£23,418	£0	£0	£0	£23,418	£2,600	£6,304	£8,904	-£14,515
Upgrade FSHQ - Breathing Acc, Classroom, General Upgrading Morley	£0	£91,430	£0	£0	£0	£91,430	£119,026	-£2,085	£116,941	£25,511
General Upgrading Odsal	£0	£32,931	£0	£0	£0	£32,931	£22,611	£149	£22,760	-£10,171
Fire Alarm upgrade, Security Gate Fairwe	£0	£96,648	£0	£0	£0	£96,648	£11,212	£52,095	£63,307	-£33,341
Tarmac, Lighting,smoke training House - Security gate, fencing, LED Lighting - I	£0	£21,904	£0	£0	£0	£21,904	£1,129	£21,185	£22,314	£410
Cookridge/Moortown	£0	£27,767	£0	£0	£0	£27,767	£0	-£770	-£770	-£28,537
Roof drainage, LED lighting, General Wor	£0	£6,737	£0	£0	£0	£6,737	£0	£3,117	£3,117	-£3,620
Upgrade AFS garage/gym, LED Lighting, As	£0	£65,031	£0	£0	£0	£65,031	£38,192	£39,757	£77,949	£12,918
Boiler, Lighting, carparking, wall repai	£0	£11,315	£0	£0	£0	£11,315	£5,286	-£1,801	£3,485	-£7,829
LED Lighting, Replace glazing - Rawdon	£0	£10,714	£0	£0	£0	£10,714	£0	£6,975	£6,975	-£3,739
LED Lighting, Decorating - Leeds	£0	£7,417	£0	£0	£0	£7,417	£0	£5,112	£5,112	-£2,305
Kitchen & Facility improvements - Stanni	£0	£64,067	£0	£0	£0	£64,067	£3,187	£24,845	£28,031	-£36,036
Security systems, fire alarm, LED lighti	£0	£17,668	£0	£0	£0	£17,668	£0	£14,423	£14,423	-£3,245
LED Lighting - Bradford	£0	£5,683	£0	£0	£0	£5,683	£894	£0	£894	-£4,789
Upgrade Shower installations - Normanton	£0	£29,657	£0	£0	£0	£29,657	£0	£24,649	£24,649	-£5,008
Upgrade to various Training Towers	£0	£7,275	£0	£0	£0	£7,275	£2,922	£2,328	£5,250	-£2,025
Security systems, Fire Alarms & upgrades	£0	£25,000	£0	£0	£0	£25,000	£0	£0	£0	-£25,000
Asbestos removal	£0	£31,810	£0	£0	£0	£31,810	£10,100	£16,390	£26,490	-£5,320
BA Compressor	£0	£38,877	£0	£0	£0	£38,877	£0	£41,462	£41,462	£2,585
TOTAL SLIPPED SCHEMES	£0	£801,164	£0	£0	£0	£801,164	£280,452	£329,188	£609,640	-£191,525
TOTAL EXPENDITURE APPROVED	£1,680,000	£801,164	£0	£30,000	£0	£2,511,164	£580,337	£349,867	£930,203	-£1,580,961
SCHEMES - NO APPROVAL										
LED Lighting, Ext lighting CCTV, Securit	£0	£0	£0	£0	£0	£0	£0	-£937	-£937	-£937
Filling in Appliance Bay & making good	£0	£0	£0	£0	£0	£0	£14,977	-£14,977	£0	£0
Bingley Smoke House	£0	£0	£0	£0	£0	£0	£31,106	-£911	£30,194	£30,194
Ablution	£0	£0	£0	£0	£0	£0	£1,183	-£1,139	£44	£44
TOTAL SCHEMES - NO APPROVAL	£0	£0	£0	£0	£0	£0	£47,266	-£17,965	£29,302	£29,302
TOTAL CAPITAL 18/19	£1,680,000	£801,164	£0	£30,000	£0	£2,511,164	£627,603	£331,902	£959,505	-£1,551,660

CAPITAL BUDGET MONITORING

2019/20

IRMP

Details of Scheme	Capital Plan 19/20						Capital Expenditure 18/19			
	2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Capital Plan	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
Station Refurbishments	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
TOTAL NEW CAPITAL SCHEMES 19/20	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
SLIPPED SCHEMES										
Shipley	£0	£50,000	£0	£0	£0	£50,000	£0	£7,063	£7,063	-£42,937
Wakefield Rebuild		£2,081,532	£0	£740,000	£0	£2,821,532	£2,612,695	£13,646	£2,626,340	-£195,192
TOTAL SLIPPED SCHEMES	£0	£2,131,532	£0	£740,000	£0	£2,871,532	£2,612,695	£20,708	£2,633,403	-£238,129
TOTAL EXPENDITURE APPROVED	£0	£2,131,532	£0	£740,000	£0	£2,871,532	£2,612,695	£20,708	£2,633,403	-£238,129
TOTAL CAPITAL 19/20	£0	£2,131,532	£0	£740,000	£0	£2,871,532	£2,612,695	£20,708	£2,633,403	-£238,129

CAPITAL BUDGET MONITORING 2019/20

SERVICE SUPPORT
ICT

Details of Scheme	Capital Plan 19/20									Capital Expenditure 19/20			
	2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23	2019/20	2019/20	2019/20	2019/20
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Capital Plan	Capital Plan	Capital Plan	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
Paperless Meetings	£41,000	£0	£0	£0	£0	£41,000	£0	£0	£0	£0	£0	£0	£-41,000
Operational risk information	£50,000	£0	£0	£0	£0	£50,000	£0	£0	£0	£0	£0	£0	£-50,000
Protection Database	£50,000	£0	£0	£0	£0	£50,000	£0	£0	£0	£0	£0	£0	£-50,000
Hydrant Management	£30,000	£0	£0	£0	£0	£30,000	£0	£0	£0	£0	£0	£0	£-30,000
Equipment management & RHD tagging	£293,000	£0	£0	£0	£0	£293,000	£0	£0	£0	£0	£0	£0	£-293,000
BYOD	£60,000	£0	£0	£0	£0	£60,000	£0	£0	£0	£0	£0	£0	£-60,000
Firewalls at HQ	£100,000	£0	£0	£0	£0	£100,000	£0	£0	£0	£3,627	£33,703	£37,330	£-62,670
Internet pipe for SDC	£40,000	£0	£0	£0	£0	£40,000	£0	£0	£0	£0	£0	£0	£-40,000
Triton Force point update	£6,000	£0	£0	£0	£0	£6,000	£0	£0	£0	£0	£0	£0	£-6,000
Printers on Stations	£8,000	£0	£0	£0	£0	£8,000	£8,000	£0	£0	£0	£0	£0	£-8,000
Refresh of ICT training suite	£12,500	£0	£0	£0	£0	£12,500	£0	£0	£0	£0	£0	£0	£-12,500
Replacement computer hardware	£115,000	£0	£0	£0	£0	£115,000	£105,000	£90,000	£75,000	£118,379	£33,568	£151,947	£36,947
VoIP	£100,000	£0	£0	£0	£0	£100,000	£165,000	£0	£0	£0	£0	£0	£-100,000
Silent Witness	£390,000	£0	£0	£0	£0	£390,000	£0	£0	£0	£0	£0	£0	£-390,000
Media Storage Solution	£200,000	£0	£0	£0	£0	£200,000	£0	£0	£0	£0	£0	£0	£-200,000
DMZ Virtual Servers	£80,000	£0	£0	£0	£0	£80,000	£0	£0	£0	£29,755	£22,798	£52,553	£-27,447
Replacement of station tannoy system	£120,000	£0	£-120,000	£0	£0	£0	£120,000	£200,000	£80,000	£0	£0	£0	£0
Hydra Command Training	£0	£0	£0	£60,000	£0	£60,000	£0	£0	£0	£0	£170	£170	£-59,830
ICT Station Equip	£0	£0	£0	£120,000	£0	£120,000	£87,000	£0	£0	£0	£0	£0	£-120,000
Pager Upgrade	£0	£0	£0	£0	£0	£0	£0	£65,000	£0	£0	£0	£0	£0
MDT Hardware	£0	£0	£0	£0	£0	£0	£0	£280,000	£0	£0	£0	£0	£0
Network switch upgrades	£0	£0	£0	£0	£0	£0	£400,000	£300,000	£0	£0	£0	£0	£0
Command Support Software	£0	£0	£0	£0	£0	£0	£100,000	£0	£0	£0	£0	£0	£0
Thin Client	£0	£0	£0	£0	£0	£0	£140,000	£100,000	£100,000	£0	£0	£0	£0
ID Cards	£0	£0	£0	£0	£0	£0	£15,300	£0	£0	£0	£0	£0	£0
TOTAL NEW CAPITAL SCHEMES 19/20	£1,695,500	£0	£-120,000	£180,000	£0	£1,755,500	£1,140,300	£1,035,000	£255,000	£151,761	£90,238	£241,999	£-1,513,501
SLIPPED SCHEMES													
MDT Replacement	£0	£5,970	£0	£0	£0	£5,970	£0	£0	£0	£0	£0	£0	£-5,970
Retained Pager Replace	£0	£16,970	£0	£0	£0	£16,970	£0	£0	£0	£21,102	£0	£21,102	£4,132
ICTSP4 System Security	£0	£148,000	£0	£0	£0	£148,000	£0	£0	£0	£0	£0	£0	£-148,000
ICTSP3 HR & Rostering	£0	£60,229	£0	£0	£0	£60,229	£0	£0	£0	£71,898	£16,855	£88,753	£28,524
Property Asset Management Software	£0	£23,549	£0	£0	£0	£23,549	£0	£0	£0	£11,532	£4,148	£15,680	£-7,869
Computer Hardware	£0	£45,692	£0	£0	£0	£45,692	£0	£0	£0	£0	£41,121	£41,121	£-4,571
GPS Repeaters	£0	£1,425	£0	£0	£0	£1,425	£0	£0	£0	£1,425	£0	£1,425	£0
Mobile Phone	£0	£455	£0	£0	£0	£455	£0	£0	£0	£455	£0	£455	£0
Additional resource for HR & Rostering	£0	£37,750	£0	£150,000	£0	£187,750	£0	£0	£0	£0	£0	£0	£-187,750
Mobile Working	£0	£45,211	£0	£0	£0	£45,211	£0	£0	£0	£0	£2,210	£2,210	£-43,001
Transport Upgrade	£0	£15,573	£0	£0	£0	£15,573	£0	£0	£0	£14,475	£3,119	£17,594	£2,022
Electronic Forms	£0	£24,432	£0	£0	£0	£24,432	£0	£0	£0	£0	£24,432	£24,432	£0
Command Unit Lite	£0	£15,000	£0	£0	£0	£15,000	£0	£0	£0	£0	£0	£0	£-15,000
TOTAL SLIPPED SCHEMES	£0	£440,255	£0	£150,000	£0	£590,255	£0	£0	£0	£120,887	£91,885	£212,772	£-377,484
TOTAL EXPENDITURE APPROVED	£1,695,500	£440,255	£-120,000	£330,000	£0	£2,345,755	£1,140,300	£1,035,000	£255,000	£272,648	£182,123	£454,771	£-1,890,985
New Wan	£0	£0	£0	£0	£0	£0	£0	£0	£0	£7,314	£0	£7,314	£7,314
TOTAL SCHEMES - NO APPROVAL	£0	£0	£0	£0	£0	£0	£0	£0	£0	£7,314	£0	£7,314	£7,314
TOTAL CAPITAL 19/20	£1,695,500	£440,255	£-120,000	£330,000	£0	£2,345,755	£1,140,300	£1,035,000	£255,000	£279,962	£182,123	£462,085	£-1,883,671

CAPITAL BUDGET MONITORING 2019/20
SERVICE SUPPORT
TRANSPORT

Details of Scheme	Capital Plan 19/20						Capital Expenditure 19/20			
	2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
Vehicle replacement project - 2 Welfare Vehicles, appliance, prime movers, POD, cadet vehicles, aerials	£244,800	£0	£0	£0	£0	£244,800	£0	£0	£0	£-244,800
CLM Vehicle procurement	£704,000	£0	£0	£0	£0	£704,000	£0	£0	£0	£-704,000
TOTAL CAPITAL PLAN 2019/20	£948,800	£0	£0	£0	£0	£948,800	£0	£0	£0	£-948,800
SLIPPED SCHEMES										
Aerial Appliances	£0	£750,000	£0	£0	£0	£750,000	£651,304	£-2,584	£648,720	£-101,280
TOTAL SLIPPED SCHEMES	£0	£750,000	£0	£0	£0	£750,000	£651,304	£-2,584	£648,720	£-101,280
TOTAL EXPENDITURE APPROVED	£948,800	£750,000	£0	£0	£0	£1,698,800	£651,304	£-2,584	£648,720	£-1,050,080
TOTAL CAPITAL 19/20	£948,800	£750,000	£0	£0	£0	£1,698,800	£651,304	£-2,584	£648,720	£-1,050,080

CAPITAL BUDGET MONITORING
2018/19
SERVICE DELIVERY
FIRE SAFETY

Details of Scheme	Capital Plan 19/20						Capital Expenditure 18/19			
	2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
Home Fire Safety Checks	£500,000	£0	£0	£0	£0	£500,000	£0	£40,500	£40,500	£-459,500
TOTAL CAPITAL PLAN 2019/20	£500,000	£0	£0	£0	£0	£500,000	£0	£40,500	£40,500	£-459,500
SLIPPED SCHEMES										
Home Fire Safety Checks	£0	£19,500	£0	£0	£0	£19,500	£0	£27,000	£27,000	£7,500
TOTAL SLIPPAGE	£0	£19,500	£0	£0	£0	£19,500	£0	£27,000	£27,000	£7,500
TOTAL EXPENDITURE APPROVED	£500,000	£19,500	£0	£0	£0	£519,500	£0	£67,500	£67,500	£-452,000

CAPITAL BUDGET MONITORING
2019/20
SERVICE DELIVERY
OPERATIONS

Details of Scheme	Capital Plan 19/20						Capital Expenditure 18/19			
	2019/20	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
	Original Capital Plan	Slippage b/f	Decrease	Increase	Slippage c/f	Total	Commitments Opex	Total Exp	Total	Over/(Under) spend to Date
Replacement of Operational PPE	£1,000,000	£0	£0	£0	£0	£1,000,000	£0	£0	£0	£-1,000,000
Water Rescue	£10,000	£0	£0	£0	£0	£10,000	£0	£0	£0	£-10,000
Lay Flat Hose	£50,000	£0	£0	£0	£0	£50,000	£0	£0	£0	£-50,000
Fire Fighting helmets	£210,000	£0	£0	£0	£0	£210,000	£0	£0	£0	£-210,000
Gas tight suits	£10,000	£0	£0	£0	£0	£10,000	£0	£0	£0	£-10,000
MTFA Ear Defenders	£12,000	£0	£0	£0	£0	£12,000	£0	£0	£0	£-12,000
Hydrants	£450,000	£0	£0	£0	£0	£450,000	£0	£42,441	£42,441	£-407,559
MFTA - Headset	£15,000	£0	£0	£0	£0	£15,000	£0	£0	£0	£-15,000
TOTAL CAPITAL PLAN 2019/20	£1,757,000	£0	£0	£0	£0	£1,757,000	£0	£42,441	£42,441	£-1,714,559
SLIPPED SCHEMES										
New Control Project - Premises C	£0	£54,000	£0	£0	£0	£54,000	£0	£0	£0	£-54,000
New Control Project - Contingency	£0	£338,000	£0	£0	£0	£338,000	£2,710	£0	£2,710	£-335,290
Replacement Multi Gas Detector	£0	£3,000	£0	£0	£0	£3,000	£0	£0	£0	£-3,000
PPE - RTC jackets	£0	£195,255	£0	£0	£0	£195,255	£220,538	£0	£220,538	£25,284
Respiratory Protection Equipment	£0	£4,000	£0	£0	£0	£4,000	£34	£2,003	£2,038	£-1,962
Aerial Vehicle Drone	£0	£11,399	£0	£0	£0	£11,399	£8,786	£0	£8,786	£-2,613
Method of Entry	£0	£45,229	£0	£0	£0	£45,229	£8,588	£29,840	£38,428	£-6,801
TOTAL SLIPPAGE	£0	£650,883	£0	£0	£0	£650,883	£240,656	£31,843	£272,499	£-378,384
APPROVED	£1,757,000	£650,883	£0	£0	£0	£2,407,883	£240,656	£74,284	£314,940	£-2,092,943
Expenditure no approvals										
Flood Response Capability	£0	£0	£0	£0	£0	£0	£345	£15,076	£15,421	£15,421
Hydrants	£0	£0	£0	£0	£0	£0	£0	£-18,181	£-18,181	£-18,181
Replacement Ultra Lightweight P	£0	£0	£0	£0	£0	£0	£0	£1,522	£1,522	£1,522
Hydraulic Rescue Tools	£0	£0	£0	£0	£0	£0	£0	£25,537	£25,537	£25,537
Gas tight Suits	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
TOTAL SCHEMES - NO APPROVAL	£0	£0	£0	£0	£0	£0	£345	£23,955	£24,300	£24,300
TOTAL CAPITAL 19/20	£1,757,000	£650,883	£0	£0	£0	£2,407,883	£241,001	£98,239	£339,240	£-2,068,643

Appendix B

<u>Term Deposits</u>					
Borrower	Period	Amount	Rate	Investment Date	Maturity Date
		£	%		
DMO	5 weeks	£591,234.95	0.51	05/08/2019	09/09/2019
Nationwide BS	4 months	£4,000,000.00	0.75	26/07/2019	26/11/2019
Close Brothers	9 months	£6,000,000.00	1.15	17/04/2019	17/01/2020
Coventry BS	6 months	£6,000,000.00	0.86	26/07/2019	27/01/2020
Lancashire CC	10 months	£5,000,000.00	1.00	26/07/2019	26/05/2020
		<u>£21,591,234.95</u>			
<u>Deposit Accounts</u>					
Borrower	Notice	Amount	Rate	Investment Date	Maturity Date
		£	%		
	Instant				
Handelsbanken	Access	£691.48	0.64		
Handelsbanken	35 days	£5,980,343.35	0.80	26/07/2019	
Santander	180 days	£3,000,000.00	1.00	14/06/2019	10/12/2019
Santander	180 days	£3,000,000.00		17/06/2019	13/12/2019
Lloyds	32 days	£6,000,000.00	0.95	23/07/2019	
		<u>£17,981,034.83</u>			
<u>Money Market Funds</u>					
		Amount	Rate		
		£	%		
	Instant				
Aviva	Access	£5,978,808.82	0.73		
	Instant				
Goldman Sachs	Access	£263,414.81	0.67		
Aberdeen	Instant				
Standard	Access	£5,979,337.28	0.73		
		<u>£12,221,560.91</u>			
Total Investments		£51,793,830.69			



OFFICIAL

Reserves strategy

Finance & Resources Committee

Date: 11 October 2019

Agenda Item:

7

Submitted By: Chief Finance and Procurement Officer

Purpose

To seek endorsement of the Authority's Reserve Strategy 2019/20 to 2022/23 and attain approval of the transfer of £0.117m of reserves from the General Fund to Earmarked Reserves

Recommendations

Members approve the strategy and transfer of reserves between General Fund and earmarked reserves.

Summary

The level of usable reserves of stand-alone fire and rescue services is of particular interest at a national level and it is recognised that there is a need for greater transparency around reserves. The reserves strategy was formally approved at Finance and Resources Committee on the 12th October 2018 and Full Authority approves the use of reserves to support the revenue budget in February as part of the budget setting process. The level of General Fund Reserves is determined by the Risk Register, which is currently £5m, as a result it recommended that £0.177m of general fund reserves is moved to earmarked reserves, leaving the required balance of £5m

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Alison Wood, Chief Finance and Procurement Officer
T: 01274 655711
E: Alison.wood@westyorksfire.gov.uk

Background papers open to inspection: None

Annexes: West Yorkshire Reserves Strategy 2019 / 20 – 2022 / 23
NFCC/FFN Survey of FRA Reserves and Forecasts 2018

1 Introduction

- 1.1 It is a requirement that local authorities publish their reserves strategy either as a separate document on their website or include it a part of the budget setting process. At Finance and Resources Committee on the 12th October 2018, the Authority's reserve strategy was approved and then subsequently published on the Authority's website. In addition, the planned use of usable reserves over the next four years was presented to Full Authority as part of the budget setting process.
- 1.2 Reserves are an essential tool to ensure long-term budget stability particularly at a time when the Authority is facing significant year on year reductions in grant funding over the medium term.

2 Information

- 2.1 At a national level there has been considerable debate about the level of general reserves that are being held by local authorities. Whilst there is no specified minimum general reserve level, a broad rule of thumb adopted by most Chief Finance Officers in Local Government has been that an appropriate and prudent level is one that is equivalent to 5% of the budget.
- 2.2 In July 2018 the National Fire Chiefs Council with the guidance of the Fire Finance Network conducted a review of Fire and Reserves and forecasts about future levels of reserves to 2022/23. All 45 Fire and Rescue Services responded to this survey which was coordinated by the Somerset Technical Team. The report was published in November 2018 and is attached for information to this report. The main highlights from the report are for all Fire and Rescue Services:
- Total reserves levels are forecast to decrease by 62.5% from £718m to £269m between March 2018 and March 2022, an average reduction of £112m per year.
 - At March 2018, one third of total reserves were earmarked for capital expenditure.
 - Compared to the size of the Net Revenue Budget, earmarked reserves represented 31.1% in March 2018 and this is forecast to drop to 8.9% by March 2022.

This survey is updated annually by each Fire and Rescue Service, the results of which will be reported to members.

- 2.4 The current level of reserves for West Yorkshire as at the 1 April 2019 were £5.177m of general fund balances and £31.173m in earmarked reserves, equating to a total usable reserve balance of £36.29m. The general fund balance represents 6% of the revenue budget.
- 2.5 It is worth reminding members that although the Authority has £36m of usable reserves on the face of the balance sheet these are only backed by £22m in cash and investments at the 1st April. If the Authority were to spend its reserves over and above its cash balance we would have to borrow either on a short or long term basis, thus adding pressure to the revenue budget in the form of interest payments. The current policy of utilising our own cash rather than taking out new loans has saved the Authority over £3m over the past 7 years.

- 2.6 In determining the appropriate level of reserves required by the authority, the Chief Finance and Procurement Officer is required to form a professional judgement on this, taking into account the strategic, operational and financial risk facing the authority. This is completed based on guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and includes an assessment of the financial assumptions underpinning the budget over the medium to long term. This includes issues such as uncertainty surrounding future funding settlements, pay awards, changes to pension schemes rates, volatility of the retirement profile.
- 2.7 In order to retain the General Fund Balance at £5m. It is recommended that £0.117m of general fund balances are transferred to the service support earmarked reserve. The increase to the general fund reserve is a result of the under spend on the revenue budget of £0.117m in 2018/19. The service support reserve is used to fund projects and initiatives that will generate savings over the longer term. In 2018/19, the service support reserve was used to fund the cost of the procurement and lean working reserves. In 2019/20, it will also be used to fund some of the vehicle and equipment costs associated with the Command and Leadership Management project.
- 2.8 A detailed analysis of the Authority's earmarked reserves and their planned use is included with the Reserves Strategy, which is attached to this report.

In summary, it is planned, to use over £19.5m of earmarked reserves by the end of 2022/23, most notably on:

- £10m on the rebuild and major development of our property assets
- £0.6m on invest to save initiatives from the Service Support Reserve
- £1.5m on estimated inflationary pressures including increases in pay awards not currently provided for
- £2m to support the Medium Term Financial Plan in the event of a greater than forecast cut to funding
- £0.5m on the final payment for the Command and Control System
- £0.35m on operational equipment

3 Financial Implications

- 3.1 The management of usable reserves is important for sound financial management and the production of a sustainable Medium Term Financial Plan. The earmarking of reserves for specified future projects and potential liabilities means that funding has been set aside and cannot be used for other purposes. This facilitates improved planning and transparency.

4 Legal Implications

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

5 Human Resource and Diversity Implications

- 5.1 None associated with this report.

6 Health, Safety and wellbeing Implications

- 6.1 None associated with this report.

7 Environmental implications

7.1 There are environmental implications

8 Your Fire and Rescue Service Priorities

8.1 The reserves strategy supports all the fire and rescue service priorities

9 Conclusions

9.1 It is a requirement that the Authority reviews and approves its Reserve Strategy on an annual basis. The use and management of reserves will be the key to financial stability especially at a time when the Authority is facing funding uncertainty.



NFCC/FFN Survey of FRA Reserves and Forecasts 2018

Original: 28 September 2018

Updated: 5 November 2018

CONTENTS

[Introduction](#)

[Responses](#)

[UK-wide Analysis](#)

[Summary](#)

INTRODUCTION

Background

In the summer of 2018, the National Fire Chiefs Council Finance Committee (NFCC) and the Fire Finance Network (FFN) conducted a survey of Fire and Rescue Authorities' (FRAs) reserves positions and forecasts from 2016-17 to 2022-23. Survey responses have been analysed by the Somerset Technical Support Team and this paper represents some of the findings of said analysis. It is the intent of this paper to provide headline statistics and results for the NFCC, FFN and individual FRAs to observe national trends. It is very likely that said national trends will be used to support the sector in the upcoming Comprehensive Spending Review (CSR) and Local Government Finance Settlements.

Scope of Analysis

The survey was issued to each Fire and Rescue service providing authority in the United Kingdom. This totals 50 authorities of different governance structures and classes - a list of which is given below:

Metropolitan Authorities

Greater Manchester Joint Fire and Civil Defence	Merseyside Joint Fire and Civil Defence
South Yorkshire Joint Fire and Civil Defence	Tyne and Wear Joint Fire and Civil Defence
West Midlands Joint Fire and Civil Defence	West Yorkshire Joint Fire and Civil Defence

London

London Fire Authority

National Fire and Rescue Authorities

Scotland Fire Service

Northern Ireland Fire Authority

Shire Counties and Shire Unitaries

Cornwall
Gloucestershire
Isle of Wight
Lincolnshire
Northamptonshire
Oxfordshire
Surrey

Cumbria
Hertfordshire
Isles of Scilly
Norfolk
Northumberland
Suffolk
Warwickshire

Somerset Technical Support Team

National Fire Chiefs Council – Finance Committee

West Sussex

Standalone Fire and Rescue Authorities (exc. London)

Avon Fire Authorities	Bedfordshire Fire Authority
Berkshire Fire Authority	Buckinghamshire Fire Authority
Cambridgeshire Fire Authority	Cheshire Fire Authority
Cleveland Fire Authority	Derbyshire Fire Authority
Devon and Somerset Fire Authority	Dorset and Wiltshire Fire Authority
Durham Fire Authority	East Sussex Fire Authority
Essex Fire Authority	Hampshire Fire Authority
Hereford and Worcester Combined Fire Authority	Humberside Fire Authority
Kent Fire Authority	Lancashire Fire Authority
Leicestershire Fire Authority	North Yorkshire Fire Authority
Nottinghamshire Fire Authority	Shropshire Fire Authority
Staffordshire Fire Authority	

Welsh Fire and Rescue Authorities

Mid and West Wales Fire Authority	North Wales Fire Authority
South Wales Fire Authority	

Although, it had been the original intent of the survey to conduct a UK-wide analysis, on the 25 October 2018, two Welsh authorities informed the Somerset TST that they would not be taking part in the survey (one asking for its response to be removed, the other never providing a response). As the Scotland and Northern Ireland responses were trivially zero responses - no reserves are held, it was deemed appropriate to narrow the scope of this analysis to the 45 English FRAs only.

Response Rate

All 45 responses have been received. This means that no precision will be lost due to imperfect analytical forecasting of non-responses. This said some responses have been updated since their initial submission – the most recent of these (at the time of writing) being on 2 November 2018. Should further individual response amendments/updates be made that significantly affect this analysis, the Somerset TST will issue an updated report. This is very unlikely to occur.

Validity of Analysis

Although the 100% response rate has removed the chance of an ‘unknown response error’ it is important to point out that true values could deviate from those reported below. It is possible that responses are somewhat inconsistent through no fault of respondents especially regarding forecasted values. The forecasting techniques and methodologies used by each respondent are beyond the scope of the survey and this analysis; and could vary significantly and (dependant on the methodologies used) be subject to an optimism or pessimism bias.

Further, it is important to note that categorisation could be inconsistent between respondents. The survey did make effort to mitigate this by requesting that respondents

Somerset Technical Support Team

National Fire Chiefs Council – Finance Committee

provide the categorisation of each reserve type at a low level and by requesting that respondents provide further information in comments sections when needed.

It is vitally important to understand that the above stipulations are not given to say that the analysis below shouldn't be trusted but rather to say that true values could deviate from those reported below. This could be caused by some inconsistency, lack of precision or otherwise. It is therefore recommended that readers use this analysis to recognise and observe trends rather than precise figures and values.

RESPONSES

To provide transparency regarding the analysis in this paper, Figure 1 gives the UK-wide aggregate reserves position in the same format as the survey below. By using the dropdown box provided the reader can observe individual authorities' responses and contact details. Please note that individual responses have been made available for FRA's internal use only.



Figure 1 – Aggregated Responses (given for reference only - all headline figures are below)

SECTION A: UK-WIDE ANALYSIS OF FIRE AND RESCUE RESERVES

Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. With this said, authorities do not receive specific guidance - CIPFA advise that local circumstances should be considered when deciding on appropriate levels of reserves. As such, many CFOs are likely guided by their external auditor's assessment and by HMICFRS.

Whilst recognising that individual authorities can face different pressures and receive differing guidance; aggregate trends are significant. Table A1 and Figure A1, illustrate how levels of reserves are forecast to change significantly over the medium term.

Table A1.1 – Reserves Levels and Forecasts March 2017 to March 2020

Total Reserves	Mar-17	Mar-18	Mar-19	Mar-20
TOTAL Earmarked Reserves	£578,783,397	£562,323,838	£409,578,836	£280,240,104
Budget risks	£45,264,000	£48,567,000	£40,491,000	£36,076,000
Support medium term budget	£23,881,927	£18,250,850	£14,327,851	£10,326,162
Change Programmes	£53,609,937	£56,469,634	£36,504,090	£26,553,290
PFI deficits	£9,391,000	£10,650,000	£10,989,000	£10,971,000
Capital Programmes	£231,931,000	£236,676,000	£140,074,000	£67,774,000
Other Earmarked Reserves ¹	£202,995,534	£181,207,355	£161,266,896	£122,810,652
Reserves held for others	£11,710,000	£10,503,000	£5,926,000	£5,729,000
General Reserves	£166,878,824	£155,177,279	£122,544,779	£111,731,028
Total Reserves	£745,662,221	£717,501,117	£532,123,615	£391,971,132

Total Reserves	Mar-17	Mar-18	Mar-19	Mar-20
Of which				
Earmarked Reserves (exc. below)	£496,201,397	£488,767,838	£356,852,836	£249,256,104
Capital Grants Unapplied	£26,475,000	£24,729,000	£9,150,000	£5,431,000
Capital Receipts Reserve	£56,107,000	£48,827,000	£43,576,000	£25,553,000

¹Includes non-categorised reserves (including some whole responses)

Table A1.2 – Reserves Levels and Forecasts March 2021 to March 2022

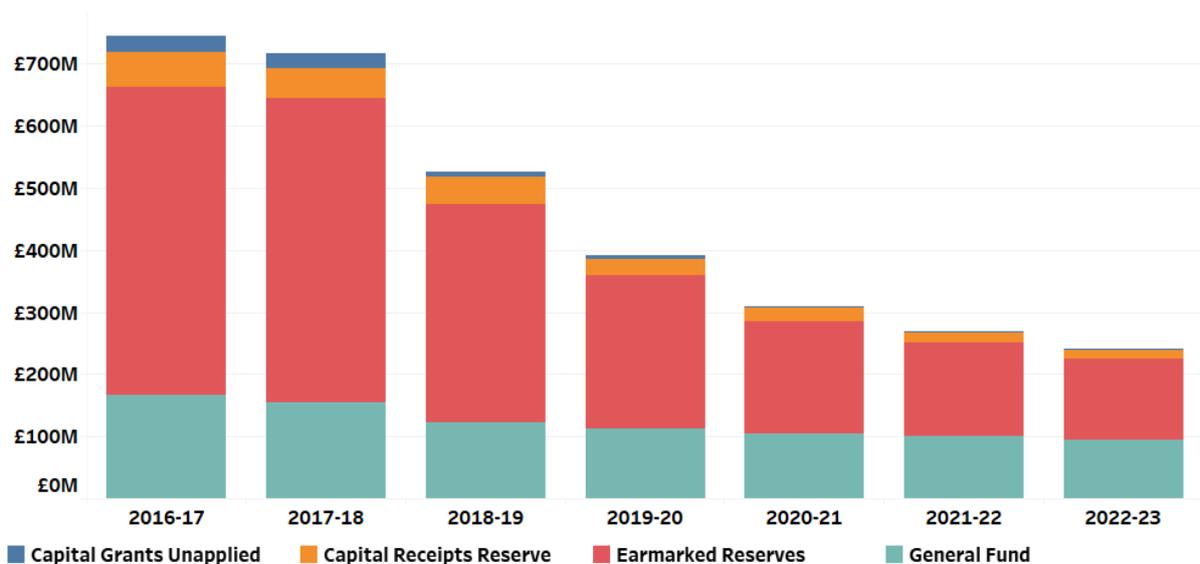
Total Reserves	Mar-21	Mar-22	2017 to 2018	2018 to 2022
TOTAL Earmarked Reserves	£209,955,145	£168,829,690	-2.8%	-70.0%
Budget risks	£29,024,000	£24,016,000	7.3%	-50.6%
Support medium term budget	£5,603,000	£2,839,000	-23.6%	-84.4%
Change Programmes	£14,950,490	£10,371,690	5.3%	-81.6%
PFI deficits	£11,100,000	£11,162,000	13.4%	4.8%
Capital Programmes	£49,499,000	£39,001,000	2.0%	-83.5%
Other Earmarked Reserves ¹	£97,501,655	£79,163,000	-10.7%	-56.3%
Reserves held for others	£2,277,000	£2,277,000	-10.3%	-78.3%
General Reserves	£105,305,028	£100,581,028	-7.0%	-35.2%
Total Reserves	£315,260,172	£269,410,717	-3.8%	-62.5%
Of which				
Earmarked Reserves (exc. below)	£184,166,145	£150,483,690	-1.5%	-69.2%
Capital Grants Unapplied	£2,706,000	£2,706,000	-6.6%	-89.1%
Capital Receipts Reserve	£23,083,000	£15,640,000	-13.0%	-68.0%

¹Includes non-categorised reserves (including some whole responses)



NFCC
National Fire
Chiefs Council

Fire and Rescue Service Reserves 2016-17 to 2022-23



Produced by the Somerset Technical Support Team

Figure A1 – Reserves levels and forecasts March 2017 to March 2023

Table A1 shows that Total Reserves levels are forecasted to decrease by 62.5% from £718m to £269m between March 2018 and March 2022 - an average reduction of £112m per year. Comparatively, Total Reserves fell from £746m to £718m between March 2017 and March 2018 (the two years for which the survey requested outturns) – a reduction of £28m. The disparity in per year reduction between actuals and forecasts *could* show a pessimism bias to forecasts however it can equally be explained by the upcoming use (or loss) of Earmarked and Capital Reserves. Whether there is any pessimism bias is beyond the scope of this paper (and can ultimately only be determined by observing outturn data in the years forecasted). Nonetheless this paper assumes that there is no pessimism bias – largely due to the breakdown of current reserves.

From Table A1, one calculates that in March 2018 just 22% of Total Reserves were held in authorities’ General Funds, just 7% were held in authorities’ Capital Receipts Reserve and just 3% were Capital Grants Unapplied. Hence, 68% of authorities’ Total Reserves were the remaining Earmarked Reserves with specific purposes. From the 78% of non-General Reserves we have:

Table A2 – Breakdown of Earmarked Reserves in March 2018 in percentage terms

Earmarked Reserve	Value in March 2018	Proportion of Total Reserves
Budget risks	£48,567,000	7%
Support medium term budget	£18,250,850	3%
Change Programmes	£56,469,634	8%
PFI deficits	£10,650,000	1%
Capital Programmes	£236,676,000	33%
Other Earmarked Reserves ¹	£181,207,355	25%
Reserves held for others	£10,503,000	1%
TOTAL Earmarked Reserves	£562,323,838	78%

¹Includes non-categorised reserves (including some whole responses)

As approximately one-third (33%) of Total Reserves in March 2017 were earmarked for capital expenditure, it seems reasonable to forecast a significant reduction in reserves in the medium term. Indeed, Table A1 shows that reserves earmarked for capital spend are forecasted to fall by 41% to £140m between March 2018 and March 2019. This is just one example of the whole breakdown of current reserves which suggests that large deductions in authorities’ reserves is likely.

As shown in Figure A1, reserves are indeed forecasted to fall most significantly between March 2018 and March 2019 with decreases continuing further but at a slower absolute rate. Reserves are forecasted to decrease significantly through to March 2022. March 2023 forecasts were less available (with some simply copying March 2022 forecasts without better information) but are included in Figure A1 for reference. However, the size of these decreases (though significant) are somewhat arbitrary without reference to the size of authorities’ budgets.

To establish Reserves levels relative to Budget sizes, the survey asked authorities to provide their Net Revenue Budgets (NRBs) for 2016-17 and 2017-18 as well as forecasts through to 2022-23. Reserves as a proportion of these NRBs (excluding 2023) are given in Table A3 below.

Table A3 – Reserves Levels and Forecasts as percentage of Net Revenue Budget

Total Reserves as % of NRB	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	2018 to 2022
TOTAL Earmarked Reserves	31.1%	31.1%	21.9%	14.7%	11.0%	8.9%	-22.3pp
Budget risks	2.3%	2.5%	2.0%	1.7%	1.4%	1.2%	-1.3pp
Support medium term budget	1.1%	0.9%	0.7%	0.5%	0.3%	0.1%	-0.7pp
Change Programmes	2.9%	3.1%	2.0%	1.4%	0.8%	0.5%	-2.6pp
PFI deficits	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	-0.0pp
Capital Programmes	12.2%	12.9%	7.4%	3.6%	2.5%	2.0%	-10.9pp
Other Earmarked Reserves ¹	12.0%	11.0%	9.0%	6.7%	5.3%	4.3%	-6.7pp
Reserves held for others	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	-0.1pp
General Reserves	8.9%	8.5%	6.5%	5.9%	5.5%	5.2%	-3.3pp
Total Reserves	40.0%	39.6%	28.5%	20.6%	16.5%	14.0%	-25.6pp
<i>Of which</i>							
Earmarked Reserves (exc. below)	26.9%	27.4%	19.2%	13.2%	9.6%	7.9%	-19.5pp
Capital Grants Unapplied	1.1%	1.1%	0.4%	0.2%	0.1%	0.1%	-0.9pp
Capital Receipts Reserve	3.0%	2.7%	2.3%	1.4%	1.2%	0.8%	-1.9pp

¹Includes non-categorised reserves (including some whole responses)

Table excludes responses from authorities which failed to provide NRB figures.

In Spring 2018, a similar survey was conducted on behalf of the Police and Crime Commissioners Treasurers Society (PACCTS) and the National Police Chiefs Council (NPCC) to establish an up to date police reserves position. As a reference these are provided in Table A4 below for March 2017 as a percentage of Net Revenue Budgets. Future years are unavailable as these were established for Police Treasurers' use.

Table A4 – Police reserves as a percentage of Net Revenue Budgets

Police Reserves	Mar-17
TOTAL Earmarked Reserves	15.2%
Budget risks	0.7%
Support medium term budget	2.9%
Change Programmes	2.5%
PFI deficits	0.6%
Capital Programmes	2.0%
Other Earmarked Reserves	1.6%
Reserves held for others	0.3%
General Reserves	3.5%
Total Reserves	18.7%
Earmarked Reserves (exc. below)	10.6%
Capital Grants Unapplied	0.4%
Capital Receipts Reserve	3.9%
Other capital grants and reserves	0.3%

[Please note that the Police Survey requested a breakdown of Earmarked Reserves excluding Capital Grants Unapplied and Capital Receipts Reserves. Though future years are unavailable, it is important to highlight that police reserves are forecasted to decline further in the coming years.]

A comparison of Table A3 and Table A4 highlights that reserves for Fire and Rescue services, though forecasted to fall, are not at such a proportionally low level as police reserves. In fact, forecasts suggest that fire and rescue reserves will be at the same proportional level as police reserves were in March 2017 in mid-2020-21.

However, an important consideration is the size of Fire and Rescue budgets compared with the size of police budgets. As there could be some economies of scale regarding reserves and risk management it could be unfair to expect Fire and Rescue reserves to be the same level as police proportional to their respective NRBs. Hence, an appropriate conclusion of comparing Table A3 with Table A4 is that without Government intervention (greater government funding or greater flexibilities regarding local revenue (e.g. council tax flexibilities)), fire and rescue reserves will be *more* critical than police reserves are currently in 3.5 years.

It is important to note that although, it *might seem to* be possible for the government to wait before providing such flexibilities, there are several other factors to consider. These include but aren't limited to:

- Individual circumstances vary – FRAs have very differing circumstances with some forecasting reserve reductions of more than 90% to less than 3% of NRB.
- Sub-optimal reserves usage - Reserves will be used to support the medium-term budget and mitigate risks rather than generating future savings. As shown in Tables A1 and A2, funds that *could* otherwise be used to generate even further efficiencies or to invest are being used to support short and medium-term budgets.
- Police receive additional funding – Unlike FRAs, police authorities still receive Capital Grants as well as Police Transformation Funding.

Though the breakdown provided above proved useful in comparing with the Police Service, it may prove more useful to the reader to observe FRAs' reserves using the categories given in Tables A5 and A6 below.

Table A5.1 – Reserves Levels and Forecasts 2017-2022 (broken down by Framework Category)

Total Reserves	Mar-17	Mar-18	Mar-19	Mar-20
Earmarked Reserves	£578,783,397	£562,323,838	£409,578,836	£280,240,104
Collaboration	£42,535,000	£36,196,000	£18,967,000	£9,772,000
Response	£142,936,450	£158,108,229	£92,857,306	£55,654,306
Prevention and Protection	£5,476,381	£3,674,810	£7,286,810	£4,006,810
Digital Transformation	£18,092,000	£20,939,000	£15,535,200	£11,067,400
VFM and Resources	£147,390,243	£141,946,260	£103,741,158	£70,441,049

Total Reserves	Mar-17	Mar-18	Mar-19	Mar-20
People	£28,366,500	£28,030,177	£21,101,000	£16,287,000
Governance	£12,396,000	£11,530,000	£10,212,000	£9,963,000
Other Earmarked (inc. for others) ²	£181,590,823	£161,899,362	£139,878,362	£103,048,539
General Reserves	£166,878,824	£155,177,279	£122,544,779	£111,731,028
Total Reserves	£745,662,221	£717,501,117	£532,123,615	£391,971,132
<i>Of which</i>				
Earmarked Reserves (exc. below)	£496,201,397	£488,767,838	£356,852,836	£249,256,104
Capital Grants Unapplied	£26,475,000	£24,729,000	£9,150,000	£5,431,000
Capital Receipts Reserve	£56,107,000	£48,827,000	£43,576,000	£25,553,000

²Includes non-categorised reserves (including some whole responses) and reserves held for others

Table A5.2 – Reserves Levels and Forecasts 2017-2022 (broken down by Framework Category)

Total Reserves	Mar-21	Mar-22	2017 to 2018	2018 to 2022
Earmarked Reserves	£209,955,145	£168,829,690	-2.8%	-70.0%
Collaboration	£5,555,000	£5,512,000	-14.9%	-84.8%
Response	£38,021,306	£27,432,000	10.6%	-82.6%
Prevention and Protection	£3,622,810	£2,284,000	-32.9%	-37.8%
Digital Transformation	£6,885,600	£4,648,800	15.7%	-77.8%
VFM and Resources	£54,942,890	£48,170,890	-3.7%	-66.1%
People	£11,625,000	£7,993,000	-1.2%	-71.5%
Governance	£9,455,000	£9,255,000	-7.0%	-19.7%
Other Earmarked (inc. for others) ²	£79,847,539	£63,534,000	-10.8%	-60.8%
General Reserves	£105,305,028	£100,581,028	-7.0%	-35.2%
Total Reserves	£315,260,172	£269,410,717	-3.8%	-62.5%
<i>Of which</i>				
Earmarked Reserves (exc. below)	£184,166,145	£150,483,690	-1.5%	-69.2%
Capital Grants Unapplied	£2,706,000	£2,706,000	-6.6%	-89.1%
Capital Receipts Reserve	£23,083,000	£15,640,000	-13.0%	-68.0%

²Includes non-categorised reserves (including some whole responses) and reserves held for others

Table A6 - Reserves Levels and Forecasts 2017-2022 (broken down by Framework Category) proportional to Net Revenue Budgets

Total Reserves as % of NRB	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	2018 to 2022
Earmarked Reserves	31.1%	31.1%	21.9%	14.7%	11.0%	8.9%	-22.3 pp
Collaboration	2.0%	1.7%	0.9%	0.4%	0.3%	0.3%	-1.4 pp
Response	7.4%	8.6%	5.0%	3.0%	2.0%	1.4%	-7.1 pp
Prevention and Protection	0.3%	0.2%	0.4%	0.2%	0.2%	0.1%	-0.0 pp
Digital Transformation	1.0%	1.2%	0.8%	0.6%	0.4%	0.2%	-0.9 pp
VFM and Resources	7.4%	7.4%	5.3%	3.5%	2.7%	2.4%	-5.0 pp
People	1.5%	1.5%	1.1%	0.9%	0.6%	0.4%	-1.1 pp
Governance	0.7%	0.6%	0.6%	0.5%	0.5%	0.5%	-0.2 pp
Other Earmarked (inc. for others) ²	10.9%	9.9%	7.9%	5.6%	4.3%	3.5%	-6.5 pp
General Reserves	8.9%	8.5%	6.5%	5.9%	5.5%	5.2%	-3.3 pp
Total Reserves	40.0%	39.6%	28.5%	20.6%	16.5%	14.0%	-25.6 pp
<i>Of which</i>							

Total Reserves as % of NRB	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	2018 to 2022
Earmarked Reserves (exc. below)	26.9%	27.4%	19.2%	13.2%	9.6%	7.9%	-19.5 pp
Capital Grants Unapplied	1.1%	1.1%	0.4%	0.2%	0.1%	0.1%	-0.9 pp
Capital Receipts Reserve	3.0%	2.7%	2.3%	1.4%	1.2%	0.8%	-1.9 pp

²Includes non-categorised reserves (including some whole responses) and reserves held for others.
Table excludes responses from authorities which failed to provide NRB figures.

From Tables A5 and A6 one observes that (excluding Other and Uncategorised Earmarked Reserves) most of FRAs' Earmarked Reserves are assigned for Value for Money and Resources (7% of NRB) as well as Response (9% of NRB) – in March 2018. However, by March 2022 these are forecasted to decrease to 2% of NRB and 1% of NRB respectively - a reduction of 5.0 and 7.1 respective percentage points. In March 2022, each other Earmarked Reserves category is forecasted to be less than 0.5% of NRB.

SUMMARY

Analysis of responses to the 2018 NFCC/FFN Reserves Survey shows that authorities are forecasting significant reductions in reserves which will be unsustainable for many authorities. To enable the sustainability of FRAs an increase in funding nationally or increased flexibilities for local funding is required.

WEST YORKSHIRE FIRE AND RESCUE SERVICE

RESERVES STRATEGY 2019/20 TO 2022/23

What are Reserves

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

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

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

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

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

National Framework

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

- General reserves should be held by the fire and rescue authority and managed to balance funding and spending priorities and to manage risks. These should be established as part of the medium term financial planning process.
- Each fire and rescue authority should publish their reserves strategy on their website. The strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The reserves strategy should provide information for at least two years ahead.
- Sufficient information should be provided to enable understanding of the purpose for which each reserve is held and how holding each reserve supports the fire and rescue authority's medium term financial plan.

- Information should be set out in a way that is clear and understandable for members of the public and should include:
 - o How the level of general reserve has been set.
 - o Justification for holding a general reserve larger than five percent of budget
 - o Whether the funds in each earmarked reserve are legally or contractually committed, and if so, what amount is committed and,
 - o A summary of what activities or items will be funded by each earmarked reserve and how these support the fire and rescue authority's strategy to deliver good quality services to the public.

Determining the Level of Reserves

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

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

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

- General Reserves – these are necessary to fund any day to day cash flow requirements and also to provide a contingency in the event of any unexpected events or emergencies; and
- Earmarked Reserves – these have been created 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.

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

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

- The possibility of savings not being delivered; as austerity levels of funding continue, the need for annual reductions in spending is expected to increase in magnitude. This is likely to mean the identification of savings proposals carry a potentially greater risk of not being delivered.
- To provide cover for extraordinary or unforeseen events occurring: given the purpose of the fire and rescue service is to respond to emergency situations, there is always the potential for additional, unexpected and unbudgeted expenditure to occur.
- The commitments falling on future years as a result of capital plans and proposals to improve the asset base. Having reserves mitigate the impact on the revenue budget

of borrowing and/or revenue contributions to capital and would support projects/programmes that will support revenue efficiencies.

- The risk on inflation, especially pay. With inflation currently at about 3% there is likely to be continued pressure on pay inflation, which if in excess of the 2% provided for in the Medium Term Financial Plan.
- Enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax.
- Spread the cost of large scale projects which span a number of years

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

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

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

Reserves Position 1 April 2019

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

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

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

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

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

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

Reserves as a result of Grants

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

Business Rate Appeals	£1,054,000	£1,054,000	This reserve is used to manage the volatility on the revenue budget from business rate appeals. A grant is received from government each year to ease the potential cost which is based in the NNDR1 returns from the 5 district councils.
-----------------------	------------	------------	--

Reserves as a result from Revenue Allocations

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

Reserve for Pay and Prices	£4,627,000	£3,127,000	This reserve will be used to fund any pay awards that are in excess of that included within the Medium Term Financial Plan or any other inflationary increases not provided for in the annual budget. Any underspending on the revenue contingency budget is transferred to this reserve at the end of the financial year.
Capital Finance Reserve	£17,354,000	£2,754,000	The purpose of this reserve is to ease the cost of financing the capital plan in future years. Property new builds and major refurbishments will be fund from the capital earmarked reserve. Any underspending on capital financing charges are transferred to this reserve.
Medium Term Funding Impact Reserve	£2,000,000	£0	This reserve has been established to mitigate any funding shortfalls as a consequence of the Fair Funding Review and the Comprehensive Spending Review due in 2020 which have not been included within the Medium Term Financial Plan
Operational Equipment Reserve	£388,000	£238,000	This reserve is for the funding of replacement operational equipment that is excluded from the capital plan. New technology and health and safety requirements may necessitate the replacement of this equipment.

Review of Reserves

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

- The reserves will form part of the budget setting process and the level and use of reserves will be considered when setting the annual budget and Medium Term Financial Plan. This will include the approval at Full Authority Committee.
- The Reserves Strategy will be reviewed annually by the Finance and Resources Committee in October
- Reserves are reviewed and externally audited during the closure of the Authority's accounts and are included in the Statement of Accounts. There is a statutory requirement to detail the movement between reserves during the year and show the opening and closing position in the Movement in Reserves Statement and the Expenditure and Funding Analysis. The Statement of Accounts is approved at the Authority's audit committee.

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



OFFICIAL

Procurement Review - Update

Finance & Resources Committee

Date: 11 October 2019

Agenda Item:

8

Submitted By: Chief Finance and Procurement Officer

Purpose To update Members on the Procurement Review

Recommendations That Members note the report

Summary Management Board commissioned the Local Government Association to conduct a peer review of our procurement process in September 2018. A number of recommendations were included within the report, which the Authority are currently progressing. This report provides an update for Members on the progress and implementation and the outstanding areas yet to be addressed.

Local Government (Access to information) Act 1972

Exemption Category: Nil

Contact Officer: Michael Wood
Interim Procurement Manager
Michael.wood@westyorksfire.gov.uk

Background papers open to inspection: Nil

Annexes: Local Government Association Peer Review Report

1 Introduction

- 1.1 Management Board commissioned the Local Government Association to conduct a peer review of procurement within the organisation. This was carried out in September 2018 and the report was presented to Executive Committee on the 4th December 2018. The report included a number of recommendations and quick wins. A copy of the report is attached as an annex to this report.
- 1.2 One of the quick wins was the appointment of an Interim Procurement Manager who would then take responsibility for implementing the key recommendations from the review.
- 1.3 Executive Committee approved the appointment of an Interim Procurement Manager and Michael Wood commenced employment with the Authority on 7 January 2019 on a one-year contract.

2 Information

- 2.1 The Interim Procurement Manager was provided with a number of tasks listed below that was required to be completed as part of his appointment.
 - Establish procurement presence and leadership
 - Review and update Contract Standing Orders
 - Produce a relevant Procurement Strategy & Policy
 - Establish user friendly yet robust and compliant procedures and standards
 - Shift the focus from transaction purchasing and towards value adding procurement
 - Design and establish an effective Procurement Organisation with the pre-requisite skills, capacity and authority
 - Optimise procurement Processes and Systems; reduce paper
 - Review Stores Logistics, Stock and Non-Stock processes
 - Develop Collaborative and Joint Working where appropriate to best effect
 - Work closely with departments and engage with internal audit
 - Manage client relationships
 - Keep the Executive and Members informed

The progress against each task is explained in detail in section 3 below

3 Progress

3.1 Establish procurement presence and leadership

3.1.1 An experienced professional procurement manager has been appointed on a 1 year contract and is due to deliver the procurement improvement programme by December 2019.

3.2 Review and update Contract Standing Orders

3.2.1 Revised Contract Procedure Rules were approved by the Full Authority Committee on 28 June 2019 and are being applied across the organisation. The main changes were reducing the limit in which three quotes are required and the centralisation of tenders to a procurement team.

3.2.2 The level at which three quotations are required was reduced from £12k to £5k in order to demonstrate value-for-money.

3.2.3 All tenders over £75k are to be managed by the new centralised procurement service; to ensure greater compliance and to reduce potential consequential errors.

3.3 Produce a relevant Procurement Strategy & Policy

3.3.1 A Procurement Strategy & Policy was approved by the Management Board in June 2019 and is now published on the WYFRA web site for transparency purposes and supplier information.

3.3.2 This document explains our support for joint working and collaboration with other public sector authorities; states that quality is a priority over price when it comes to the safety of our firefighters and the public; and also explains how we might manage supply chain risks.

3.4 Establish user friendly yet robust and compliant procedures and standards

3.4.1 A significant rewrite of WYFRS General Terms and Conditions of Contract has been undertaken and approved by the Chief Legal & Governance Officer.

3.4.2 Our procurement internet web pages have been restructured and content updated to facilitate improved supplier engagement and transparency.

3.4.3 To assist employees who obtain quotes and are involved in the tender process, an extensive suite of procedures, standards and guides have been produced and published on the intranet. This provides the employee a clear guide on the correct procedures to follow.

3.4.4 A series of targeted briefing sessions have been delivered to around 140 employees who are involved in the procurement process. Management Board were the first to receive the training and it was then tailored and rolled out to each target audience e.g. for staff involved in purchasing, managers and budget holders.

3.5 Shift the focus from transaction purchasing and towards value adding procurement

3.5.1 This area is still very much work-in-progress and involves:

- Shifting non-procurement legacy responsibilities to more appropriate teams e.g. organising the annual inspection of PPE has transferred to Operations and management of car park permits has transferred to Property.
- Shifting invoice payments from Procurement to Finance
- Smarter working e.g. appointing contractors on fixed schedule of rates rather than repeatedly seeking quotations
- Implementation of Purchasing Cards for expenditure below £250 to avoid the need for requisitions and purchase orders.

3.6 Design and establish an effective Procurement Organisation with the pre-requisite skills, capacity and authority

- 3.6.1 A review of existing skills and capacity has confirmed a lack of qualified procurement expertise; especially in the areas of services and works procurements and the various related forms of contracts.
- 3.6.2 New Job Descriptions and Person Specifications have been drafted and graded based on the Chartered Institute of Purchasing & Supply, Global Standard for Procurement and Supply (Professional & Advanced Professional Competencies).
- 3.6.3 A report is due before the HR Committee in October 2019 that will propose establishing a centralised professional procurement service and the recruitment of two qualified officers to augment the two existing officers who currently only deal with the purchasing of supplies.

3.7 Optimise procurement Processes and Systems; reduce paper

- 3.7.1 A review of the current software systems and processes has established that these systems are not interconnected (resulting in the need for duplicated data entry), nor are they optimised in how they are configured (thus causing unnecessary paper transactions, and requiring multiple authorisations).
- 3.7.2 The systems under review include OPEX (purchasing and stock control), SAP ERP (financial management and invoice payments), TRANMAN (fleet workshop), FIRESpace (intranet) and to a lesser extent e-Delta (quotations and tendering system).
- 3.7.3 Some “quick wins” have been possible:
 - By enabling “self-service” in OPEX, this enables requisitions for stock items to be routed direct to Stores; and non-stock items to be routed to the Procurement team for sourcing, thus eventually eliminating paper requisitions; avoiding multiple authorisations, removing process bottlenecks and ultimately speeding up the process.
 - By enabling automatic stock level (minimum/maximum) reporting, this has removed manual calculations and also allowed responsibility for stock control to be transferred from the Procurement team to Storekeepers.

Looking over the next five years, two key options are being considered:

Option 1 – Interconnect OPEX and SAP and optimise both configurations.

Option 2 – Cease use of OPEX in favour of an integrated SAP procurement/finance solution.

Both options will eliminate duplicate database management & data entry and provide electronic interfaces with key suppliers (i.e. the Yorkshire Purchasing Organisation and their supply chain), thus achieving further efficiencies.

Technical specifications and outline costed proposals are expected at the end of September from systems providers and these shall be considered in detail. This will be subject to a capital bid in 2020/21.

3.8 Review Stores Logistics, Stock and Non-Stock processes

- 3.8.1 The use of OPEX for stock control is being reviewed against SAP as a possible alternative.
- 3.8.2 Stock requisitions are gradually being routed electronically to stores for picking, rather than previously being routed in paper format via the procurement team. This is part of a roll-out exercise.
- 3.8.3 Responsibility for stock control and replenishment ordering has been transferred from the procurement team to stores.
- 3.8.4 An electronic interface is being established with the Yorkshire Purchasing Organisation (YPO) to create a virtual 2nd warehouse. This would allow WYFRS to either replenish our central stores or to have YPO deliver non-operational stock direct to fire stations (e.g. janitorial products and stationary). To have YPO deliver direct to sites will ease pressures on WYFRS storage space as well as save time and money.

3.9 Develop Collaborative and Joint Working where appropriate to best effect

- 3.9.1 The Contracts Register (as-is) and Procurement Pipework (to-be) are shared with Yorkshire & Humber FRS's and used to inform the National procurement programme.
- 3.9.2 Joint working meetings take place with Y&H FRS's and Collaborative meetings are held and scheduled with the National category leads.
- 3.9.3 Y&H FRS's are currently working on the next generation of Personal Protective Equipment (PPE) - firefighter trousers and tunics, and the decoupling of laundry, inspection & repair services from PPE suppliers. This work is being fed into the National programme.

3.10 Work closely with departments and engage with internal audit

- 3.10.1 The suite of procurement procedures and standards were reviewed by internal audit prior to publication and roll-out.
- 3.10.2 The interim Procurement Manager has been working closely with departments to identify existing contracts and also future requirements over the next three years.
- 3.10.3 This information has been used to populate the Contracts Register and the Procurement Pipeline.
- 3.10.4 The interim Procurement Manager is involved in a number of projects (mainly ICT, Fleet and Property) to ensure the new procedures and standards are being applied; thus ensuring compliance and value for money.

3.11 Manage client relationships

3.11.1 All departments have welcomed the improvements being made and a clear definition of roles in respect of procurement is now documented and understood.

3.11.2 The Procurement Manager regularly meets with teams and individuals to discuss procurement plans and to provide advice and support.

3.12 Keep the Executive and Members informed

3.12.1 Monthly reports on the progress of the procurement improvement programme are submitted to the Management Board and Change Management Board.

3.12.3 Reports have been submitted to Members for decisions e.g. Contract Procedure Rules at the Full Authority meeting in June, the establishment of a Centralised Procurement Team at Human Resources Committee on the 4th October and for information purposes to the Finance and Resources Committee, i.e. this update report.

4 Financial Implications

4.1 The Interim Procurement Manager is appointed on a one-year contract at a cost of £60,000. This cost is being met from the Service Support Earmarked Reserve. It is anticipated that due to improved procurement practices within the organisation that efficiencies will be realised in the longer term.

5 Legal Implications

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

6 Human Resource and Diversity Implications

6.1 The review involves a number of changes to roles and responsibilities and the creation of new posts. Changes to staff roles will be subject to consultation with Trade Unions and any recruitment will be carried out in accord with Authority policy. It is not expected that any staff will be displaced as a consequence of this review.

7 Health, Safety and Wellbeing implications

7.1 None

8 Environmental implications

8.1 The interconnection of purchasing and financial systems will significantly reduce the volume of paper transactions

9 Your Fire and Rescue Service Priorities

9.1 The procurement review and improvement plan supports the fire and rescue service priorities:

- Promote the health, safety and well-being of all employees
- Provide training & development to maintain a skilled and flexible workforce

- Provide buildings, vehicles, equipment and technology that is fit for purpose to maximise organisational effectiveness
- Demonstrate transparent and accountable decision making throughout the organisation
- Identify and implement strategic change to reflect the economic environment

10 Conclusions

10.1 The Procurement Improvement Programme is on schedule, the main tasks yet to complete (although currently in-progress) are:

- To recruitment and establish a centralised procurement service
- To determine which of Option 1 or Option 2 would provide the best optimised value-for-money Purchase-to-Pay system over the next 5 years
- To further shift the focus from transactional processing to value-adding procurement

Procurement Peer Challenge

West Yorkshire Fire and Rescue Service

26th – 28th September 2018

Feedback Report

1. Introduction

West Yorkshire Fire and Rescue Service (WYFRS) approached the LGA to help to evaluate and improve its procurement function. A peer team was on site 25th – 28th September 2018. WYFRS is fully aware that its procurement function needed improvement but did not have the expertise in house to rectify it. As a result, it sought advice from the FRS sector to learn how to address any identified problems. This approach is to be commended.

This report provides a summary of the peer team's findings, building on the feedback presentation provided by the peer team at the end of the on-site visit (28th September 2018). It then focuses on the recommendations, and quick wins as requested. Reference to 'Procurement' and 'Purchasing' is made throughout this report. For the purposes of this report the Peer Challenge team regard 'Procurement' as a strategic function and 'Purchasing' as a tactical, process-orientated function.

In presenting its feedback, the team have done so as fellow local government and fire service officers, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. Some of the feedback may be about things you are already addressing and progressing.

1.1 The peer challenge process

Peer challenges are improvement-focussed and tailored to meet individual organisations' needs. They are designed to complement and add value to an organisation's own performance and improvement. They are delivered by experienced officer and elected member peers from other organisations. The peer team used their experience and knowledge of local government and fire procurement to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared for the peer challenge by reviewing a range of documents and information to ensure they were familiar with the WYFRS and the challenges it is facing. The team then spent three days onsite at WYFRS, during which they:

- Spoke to more than 70 people: a range of staff including watches on stations and various focus groups at headquarters, plus feedback from other Services.
- Gathered information and views from more than 15 meetings, including station visits plus additional research and reading.
- Collectively spent more than 260 hours to determine their findings; the equivalent of one person spending more than 6 weeks in WYFRS

1.2 The peer team

The make-up of the peer team reflected your requirements and the focus of the peer challenge. Peers were selected because of their relevant experience and expertise and the team was agreed with you. The team that delivered the peer challenge at WYFRS were:

- Tina Butler MCIPS, Head of Commercial and Procurement, Kent Fire and Rescue Service

- Luke Malton MCIPS, National Procurement/PMO Lead, Fire Commercial Transformation Programme and Corporate Procurement Manager, Devon and Somerset Fire and Rescue Service
- Jacky Perkins MCIPS, Senior Contracts Manager, West Midlands Fire Service
- Tina Holland MCIPS, Programme Manager, Local Government Association
- Becca Singh, Peer Challenge Manager, Local Government Association

1.3 Scope and focus

This was agreed with between the LGA and WYFRS and was as follows:

Review Procurement Strategy:

- Measuring effectiveness of procurement
- Links to strategic plans and intent
- Support to operational Delivery
- Vision

Review Procurement Processes

- Range and use of processes
- Value for money and benchmarking
- Contract management
- Standards, specifications and supplier selection
- Use of customer insight

Managing Procurement:

- Capability
- Capacity
- Devolved or centralised
- Level of compliance with standing orders

Working with others:

- Links with other public-sector organisations
- Identify partnership opportunities
- Consider collaborative working

Procurement is essentially the overarching or umbrella term within which the purchasing process can be found (see Appendix 2). The procurement cycle includes building supplier relationships before letting a contract, market testing, and contract management. All stages are important, to ensure that WYFRS:

- get the best value from their suppliers
- are compliant with public contract regulations
- can encourage suppliers to innovate
- ensure continuity of supply.

Getting procurement right can transform an organisation. Procurement could be a strategic tool to help WYFRS deliver its corporate objectives for example in the Integrated Risk Management Plan (IRMP).

The team gave feedback on these areas, focusing on actions to take to move WYFRS forward. In addition, the team shared the information and examples about the wider role of procurement, which includes pre-contract relationships, contract management, and pre-procurement market sounding. The team also looked at, and shared with

WYFRS, the regulations regarding procurement and the opportunities afforded by procurement beyond purchasing of goods and supplies.

2. Executive Summary

The Procurement team is located within the Finance Department and focuses on the purchasing process. The wider procurement functions are currently carried out across a range of teams, with varying degrees of knowledge and experience. The understanding and interpretation of financial standing orders is not to a high standard across the organisation. There is currently no qualified procurement specialist within the Service, and no strategic procurement processes.

Goods and services are procured across the following departments, although the list is not exhaustive:

- Finance and Procurement
- Supplies
- ICT
- Property
- Transport
- Operations
- Training

The procurement team moved some years ago from the Supplies section to the Finance Department to centralise the payment of all invoices. The team supports and enables the delivery of goods for operational purposes. However, there is now little direct link between the procurement of goods and the supplying of them to the internal customer. For example, the Supplies section sits within the Service Support Directorate with no direct link to the procurement of items and yet the Procurement Team is responsible for managing stock quantities.

WYFRS's approach to procurement appears to be a transactional purchasing process rather than part of a wider commissioning approach that can make savings and drive innovation and improvement. Staff should be encouraged to start with the outcomes they want and use procurement expertise to help select in a compliant manner the right third-party provider to deliver the requirements.

WYFRS is willing to listen to suggestions and recommendations of how to improve its procurement function. Many staff know that the current situation is not ideal but are unaware of how to improve it. Staff acknowledge the importance of WYFRS having a clear vision for strategic procurement at WYFRS and valued the LGA peer challenge's help in addressing this.

The team feels the Service would benefit from securing the service of professionally qualified procurement officers to avoid the risk of inadvertently failing to comply with legal requirements (Public Contracts Regulations 2015).

Procurement systems and processes could be more efficient. One example is the, duplication of maintaining paper (314s) as well as electronic processes and records.

Another is authorisation procedures. There would be value in the service reviewing and rationalising how it undertakes these.

There are pockets of good practice, such as the transport department considering whole life costs of an asset prior to purchase and the training department benchmarking different training suppliers. However, in general, WYFRS deploys procurement as a disparate and an operational tool. The opportunity for the service is to use procurement as a strategic and transformational tool that can help the Service be more efficient and innovative.

3. Risks

WYFRS needs to swiftly address how it approaches managing its procurement risks as not doing this effectively could have serious consequences.

The Service's current procurement Standing Orders need to be updated in line with current legislation to ensure WYFRS is not at risk of legal challenge. It is imperative that this is resolved quickly. If WYFRS is challenged, Fire Authority members, as well as officers, may face significant consequences as they are ultimately responsible for the actions of the Service. Examples of regulations where WYFRS appears to be non-compliant with current Public Contract Regulations (PCR 2015):

- Must publish contract opportunities and awards above £25,000 on Contracts Finder (regulation 110)
- Must not shortlist (carry out PQQ) below EU Threshold (r 111)
- Should try to anticipate future requirements of the same goods/service to calculate contract value (r 6)

The lack of procurement expertise within the Service means that processes are not standardised, and procurement does not effectively align with the Service's strategic intent. This undermines WYFRS's ability to collaborate effectively or be sure it is as efficient as it might be in providing value for money. Aside from the risk of non-compliance, WYFRS' standard terms and conditions would not give adequate protection if things go wrong with a contract. The team found insufficient evidence of robust contract management or performance monitoring of suppliers.

Technical expertise in WYFRS's procurement work is a priority. Currently the service's lack of expertise means that officers do not recognise that receiving single bids for a tender could be evidence of 'bid-rigging' where suppliers are colluding. There is a particular risk of this when using 'select lists'. The team saw no evidence of collusion but it is important that recognise the risk that this could happen.

There is a heavy reliance on one, non-qualified, member of staff for procurement advice. This means that there is a single point of failure. If that individual leaves, or is not available, or due to other work commitments is unable to keep up to date with changes in legislation, this places the Service at further risk of non-compliance, and of mistakes being made. This gives further reason for WYFRS to swiftly secure the technical expertise required

4. Feedback

4.1 Reviewing the strategy

Including measuring the effectiveness, links to strategic plans and intent, and support to Operational Delivery.

There is no clear vision for procurement within WYFRS, nor any qualified specialist to lead on strategic procurement. WYFRS' understanding of procurement has been largely about transactional purchasing rather than the strategic elements of procurement (Appendix 2). This has led to the Service acting tactically not strategically. The strategy would benefit from revision by a suitably qualified person. It should align with current and future corporate objectives, for example in the IRMP. Some staff understand strategic procurement in their own department, but this is patchy and not co-ordinated.

WFRS should consider deploying more resources to in building supplier relationships. Identifying its critical and non-critical suppliers and will help the Service better prioritise this work. The approach for managing the supplier relationship will vary depending on the contract type and markets within which the supplier operates. However, it will deliver quantifiable benefits for both parties throughout the life of the contract if undertaken appropriately. There are some examples in WYFRS where individuals have done this and the next phase of development for the service is to utilise such practice in developing and embedding a service-wide, corporate approach to strategic performance management of suppliers.

There is currently little opportunity to use procurement to challenge, innovate and explore different options. The team would encourage the service to consider the procurement needs of the Service as a whole and do so without being constrained by current structures, systems and personnel. Altering procurement systems requires a change management process as habits and behaviours need to be different. The opportunity here is for WYFRS to better understand the whole procurement cycle (see appendix 2) and to determine what it wants from its procurement function to deliver what the service wants and then resource appropriately.

The team would encourage the service to engage more with the national Fire Commercial Transformation Programme (FCTP). This programme would help to upskill staff within the service, as they would gain useful insight and build skills and experience by becoming involved with project teams delivering national initiatives. The knowledge and skills gained through involvement in national projects can be used as continual professional development within the procurement function at WYFRS.

4.2 Reviewing the processes

Including the range and use of processes, the use of customer insight, value for money, benchmarking, standing orders, supplier selection and contract specifications,

There is a high level of compliance with current processes such as 314s, and auditing against Standing Orders. However, Standing Orders are not always up to date and the team would encourage the service to review current arrangements.

Frameworks such as YPO and CCS are used for procurement and this has helped the organisation comply with Regulations. There was some evidence of the Service benchmarking existing routes to market. However, there is more to do in recording, quantifying and evaluating the benefits.

Multiple and duplicated processes are undermining the efficiency of WYFRS's procurement function. Paper systems (314s), Excel spreadsheets and proprietorial software could be better integrated to ensure the various systems are being used to their full potential. Maximising the use of electronic systems would help efficiency as the time and resources lost in physically transferring paper documents around the Service could be deployed elsewhere.

Electronic procurement processes are more efficient and auditable than paper ones when used appropriately. However, such systems must be resilient in order to be effective. The team heard that electronic systems in place are not always reliable which could explain why paper systems are put in place as a fall back. This has implications for capacity.

The Service's standard documents are rigid and could be better customised when needed. One such example the team observed related to unclear instructions on Invitation to Tender (ITT) documents. This could lead to lack of clarity about tender processes which could expose the service to contractual risks and disputes. The standard templates for Terms and Conditions would benefit from being reviewed so that they can be amended when needed. This would allow for greater proportionality and recognition that more complex contracts require greater protection and therefore more comprehensive contractual provision.

WYFRS's pre-market engagement is inconsistent and the Service could better understand the benefits of doing this well. Regulation 42 of PCR 2015 indicates that public sector organisations are actively encouraged to engage with the market prior to procurement. The Cabinet Office is dispelling the myths surrounding public sector engagement with industry, encouraging market contribution to help drive out unnecessary cost across the whole procurement cycle. Suppliers are used to pre-market engagement from work with other public-sector organisations, particularly central government. They can innovate for you if engaged early in the process. It also helps to reduce the risk premium built into tenders from an unprepared or sceptical market. Providing it is done well and with integrity, it saves time and money because the supplier is more capable of delivering what you specifically need and help to avoid disputes downstream. Inefficiencies affect suppliers as well as the public purse. All public bodies can and should be doing this.

4.3 Managing procurement

Including contract management, capability, capacity, structure of procurement within the Service

WYFRS is encouraged to secure professionally qualified procurement expertise as a matter of priority. This would help to improve monitoring of its aggregated spend. In addition, the Service would better understand and implement the requirements of PCR2015 for example, not undertaking pre-qualification for contracts under the EU threshold. Overall building greater expertise and capacity will remove some of the examples of non-compliance that were shared with the team.

It was not clear to the team whether WYFRS is sufficiently aware of how well suppliers are performing with respect to the contracts they are delivering. The levels of expenditure and more robust performance information would improve the Service's ability to manage contracts and monitor performance.

There is a need for a greater clarity about functions and responsibilities in relation to ordering and purchasing. At times it does not seem clear who is accountable for which part of the process. For example, the Training Manager has overall responsibility for the training budget, but individual Station Managers or team managers appear to control how it is spent.

All public bodies are required to report details of tenders and contract awards over £25,000 through the Contracts Finder portal ([PPN 02/17](#)). The team could not find evidence that this portal is consistently being used and would encourage WYFRS to assure itself that this reporting is taking place appropriately.

4.4 Working with others

Including links with other public-sector organisations, identifying partnership opportunities, consider collaborative working

The procurement strategy expresses desire to collaborate on procurement. This is a sound strategic intent but to deliver it there needs to be clearer direction on how WYFRS seeks to collaborate and with whom. It appears that the benefits of collaborative procurement could be better understood at all levels. The team encourage senior officers to assure themselves that the strategic intent to collaborate is being delivered at practitioner level. There are limited examples across the Service of working with other blue light agencies, such as police officers using WYFRS facilities for some of their training. Within procurement, however, there is limited evidence of collaboration: a few examples of savings being achieved through joint procurement with South Yorkshire FRS.

Staff at different levels of the organisations have ideas to be more efficient through collaborative procurement but have felt unable to influence processes. For example, if three or four FRSs collaborated on procuring training, they could share the costs of hiring the trainer and run the sessions for staff from all of those Services.

5. Recommendations and Quick Wins

There are a range of suggestions and observations within the main section of the report that inform the quick wins and practical actions. Conversations on site provided ideas and examples of practice from other organisations.

5.1 Key Recommendations:

1. **Appoint an interim, qualified, strategic Head of Procurement, separate from the Finance Team and reporting to the Chief Fire Officer.** Their role would be to:
 - consider and implement the recommendations from this report
 - establishing the remit of a centralised strategic procurement team,
 - write strategy and vision
 - revise policy
 - standing order revision
 - terms and conditions and tender templates
 - review and revise all procurement processes
 - design procurement structures, systems and processes that work for WYFRS
2. **Establish central Strategic Procurement Team.** The peers recommend that this team's role is explored and established by the proposed interim Head of Procurement but is likely to use the Category Management model. There is also merit in considering retaining a small purchasing function, to manage the transactional tail spend. WYFRS urgently needs qualified experienced procurement personnel to ensure that it is fulfilling legal obligations, getting the best value for money, and using procurement opportunities to support operational delivery, partnership working and continue to achieve efficiencies. A dedicated procurement team would free up time for other departments to spend more time in their specialist areas instead of carrying out tenders.
3. **Standing orders need to be reviewed in line with Public Contract Regulations (PCR) 2015.** There has been no audit on whether the constitution has been revised to include any legislative changes to procurement processes. This should be rectified to ensure that WYFRS is legally compliant.
4. **Conduct an external audit based on compliance with PCR 2015. The audit on supply chain failure in Dec 2017 appears to be based on whether procurement complies with the constitution.**
5. **Templates for tendering and for Terms and Conditions (Ts and Cs) should be re-drafted.** Standard templates are needed for all procurement activity that is not undertaken via framework arrangements, with scope for changing as needed for different services, goods or works, and with adequate protection for the Fire Authority. Examples are available for use from the Crown Commercial Services (see signposting).
6. **Conduct a benefits realisation review on systems that have already been implemented.** There are both electronic and paper-based systems, none of which are being used to their full potential. The team suggest that you:
 - evaluate systems and decide which to use,
 - identify and address the effects and impacts of current systems (for example the 314s)
 - use contract management software modules that you are paying for (OPEX and DELTA could do more)

- recognise that E-tendering is fully auditable; no need for two officers to open a tender
 - save stationery costs by removing duplication
 - recognise that this is about change management, and that culture and behaviour also needs to be managed.
7. **Conduct a comprehensive value chain analysis on the processes.** Map processes and ask why each step is being taken. What value does each step add, or is it a statutory requirement? If neither, stop doing it.
 8. **Job re-evaluation.** Use specialists in procurement and Public Contracts Regulations to write new job descriptions. Peers recommend that new job descriptions include the need for staff who are CIPs qualified or working towards this qualification.
 9. **Review supplies stock and ordering:**
 - clarify where responsibilities lie for reordering goods for supplies and shift staff resource as appropriate
 - use knowledge from Stores Supervisor and staff to set minimum stock and reorder levels
 - take stationery and ICT consumables out of Stores
 - rationalise commodity items with customers by making the non-urgent items non-stock and delivered direct to customers by the supplier.
 - produce illustrated e-catalogue and move to just-in time delivery models for high volume, low value routine goods.
 - communicate and train customers in new ordering systems for standard and non-standard items
 10. **Finalise the evaluation on the P-Card pilot and roll out across the Service.** The use of P Cards could reduce cost of administration for both WYFRS and the suppliers if used effectively. The pilot has demonstrated the benefits of moving to this payment mechanism
 - Involve Leeds and Wakefield in the evaluation and plans.
 - Establish appropriate parameters before the roll out to all stations
 - Clearly communicate controls and guidance to all users.
 - Use management information from the bank to help monitor spend and ensure compliance with policy.
 - Conduct spend analysis on all third party spend up to £500 across the organisation to assist with identifying other areas that could use P-Cards, not just stations.
 11. **Align the Medium Term Financial Plan with the National Fire Commercial Transformation Programme plan.** This will enable identification of potential opportunities to collaborate across the Sector within each National category and maximise aggregated buying power.

5.2 Quick wins

- Appoint a fully qualified interim or temporary Procurement Manager to implement the quick wins and recommendations from this review:
- Let go of the legacy paper-based systems and maximise the technology that you are investing in:
- Revise standing orders to align with current legislation e.g. PCR 2015
- Identify your top ten critical suppliers and associated risks and manage the relationship accordingly

- Review suppliers on Property's approved supplier list and ensure quotations/tenders are invited on a rotational basis. This will minimise Suppliers opportunity to collaborate and the possibility of bid rigging.
- Understand what WYFRS spends on minor works across all the sites and consider how this could be done more efficiently for example by one or more local SMEs on a single framework
- Review historic expenditure and aggregate demand. Award framework contracts and call off requirements when required.
- Review option of moving stores system to Transman
- Include an overview of PCR 2015 and WYFRS procurement processes in New Starters inductions.
- Review the changes South Yorkshire FRS have implemented changes to their procurement section

6. Good practice from the FRS sector

- Using the new regulations which have clarified what you can and can't do
- Pre-market or soft-market testing - valuable if done well with integrity
- Conducting initial and then quarterly finance checks on strategic suppliers' financial stability throughout the length of the contract, even on framework call-off arrangements (so as not to be reliant on the framework owner undertaking regular checks)
- Updating standing orders regularly in line with material changes to regulations
- Using standard terms and conditions for works contracts (NEC & JCT)
- Adding social value throughout the procurement process as part of the Public Services (Social Value) Act. Other fire and rescue services have committed to consider how what is proposed to be procured can improve the economic, social and environmental well-being of their communities.

7. Signposting with hyperlinks

- Guidance on public sector procurement from Crown Commercial Service (CCS): [CCS introduction](#)
- All policies and regulations affecting public sector procurement and Public Procurement Notices: [CCS public sector procurement policies](#)
- Model Contracts including short and long term form as well as ICT specific terms: [Model public sector contracts](#)
- Public Contract Regulations 2015: <http://www.legislation.gov.uk/ukxi/2015/102/contents/made>
- Procurement Strategy: Examples from Devon & Somerset and Kent FRSs were provided separately.
- Presentation about new rules for procurement coming into force. Although written pre-GDPR implementation it informs public sector organisations about limitations, expectations and possibilities achievable through procurement: [CCS presentation on changes to procurement regs](#)
- Review of Standing Orders – South Yorkshire have conducted a recent review and are happy to share
- **Fire Commercial Transformation Programme website:** <https://www.nationalfirechiefs.org.uk/Procurement>

Contents summaries:

Fire Commercial Transformation Programme (FCTP) – includes the background to FCTP, the composition of the Strategic Commercial Board (including biographies) and key programme documentation (Terms of Reference, Highlight Reports etc)

FCTP Newsletters – includes copies of the FCTP’s newsletter which are issued on a quarterly (ish) basis. These are generally fairly long but provide comprehensive details of what’s been achieved and what’s planned within the programme.

FCTP Categories – includes details of each of the six categories of expenditure (Fleet, Operational Equipment, Clothing, Construction/FM, ICT and Professional Services). Where available Framework documentation and case studies are available within the separate category areas. There is also a high-level version of each categories strategy.

Pipelines & Procurement Opportunities – includes a link to a PDF document which provides visibility of current and planned activity within each of the categories. Also includes links to other relevant websites (Contract Finder, CCS, Emergency Services E-Procurement Portals etc)

Framework – link to an excel spreadsheet containing details of lots of frameworks available to the fire sector (we plan on improving this and building into the website moving forwards). This is currently restricted to CFOA Communities Members (must belong to an FRS).

Guidance Documents – only includes a guide on market engagement (pre-procurement) at the moment but this will grow.

Links to other Websites – links to other websites relevant to public procurement.

Contacts - document detailing contacts at all UK FRS’s - restricted to CFOA Communities Members (must belong to an FRS).

- **Crown Commercial Service’s Mystery Shopper**

<https://www.gov.uk/government/publications/mystery-shopper-results-2018>

8. Next steps

Immediate next steps

We appreciate the senior managerial and political leadership will want to reflect on these findings and suggestions to determine how the organisation wishes to take things forward.

As part of the peer challenge process, there is an offer of further activity to support this. The LGA is well placed to provide additional support, advice and guidance on the areas for development and improvement and we would be happy to discuss this. Mark Edgell, Principal Adviser is the main contact between your Service and the Local Government Association (LGA). He can be contacted by emailing mark.edgell@local.gov.uk .

In the meantime, we are keen to continue the relationship we have formed with the Service throughout the peer challenge. We will endeavour to provide signposting to examples of practice and further information and guidance about the issues we have raised in this report to help inform ongoing consideration.

Appendix 1: Terms of Reference and Definition (provided by WYFRS)

Terms of reference

The overarching aim of this review is to consider the current procurement provision and assess its overall effectiveness. In doing so to identify strengths, areas for development and opportunities for continuous improvement.

The specific objectives are:

- To review the existing procurement strategy, and to provide a narrative evaluation, including the appropriateness of the current procurement and tendering systems.
- To consider how the effectiveness of procurement is measured, or otherwise.
- To consider the level of compliance with existing Standing Orders.
- To consider the determination of standards, development of specifications and the selection of suppliers and to provide a narrative evaluation.
- To consider the strategic alignment of the procurement processes and consider the links to the delivery of strategic intent
- To review the range, and use, of procurement processes and to provide a narrative evaluation.
- To consider the capacity, resource and structure of, and skill sets within, the procurement team or teams, and to make recommendations where appropriate in support of service improvement
- To provide an opinion on the value for money provided by the procurement processes and to benchmark this against similar organisations
- To evaluate, and comment upon, the links between WYFRS and other public-sector organisations and identify partnership opportunities
- To identify, and consider, opportunities for collaborative working with other organisations
- To consider, and make comment upon, the provision of support to operational requirements
- To consider the mechanisms used to gain customer insight and feedback to guide future procurement
- To consider, and make comment upon, the mechanisms used to manage the Procurement Process and the Supply Base Efficiently and Effectively

Procurement – a definition to guide this review:

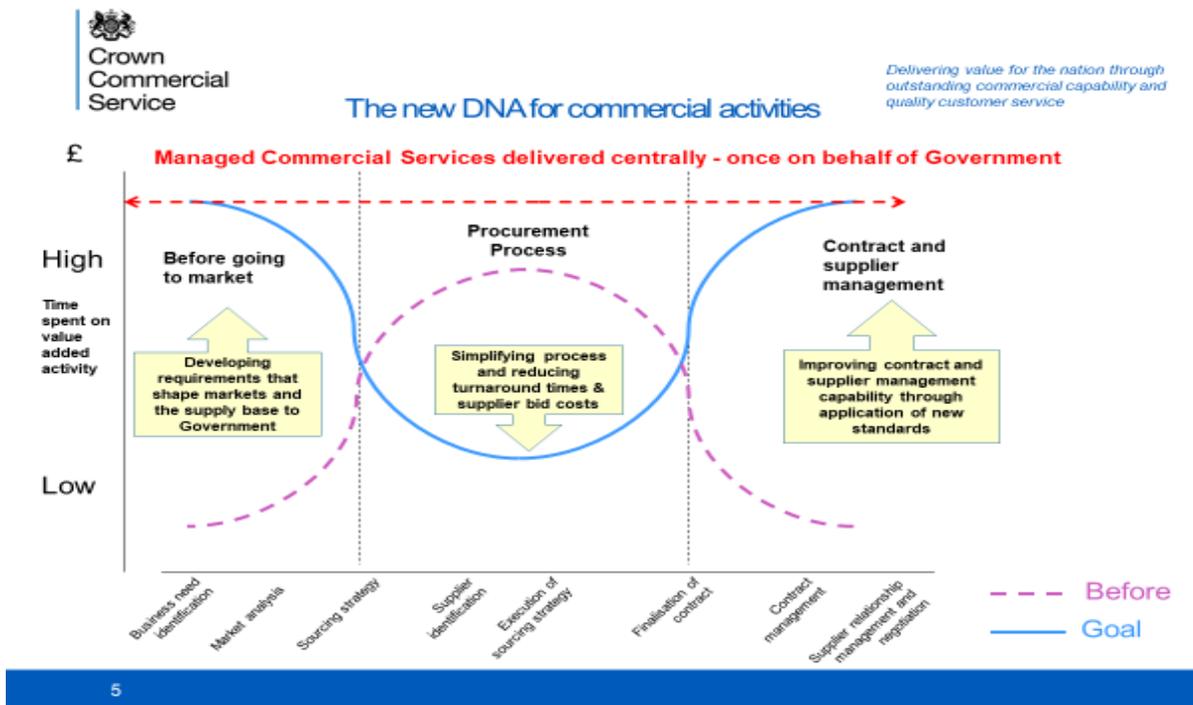
The act of obtaining or buying goods and services. The process includes preparation and processing of a demand as well as the end receipt and approval of payment. It often involves

- (1) purchase planning,
- (2) standards determination,
- (3) specifications development,
- (4) supplier research and selection,
- (5) value analysis,

- (6) financing,
- (7) price negotiation,
- (8) making the purchase,
- (9) supply contract administration,
- (10) inventory control and stores, and
- (11) disposals and other related functions.

The process of procurement is often part of a company's strategy because the ability to purchase certain materials will determine if operations will continue.

Appendix 2: Procurement DNA model





OFFICIAL

Review of standing list of conferences

Finance & Resources Committee

Date: 11 October 2019

Agenda Item:

9

Submitted By: Chief Legal and Governance Officer

Purpose To invite Members to consider the standing approved list of Conferences.

Recommendations

- a) That consideration be given to the approved standing list of conferences;
- b) That relevant allowances be payable to attending Members as appropriate; and
- c) That the standing list of conferences agreed at a) above be reviewed in September 2022.

Summary To consider the approved standing list of conferences.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Nicola Houseman, Committee Services Manager
E: nicky.houseman@westyorksfire.gov.uk
T: 01274 655740

Background papers open to inspection: None

Annexes: None

1 Introduction

- 1.1 The standing list of conferences was last reviewed on 14 October 2016 and approval had been given for the attendance of Members on the basis of one Member from each political group as appropriate.

2 Information

- 2.1 The current standing list of conferences comprises the following;

LGA Fire Conference

LGA Annual Conference

Fire Leadership Academy

- 2.2 An indication of the most recent conference and accommodation fees is as follows;

LGA Fire Conference – March 2019 (3 delegates)

- £500 per delegates by train
- Accommodation £178 per delegate
- Total rail £332.55

LGA Annual Conference – July 2019 (1 delegate) -

conference fee only in 2019 - £545 + VAT

Fire Leadership Academy – September 2019 (2 delegates)

- Course and accommodation FOC
- Rail £68.00 pp

3 Financial Implications

- 3.1 The cost of the conferences, including travel and subsistence, will, be met from within existing budgetary provision.

4 Human Resources and Diversity Implications

- 4.1 There are no human resources and diversity implications arising from this report.

5 Health and Safety Implications

- 5.1 There are no health and safety implications arising from this report.

6 Environmental implications

- 6.1 Members are encouraged to travel by rail wherever possible or to car share when appropriate.

- 6.2 Rail travel has a number of environmental advantages and has a lower carbon footprint when compared to road travel as follows;

- Reduced congestion
- Reduced CO2 emissions (by approx. 3 – 10 times)
- Reduced noise damage
- Reduced Carbon monoxide emissions
- Greater energy efficiency
- Pollution free at point of use for electric trains
- Reduced impact on local air quality and noise

7 Your Fire and Rescue priorities

7.1 This report links to all of Your Fire and Rescue Service priorities 2019 – 22.



OFFICIAL

Replacement of ICT Training Facilities

Finance & Resources Committee

Date: 11 October 2019

Agenda Item:

10

Submitted By: Director of Service Support

- Purpose** To seek approval to purchase replacement of ICT Training facilities on stations and in HQ training rooms.
- Recommendations** That Members approve the purchase of the replacement equipment.
- Summary** Each station has a training room equipped with a large screen and PC which have limited functionality and are coming to end of life. The proposal is to replace these with integrated screens that offer a much wider range of functionality whilst being simpler and more intuitive to use. The screens will support more modern ways of training including Skype training and virtual training along with improved conferencing facilities. Further information on the functionality is set out in the report.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Gayle Seekins – ICT Service Delivery Manager
E: Gayle.seekins@westyorkshire.gov.uk
T: 01274 655802

Background papers open to inspection: None

Annexes: None

1 Introduction

- 1.1 The approved capital plan included £207,000 for the replacement of ICT training equipment on stations and at FSHQ. The original plan was to do this work over two years starting in 2020/21. At Finance and Resource Committee in July 2019, Members approved moving the budget forward to the current financial year to enable the replacement programme to begin earlier than originally planned.

2 Information

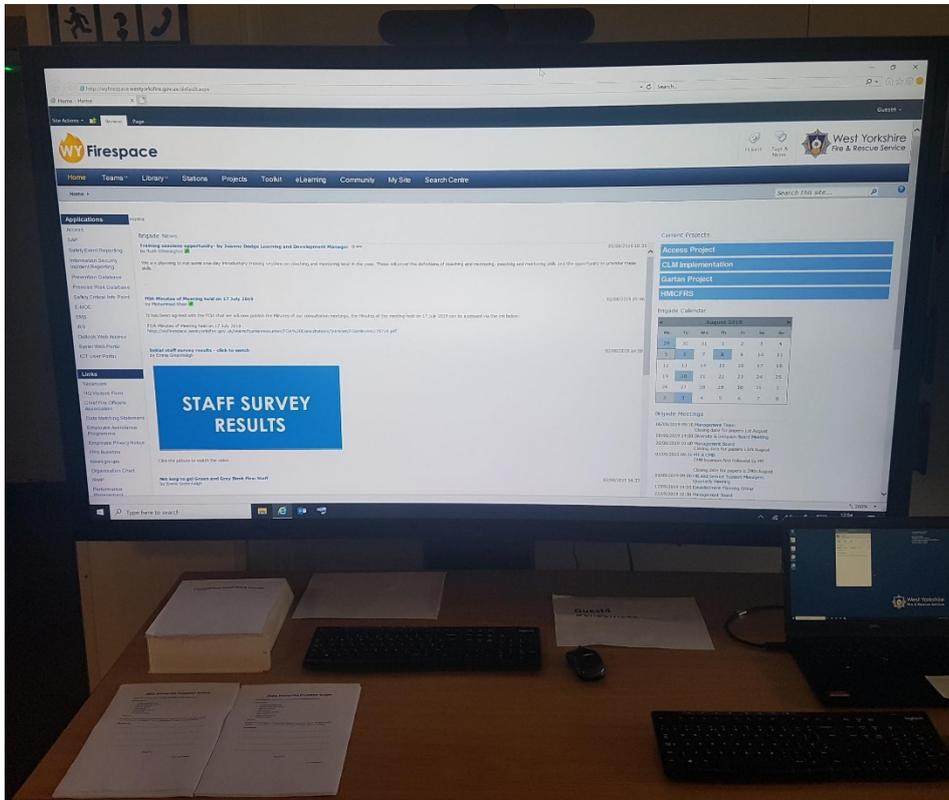
- 2.1 Each station was equipped with a presentation screen and computer to enable them to do training and give or receive presentations. This equipment has been in for several years and the number of faults being reported to the ICT Service Desk is increasing. In addition to this, ways of delivering training are changing, for example using Skype for Business where several stations can all be on the same training session remotely. The current equipment does not support this well.

- 2.2 The new screens will offer a much greater range of functionality whilst being simpler and more intuitive to use. The following provides an overview of the functionality, some of which will be dependent on which manufacturer is selected.

- Wireless connectivity from a laptop or mobile phone to the screen whether this be a member of staff or a partner agency. This will reduce the need to have the right cable and connection regardless of the device being connected.
- Skype for Business ready web cam that follows the people in the room, zooming in to the person speaking.
- A swappable wireless micro form factor PC that slots into the back of the screen will be used. These can be hot-swapped in the event of faults, reducing down time.
- The only wire is the power cable to the screen which reduces the number of missing cables and reduces support calls when cables are removed and not put back correctly.
- Multi-point touch functionality enables multiple pen use on the screen. E.g. more than one officer planning a multi-pump or multi-agency exercise.
- Presentations, images, maps, etc. can be annotated on to make the training more interactive.
- Screen share functionality enables the screen to be shared across multiple sites for collaboration.
- The screens support video meetings. E.g. a watch or cohort of various personnel can come together remotely and contribute without the need for additional equipment.
- Virtual training exercises can be run between two or more stations using the screens.
- Events such as conferences and workshops can be broadcast from FSHQ and other sites.
- The screens can be remotely managed by ICT reducing fault resolution time.
- The screens at FSHQ will be on wheels allowing for more flexibility in use. E.g. several screens could be move to one room for a workshop, multi-agency exercise or when managing a large incident such as the recent moorland fires. Stations are more likely to be wall-mounted but this will be assessed on a site by site basis.
- Screens are available in 55", 75" and 86" ensuring the right size can be installed based on the room it will be going in.
- The command support room could have a real time input to the incident ground via Office365.

- The screens would support Incident Command Assessments remotely from each station without the need to attend training centre should this be required.

2.3 The following are images of two screens which we have had on loan to demonstrate functionality to staff.



2.4 The plan is to replace around 55 screens across all stations, district offices and in the FSHQ training rooms that require one. The size and whether it will be on wheels or wall-mounted will be determined on a site by site basis.

3 Financial Implications

- 3.1 The capital plan is £207,000 with £107,000 in 2019/20 and £100,000 in 2020/21. Procurement will be undertaken through the existing NHS framework used for the purchase of computer hardware which enables us to draw on the buying power of the NHS.

4 Legal Implications

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

5 Human Resource and Diversity Implications

- 5.1 Equality impact assessment will be undertaken as part of the project and the Diversity Team have been engaged with the trial devices.

6 Health and Safety Implications

- 6.1 The remote screen casting and integrated hardware reduces the cabling down to a single power lead which reduces the potential trip hazard of cabling.

7 Environmental Considerations

- 7.1 As can be seen from the functionality listed in section 2.2, the greater use of Skype for Business and the ability to undertake virtual training will reduce the amount of travel between FSHQ and stations and contribute to a reduction in our carbon footprint.

8 Service Plan Links

- 8.1 The introduction of these screens will make better use of innovative technology to enable smarter working throughout the service and enable greater efficiency, saving time and money through a reduction in travel.

9 Conclusions

- 9.1 The replacement of the ICT training equipment on stations was approved as part of the capital plan. This report provides details of the replacement and the benefits this will provide and seeks approval to purchase the equipment.