

OFFICIAL

Agenda item: 06

## Quarterly Financial Review

### Finance and Resources Committee

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<b>Date:</b>	30 <sup>th</sup> January 2026
<b>Submitted by:</b>	Director of Finance and Procurement
<b>Purpose:</b>	To present a quarterly review of the financial position of the Authority
<b>Recommendations:</b>	That members note the content of the report  That members approve the revised capital plan.
<b>Summary:</b>	The purpose of this report is to present an overview of the financial performance of the Authority up to the end of December 2025. The report deals with revenue and capital expenditure.

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Local Government (Access to information) Act 1972

<b>Exemption Category:</b>	Nil
<b>Contact Officer:</b>	Alison Wood, Director of Finance and Procurement <a href="mailto:Alison.wood@westyorksfire.gov.uk">Alison.wood@westyorksfire.gov.uk</a> 07500 075362
<b>Background papers open to inspection:</b>	None
<b>Annexes:</b>	Appendix A – Revision to Capital Plan Appendix B – Capital Expenditure

## 1. Introduction

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

## 2. Information

### Revenue Budget Revision

- 2.1 When the revenue budget is approved an amount is included in contingencies for any budget increases/decreases that were not included within the original budget. Growth and savings included within the approved original budget which have yet to be expended or realised are included within the general contingency budget. The following paragraphs detail the movements to and from contingencies during the reporting period.

#### 2.2 Budget Adjustments

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

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

Below are explanations of the movements to and from general contingencies in the third quarter of 2025/26:

##### 2.2.1 Transfers to General Contingencies

- a) A review of grey book budgets during the budget setting period has identified that £0.400m can be transferred to contingencies;  
It was budgeted that the workforce plan would be 8.2 firefighters over establishment at the 31<sup>st</sup> March 2026, the actual forecast variance based on the December plan is 1.2 firefighters under establishment. This amounts to an underspend of £0.270m. There has also been a forecast underspend on detached duties, including oncosts, amounting to £0.115m, this budget was increased in 2025/26 based on previous years expenditure. In addition, there

is a saving of £0.015m which relates to a career break not returning to operational duty by their expected date.

- b) The on call budget has been reduced by £0.080m, there have been thirteen on call firefighter resignations and retirements during the year which is higher than that included in the 2025/26 base budget.
- c) A review of support staff budgets by the finance team and budget holders during the budget setting process has identified a forecast underspend of £0.125m in 2025/26. This is primarily for existing vacant posts that have either had a delay in appointing or are still vacant. Posts that were vacant as of the 1<sup>st</sup> of April are held in contingencies and not in base employee budgets. Some £0.024m of this underspend is due to a pending restructure of the corporate communications team.
- d) There are four posts which were approved at Executive Committee in September, namely, the road risk manager, occupational psychologist, data analyst, and organisational learning officer, although these posts are currently out to advert, they will not be in post until April 2026. The total budget for these posts is £0.070m.
- e) Following the successful challenge by the Competition and Markets Authority into the charging by Motorola for the emergency services network, the authority has seen an annual reduction of £0.510m in the charges for the airwave radio network, this equates to a 50% reduction in the annual fee.
- f) Following an assessment by the Valuation Office Agency on the rateable value of the Birkenshaw HQ site following the redevelopment, the authority has received a one off reduction in the rates bill of £0.143m in 2025/26. The credit is due to the site being non-operational during the rebuild.
- g) In August, West Yorkshire assisted North Yorkshire in fighting the moorland fires in North Yorkshire for which the authority charged £0.100m. So that budget monitoring is not distorted, an income budget has been established for this £0.100m recharge.
- h) There has been a reduction in the budgets for organisational development training, driving school training and fire safety protection training amounting to £0.085m. The reduction is due to the inability to complete the training within the current financial year.
- i) The staff relocation budget has been reduced by £0.033m, this budget is used for the relocation of staff into our day crewed stations. Because the establishment for day crewed is at a required level, this budget can be reduced.

- j) The insurance renewal with FRIC runs annually from November to October, the renewal for 2026/27 has realised a saving of £0.034m in this financial year.
- k) During budget setting it has been identified that the staff advertising, ICT spares and repairs, and subsistence budgets can be reduced due to an over provision by £0.065m.

### 2.2.2 Transfers from General Contingencies

There have been the following transfers from general contingencies to base budgets in the third quarter of 2025/26.

- l) There has been an overprovision of the secondment income budget of £0.092m
- m) The electrical repairs budget is currently experiencing an overspend of £0.020m which is due to unplanned works on the FSHQ site. In addition new recycling facilities on the FSHQ site has resulted in an increase of £0.015m per annum.
- n) The authority has subscribed to the Suicide Prevention Crisis Line totalling £0.006m for which there was no existing budget provision.

### 2.2.3 Contingency Budgets

The table below summarises the current contingencies budgets position:

	<u>Opening Balance 1/10/25</u> £0	<u>Transfer to/from Contingencies</u> £0	<u>Closing Balance 31/12/25</u> £0
General Contingency	3,550	1,512	5,062
Employee Contingency	0		0
<b>TOTAL CONTINGENCIES</b>	<b>3,550</b>	<b>1,512</b>	<b>5,062</b>

## 3. Expenditure Monitoring

- 3.1 This report is based on expenditure to mid-December 2025 and includes eight salary payments in 2025/26. The projected outturn is based on the current year's expenditure and is forecast to the end of the year based on previous expenditure profiles. Overall, the latest forecast indicates there will be an under spending of £0.172m 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 the Senior Leadership Team 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>	<u>Forecast</u>	<u>Variance</u>
	£0	£0	£0
Employees			
Wholetime	66,805	66,789	-16
On Call Firefighters	2,468	2,451	-17
Control	2,474	2,450	-24
Support Staff	16,276	16,246	-30
Contingency Crews	172	177	5
Employee Contingency	0	0	0
Pensions	1,600	1,600	0
Training	1,761	1,698	-63
Other Employee	653	651	-2
<b>TOTAL</b>	<b>92,209</b>	<b>92,062</b>	<b>-147</b>
Premises	5,781	5,799	18
Transport	2,516	2,518	2
Supplies and Services	7,071	7,044	-27
Contingency - General	5,062	5,062	0
Support Services	395	395	0
Capital Charges	7,367	7,367	0
Income	-3,205	-3,223	-18
<b>Net Expenditure</b>	<b>117,196</b>	<b>117,024</b>	<b>-172</b>

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

3.4 Employees -£147,000

3.4.1 Control -£24,000

The forecast underspend is due to control staff vacancies, the team has had a number of retirements and due to the recruitment and training process there is a time

lag in filling these vacant posts. Some of this underspend has been offset by increased overtime which is used to fill the vacant posts.

#### 3.4.2 Support Staff -£30,000

There is a projected under spend on support staff of £30,000 which is due to posts that have been appointed and have yet to commence employment with the authority. The savings from posts that were vacant from April to December have been transferred to contingencies are detailed in section 2.2.1. The budget for posts that were vacant on the 1<sup>st</sup> of April 2025 and have yet to be advertised are held in the general contingency budget, so as not to distort budget monitoring.

#### 3.4.3 Training -£63,000

The training budget for external training is forecast to underspend by £63,000. A revenue bid totalling £0.574m was approved for inclusion in the 2025/26 training budget. The underspend is spread over a number of cost centres, the main areas are leadership training, operational training, and occupational health unit training. So that the training can be charged to the 2025/26 budget, the training must be delivered by the 31<sup>st</sup> March 2026, this leaves little time between January and March to deliver this. As a result a further review of training budgets will be undertaken in February and any realised underspends will be transferred to contingencies.

## 4. Impact on Revenue Balances

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

Description	Usable Reserves £000's
<b>Opening Balance 1/4/25</b>	
General Fund	5,700
Earmarked Reserves	24,674
Forecast use of reserves in 2025/26	-4,003
Impact of forecast	172
<b>Forecast Usable Reserves at 31/3/2026</b>	<b>26,543</b>

## 5. Contact Procedure Rules

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

In the third quarter of 2025/26, there have been two waivers to exemptions in excess of £75,000:

- a) The training department has signed a one year contract totalling £99,000 for the provider that provides the command assessment element in the promotion process. The training centre is currently progressing reinstatement as a Skills for Justice (SJC) awarding body for initial command assessment, until that position is confirmed and embedded it would be premature to formalise a new contract with a new supplier.
- b) An exemption has been approved totalling £75,278 for the purchase of Appear Crew Mobilising software for on call and day crewed firefighters. Telent who are the authority's provider of station end equipment already have a tried and tested solution which can be quickly integrated into the existing mobilising system. Telent have developed interfaces with the authority's Frequentis mobilising system and has the necessary security certificates to enable quick delivery of the product. If the exemption had not been approved, the authority would have to go out to tender in what is a limited market resulting in time delays and potential increased cost.

## 6. Capital Expenditure Monitoring

At its meeting on the 27th of February 2025 the Authority approved a five-year capital programme of £64.673m which includes £11.031m of new schemes in 2025/26.

At Finance and Resources Committee in July, some £7.355m of capital schemes were approved to be slipped into 2025/26 and £4.078m of slippage was approved during 2024/25, resulting in a revised capital plan of £22.465m.

### 6.1 Revised capital plan 2025/26

In conjunction with a review of revenue budgets, managers were also asked to review the capital schemes for which they are responsible for. This has resulted in £2.087m been requested to be slipped into the next financial year and £0.209m been removed from the capital plan.

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

#### 6.1.1 Slipped Schemes:

- a) Hunslet Fire Station Refurbishment £0.235m – Although some expenditure will be incurred in this financial year, the majority of the work will complete in 2026/27 this is due to the design and stakeholder engagement having taken longer than expected and there has also been team capacity to progress this scheme. To improve budget reporting, the slippage includes the virement of £0.160m from the Hunslet Fire Station refurbishment scheme that was originally approved in 2024/25.
- c) Illingworth Fire Station Refurbishment £0.375m - Although some expenditure will be incurred in this financial year, the majority of the work will complete in 2026/27

this is due to the design and stakeholder engagement having taken longer than expected and there has also been team capacity to progress this scheme.

- d) Fair Weather Green Station Refurbishment £0.450m - Although some expenditure will be incurred in this financial year, the majority of the work will complete in 2026/27 this is due to the design and stakeholder engagement having taken longer than expected and there has also been team capacity to progress this scheme.
- e) Undress Uniform £0.078m – Although a deposit has been placed for the undress uniform, due to long lead times the uniform will not be actually received until 2026/27.
- f) Competence Dashboard System £0.070m – This scheme is partly complete and will not be fully operational until 2026/27 because the project commenced later than the initial date proposed in the business case.
- g) Fire Ground Radios £0.625m – The procurement of radios has become extended due to the complexities of the varying types of radios and the existing WYFRS infrastructure requirements. Meaning that further work is being undertaken to ensure the most suitable product is procured. The scheme will be completed within the 2026/27 fiscal year.
- h) Breathing Apparatus Cleaning £0.124m - The enabling building works required for each scheme has increased in size and scope, meaning that delivering these changes within this fiscal year is no longer possible. The scheme will be completed within the 2026/27 fiscal year.
- i) Command Support £0.041m - Work remains ongoing with MDT Command Support development these funds may be required for additional functionality to be developed. This scheme will be reviewed in 2026/27.
- j) Powerboat Engines £0.038m - Due to capacity of the various teams working on the procurement, this scheme is being slipped to allow for other more essential work to be completed within the existing year. The scheme will be completed within the 2026/27 fiscal year.
- k) Foam £0.036m – There is no further expenditure on this scheme in the current financial year, the monies being slipped forward will be used to purchase foam in 2026/27.
- l) Water Rescue Equipment £0.015m - A significant amount of work has been undertaken to secure suitable contracts and suppliers for much of the services Water Rescue PPE and Equipment. Nonetheless, this work became protracted



meaning that the delivery of the items will not happen until the 2026/27 fiscal year.

#### 6.1.2 Removal of Schemes:

- m) Vehicle Replacement Programme £0.643m – The budget originally planned for CPI continuing at a higher rate which allowed for a cost increase at the anniversary of the contract award as per the framework terms and conditions. Neither scenario was fulfilled resulting in an underspend on the projected project costs.
- n) Firewall Refresh £0.149m – This scheme has now been completed, the remaining costs are revenue expenditure, so the remaining funds can be removed from the capital plan.
- o) Email and Web Security £0.060m - This scheme has now been completed, the remaining costs are revenue expenditure, so the remaining funds can be removed from the capital plan.

#### 6.2 Virements Between Capital Schemes

As detailed in section 7.3, the Executive Leadership Team can authorise capital approvals and virements to £0.100m. Virements in excess of £0.100m need Finance and Resources Committee approval.

It has been requested by the Area Manager Operations Support that the current capital scheme for defibrillators totalling £0.115m is vired in full to the multi role PPE scheme. The defibrillator budget is underspent due to an increase of suppliers in the market which has reduced the cost of replacing the defibrillators. The virement will be used to fund an increase in stock levels of PPE which following an analysis of stock levels identified the need to place larger and earlier orders than originally forecast. This will maintain operational continuity and to meet the current demands for the known trainee recruit course profile.

#### 6.3 Capital Payments 2025/26

- 6.3.1 The actual capital payments to date total £7.924m which represents 56.9% of the revised capital plan. If commitments are included in this, the actual expenditure to date is £13.253m which equates to 95.20% of the capital plan.

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

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

- 6.3.1 A summary of expenditure to date against each individual scheme which includes revised schemes detailed in 7.1 and 7.2 is attached to this report in Appendix B.

## 6.4 Executive Leadership Team Approvals

- 6.4.1 At the Authority AGM in 2010, the Executive Leadership Team was given delegated power to approve individual virement between capital schemes of up to £100,000. Details of any approvals will be reported to committee throughout the year as part of this report.
- 6.4.2 Under financial procedures 3.11 the Executive Leadership Team can approve expenditure on schemes in the approved capital plan up to an amount of £0.100m along with a requirement to report these approvals to the Finance and Resources Committee.
- 6.4.3 Between October and January, the Executive Leadership Team have approved the following virements detailed in the table below, these have a zero financial effect:

### **Schemes Approved by the Executive Leadership Team**

Date	Directorate	Scheme	Approval £	Virement £
21/01/2026	Service Delivery	Body Worn Cameras		44,000
21/01/2026	Service Delivery	Trifors and Anxilliary Equipment		-44,000
21/01/2026	Service Delivery	Multi Role PPE		20,240
21/01/2026	Service Delivery	Vehicle Stabilisation Struts		-13,000
21/01/2026	Service Delivery	Wildfire Vehicles		-7,240
			0	0

## 6.5 Capital Receipts

Capital receipts expected in 2025/26 will be for the sale of appliances which exceed £10,000. There have been no capital receipts in the third quarter of 2025/26.

## 7. Treasury Management

- 7.1 The Authority approved its Treasury Management Strategy on the 27th of February 2025 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 fourteen years.

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

## 8. Debtors

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

8.2 The level of outstanding debt owed to the Authority to the end of December 2025 is £401,143 which can be profiled as follows:

Less than 60 days -	£ 130,900
Greater than 60 days -	£ 270,243

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

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

As detailed above, there is currently £137,862 of debt which is at the recovery stage. However, previous experience suggests that the Authority will recover all of the outstanding debts.

## **9. Creditors**

9.1 The Authority is required to pay all non disputed invoices within 28 days of receipt. From April to December 2025 the Authority has received 7,437 invoices and paid 96% of them within 28 days, of which 67% were autopaid

## **10. Financial Implications**

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

## **11. Legal Implications**

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

## **12. Human Resource and Diversity Implications**

12.1 There are no human resource and diversity implications.

## **13. Equality Impact Assessment**

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

## **14. Health, Safety and Wellbeing Implications**

14.1 There are no health, safety, and wellbeing implications.

## **15. Environmental Implications**

15.1 There are no environmental implications.

## **16. Risk Management Implications**

16.1 There are no risk management implications.

## **17. Duty to Collaborate Implications (Police and Crime Act 2017)**

17.1 There are no duty to collaborate implications.

## **18. Your Fire and Rescue Service Priorities**

18.1 This report links with the Community Risk Management Plan 2025-28 strategic priorities below:

- Use resources in an innovative, sustainable, and efficient manner to maximise value for money.

## **19. Conclusions**

19.1 This report identifies that the Authority is currently forecast to under spend its revenue budget in 2025/26 by £0.172m.

19.2 During the third quarter of 2025/26, there was a net transfer from contingencies to revenue budgets of £1.512m. A review of employee and non-employees was undertaken during the budget setting process and areas of savings that were identified were transferred to contingencies so that budget monitoring is not distorted.

19.3 A review of capital schemes was undertaken by budget holders resulting in £2.087m of capital schemes being slipped into 2026/27 and £0.852m being removed completely from the 2025/26 capital plan.

## Appendix A

Directorate	Scheme	Capital Plan 2025/26 £	Slippage into 2026/27 £	Additions to Plan	Removal from Plan	Revised Plan 2025/26 £
Service Support	Vehicle Replacement Programme	2,200,000			643,492	1,556,508
Service Support	Hunslet Fire Station Refurbishment	360,000	235,000			125,000
Service Support	Illingworth Fire Station Refurbishment	474,957	374,957			100,000
Service Support	Fair Weather Green Fire Station Refurbishment	600,000	450,000			150,000
Service Support	Undress Uniform	109,166	77,945			31,221
Service Support	Firewall Refresh	240,000			149,000	91,000
Service Support	Competency Dashboard System	97,700	70,000			27,700
Service Support	Email and Web Security	60,000			60,000	0
Service Delivery	Fire Ground Radios	625,000	625,000			0
Service Delivery	BA Cleaning	177,000	123,720			53,280
Service Delivery	Command Support	43,785	41,335			2,450
Service Delivery	Powerboat Engines	37,500	37,500			0
Service Delivery	Foam	55,400	36,200			19,200
Service Delivery	Water Resscue Equipment	15,000	15,000			0
<b>TOTAL</b>		<b>£5,095,508</b>	<b>£2,086,657</b>	<b>£0</b>	<b>£852,492</b>	<b>£2,156,359</b>

Department	Capital Plan 2025/26				Adjustments to the Capital Plan in 2025/26				Capital Expenditure 2025/26			Forecast over / (under) spend	
	Capital Bids 2025/26	Agreed Slippage into 2025/26 from budget reviews in 2024/25	Slippage b/f at year end from 2024/25	Total Capital Plan 2025/26	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2025/26	Actual expenditure incurred to date	Forecast Expenditure		Total Expected Expenditure in 25/26
Property Services	6,140,000	2,923,940	1,944,420	11,008,360	0	0	300,000	(5,269,957)	6,038,403	2,821,702	2,645,657	5,467,359	(571,044)
DDaT	827,700	49,776	578,437	1,455,913	(316,500)	0	165,743	(70,000)	1,235,156	802,796	439,578	1,242,374	7,218
Logistics	1,403,000	2,765,000	90,000	4,258,000	(643,492)	0	145,790	(412,945)	3,347,353	2,543,403	647,415	3,190,817	(156,536)
Training Centre	79,700	0	0	79,700	(17,100)	0	0	0	62,600	49,909	0	49,909	(12,691)
Human Resources	40,000	0	0	40,000	(40,000)	0	0	0	0	0	0	0	0
OHSU	34,400	0	0	34,400	0	0	0	0	34,400	2,750	17,978	20,728	(13,672)
Operations	1,306,500	1,617,000	1,465,166	4,388,666	0	0	0	(2,385,755)	2,002,911	1,461,939	630,060	2,091,999	89,088
Fire Safety	400,000	0	0	400,000	0	0	0	0	400,000	241,840	148,185	390,025	(9,975)
Finance	800,000	800,000	0	800,000	0	0	0	0	800,000	0	800,000	800,000	0
	11,031,300	8,155,716	4,078,023	22,465,039	(1,017,092)	0	611,533	(8,138,657)	13,920,823	7,924,339	5,328,873	13,253,212	(667,611)

**Capital Budget Monitoring 2025/26**  
**Service Support - Property**

Details of Scheme	Year	Capital Plan 2025/26			Adjustments to the Capital Plan in 2025/26			Capital Expenditure 2025/26					
		Capital Bids 2025/26	Agreed Slippage into 2025/26 from budget reviews in 2024/25	Slippage b/f at year end from 2024/25	Total Capital Plan 2025/26	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2025/26	Actual expenditure incurred to date	Forecast Expenditure in 25/26	Forecast over / (under) spend
Cookridge Rawdon - Facilities upgrade Otey - Showers Ludo charging points Bingley - Upgrade works Leeds BA room 24/25 EV Chargers 24/25 Hunslet Refurbishment 24/25 Bradford F/S Dorms & Showers 24/25 Salthwaite fire escape 24/25 Ilkley Fire Station Refurbishment 24/25 Boiler Upgrade Schemes 24/25 Rastrick ventilation 24/25 Raistrick replacement 2025/26 Boiler Replacement Schemes 2025/26 Appliance bay door replacement 2025/26 Boiler controls 2025/26 Leeds Refurbishment 2025/26 Fairweather Green Refurbishment 2025/26 LED Lighting 2025/26 EV Charging points 2025/26 Ilkley Fire Station Refurbishment 2025/26 Hunslet Fire Station Keighley Halifax Huddersfield 2025/26 Huddersfield Station F/S HQ Offices/Training Arena 2019/20 F/S HQ Fire Station 2019/20 F/S HQ BA/ICT 2019/20 F/S HQ TRTC	2022/23	0	0	0	0	0	0	0	0	11,805	0	11,805	
	2023/24	0	215,000	214,972	429,972	0	0	0	0	429,972	421,084	47,888	468,972
	2023/24	0	30,000	70,643	100,643	0	0	0	0	100,643	65,176	12,000	77,176
	2023/24	0	0	38,093	38,093	0	0	0	0	38,093	11,153	0	11,153
	2023/24	0	20,000	147,706	167,706	0	0	0	0	167,706	49,870	23,000	72,870
	2024/25	0	0	0	0	0	0	0	0	0	0	-	0
	2024/25	0	46,640	0	46,640	0	0	0	0	46,640	18,608	0	18,608
	2024/25	0	160,000	0	160,000	0	(160,000)	0	0	0	0	0	0
	2024/25	0	0	445,871	445,871	0	0	0	0	445,871	245,189	225,682	470,871
	2024/25	0	0	3,074	3,074	0	0	0	0	3,074	0	0	0
	2024/25	0	875,100	(143)	874,957	0	0	0	(774,957)	100,000	0	100,000	0
	2024/25	0	6,200	(6,200)	0	0	0	0	0	0	0	0	0
	2024/25	0	71,000	(64)	70,936	0	0	0	0	70,936	0	0	70,936
	2025/26	250,000	0	0	250,000	0	0	0	0	250,000	128,316	121,684	250,000
	2025/26	100,000	0	0	100,000	0	0	0	0	100,000	8,915	71,085	80,000
	2025/26	50,000	0	0	50,000	0	0	0	0	50,000	0	49,500	49,500
	2025/26	480,000	0	0	480,000	0	0	0	(400,000)	80,000	0	80,000	80,000
	2025/26	600,000	0	0	600,000	0	0	0	(450,000)	150,000	0	150,000	150,000
	2025/26	200,000	0	0	200,000	0	0	0	0	200,000	0	200,000	200,000
	2025/26	300,000	0	0	300,000	0	0	0	0	300,000	63,259	236,741	300,000
2025/26	160,000	0	0	160,000	0	0	0	(160,000)	0	0	0	0	
2025/26	1,000,000	0	0	1,000,000	0	160,000	0	(1,035,000)	125,000	0	125,000	125,000	
2025/26	1,649,680	0	0	1,649,680	0	300,000	0	(1,035,000)	1,949,680	1,200,156	749,524	1,949,680	
2019/20	0	1,500,000	149,680	0	0	0	0	0	0	0	0	0	
2023/24	0	0	0	0	0	0	0	0	0	0	0	0	
2023/24	0	0	0	0	0	0	0	0	0	0	0	0	
2025/26	3,000,000	0	0	0	3,000,000	0	0	(2,450,000)	550,000	0	100,000	100,000	
2019/20	0	0	880,788	880,788	0	0	0	0	880,788	593,354	287,434	880,788	
2019/20	0	0	0	0	0	0	0	0	0	4,817	(4,817)	(0)	
2019/20	0	0	0	0	0	0	0	0	0	0	0	0	
2019/20	0	0	0	0	0	0	0	0	0	0	0	0	
2019/20	5,140,000	2,923,940	1,644,420	44,008,360	44,008,360	0	300,000	(5,269,967)	5,038,403	2,924,703	2,645,697	5,167,359	

**Capital Budget Monitoring 2025/26**  
**Service Support - DDaT**

Details of Scheme	Year	Capital Plan 2025/26			Adjustments to the Capital Plan in 2025/26					Capital Expenditure 2025/26						
		Capital Bids 2025/26	Agreed Slippage into 2025/26 from budget reviews in 2024/25	Slippage b/f at year end from 2024/25	Total Capital Plan 2025/26	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2025/26	Actual expenditure incurred to date	Forecast Expenditure in 25/26	Total Expected Expenditure in 25/26	Forecast over / (under) spend		
VDI server replacement PC replacement programme Visitor Management System for FSHQ MDT Software Data Transfer centre Print Solution		0	0	0	0	0	0	0	0	0	38,957	0	38,957	38,957	✖	
		0	0	200,000	200,000	0	0	0	0	0	198,188	0	198,188	(1,812)	✔	
		0	0	0	0	0	0	0	0	0	0	0	0	0	✔	
		0	49,776	(6,896)	42,880	0	0	0	0	0	0	0	0	0	✔	
		0	0	354,000	354,000	0	0	0	0	0	365,234	0	365,234	11,234	✔	
		0	0	31,333	31,333	0	0	0	0	0	34,146	0	34,146	2,813	✔	
		0	0	0	210,000	0	0	0	0	0	0	210,000	0	210,000	0	✔
	2025/26	210,000	0	0	100,000	0	0	0	0	0	0	100,000	0	100,000	0	✔
	2025/26	100,000	0	0	240,000	(149,000)	0	0	0	0	0	91,000	0	91,000	0	✔
	2025/26	240,000	0	0	60,000	(60,000)	0	0	0	0	0	0	0	0	0	✔
2025/26 2025/26 2025/26 2025/26 2025/26	2025/26	60,000	0	0	120,000	(107,500)	0	0	0	0	12,462	0	12,462	(38)	✔	
	2025/26	120,000	0	0	0	0	0	0	0	0	35,397	54,603	90,000	0	✔	
	2025/26	0	0	0	0	0	0	90,000	0	0	55,022	55,022	55,022	0	✔	
	2025/26	0	0	0	0	0	0	55,022	0	0	118,412	(71,047)	47,365	(1,056)	✔	
	2025/26	97,700	0	0	97,700	0	0	20,721	(70,000)	48,421	802,796	439,578	1,242,374	7,218	✔	
2025/26 2025/26	97,700	0	0	97,700	0	0	20,721	(70,000)	48,421	802,796	439,578	1,242,374	7,218	✔		
	827,700	49,776	578,437	1,455,913	(316,500)	0	165,743	(70,000)	48,421	802,796	439,578	1,242,374	7,218	✔		



**Capital Budget Monitoring 2025/26**  
**Service Support - Logistics**

Details of Scheme	Year	Capital Plan 2025/26				Adjustments to the Capital Plan in 2025/26					Capital Expenditure 2025/26			
		Capital Bids 2025/26	Agreed into 2025/26 from budget reviews in 2024/25	Slippage b/f at year end from 2024/25	Total Capital Plan 2025/26	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2025/26	Actual expenditure incurred to date	Forecast Expenditure in 25/26	Total Expected Expenditure in 25/26	Forecast over / (under) spend
Welfare Vehicles Vehicle Replacement Ladders USAR Vans Training Centre Telehandler 2025/26 Workshops Lifting Ramp 2025/26 Firefighter Structural PPE 2025/26 Undress Uniform Total	2022/23	0	230,000	0	230,000	0	0	0	0	230,000	68,689	0	68,689	(161,311)
	2024/25	0	2,200,000	0	2,200,000	(643,492)	0	0	0	1,556,508	1,556,508	0	1,556,508	(0)
	2024/25	0	0	0	0	0	0	0	0	0	5,325	0	5,325	5,325
	2024/25	0	335,000	0	335,000	0	0	0	(335,000)	0	0	0	0	0
	2024/25	0	0	90,000	90,000	0	10,000	0	0	100,000	99,450	0	99,450	(550)
	2025/26	10,000	0	0	10,000	0	(10,000)	0	0	0	0	0	0	0
	2025/26	1,393,000	0	0	1,393,000	0	0	36,624	0	1,429,624	782,209	647,415	1,429,624	0
	2025/26	0	0	0	0	0	0	109,166	(77,945)	31,221	31,221	0	31,221	0
	Total	1,403,000	2,765,000	90,000	4,258,000	(643,492)	0	145,790	(412,945)	3,347,353	2,543,403	647,415	3,190,817	(156,536)



**Capital Budget Monitoring 2025/26**  
**Service Support - Training Centre**

Details of Scheme	Year	Capital Plan 2025/26				Adjustments to the Capital Plan in 2025/26				Capital Expenditure 2025/26				
		Capital Bids 2025/26	Agreed Slippage into 2025/26 from budget reviews in 2024/25	Slippage b/f at year end from 2024/25	Total Capital Plan 2025/26	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2025/26	Actual expenditure incurred to date	Forecast Expenditure in 25/26	Total Expected Expenditure in 25/26	Forecast over / (under) spend
2025/26 Laptop purchase	2025/26	15,000	0	0	15,000	0	0	0	0	15,000	11,101	0	11,101	(3,899)
2025/26 Trauma Manikins	2025/26	28,000	0	0	28,000	0	0	0	0	28,000	21,733	0	21,733	(6,267)
2025/26 Thermal Imaging Cameras (x4 cameras)	2025/26	19,600	0	0	19,600	0	0	0	0	19,600	17,075	0	17,075	(2,525)
2025/26 Thermal Imaging cameras (Flir)	2025/26	17,100	0	0	17,100	(17,100)	0	0	0	0	0	0	0	0
		79,700	0	0	79,700	(17,100)	0	0	0	62,600	49,909	0	49,909	(12,691)

**Capital Budget Monitoring 2025/26**  
**People and Culture - OHSU**

Details of Scheme	Year	Capital Plan 2025/26				Adjustments to the Capital Plan in 2025/26					Capital Expenditure 2025/26			
		Capital Bids 2025/26	Agreed Slippage into 2025/26 from budget reviews in 2024/25	Slippage b/f at year end from 2024/25	Total Capital Plan 2025/26	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2025/26	Actual expenditure incurred to date	Forecast Expenditure	Total Expected Expenditure in 25/26	Forecast over / (under) spend
OHU Equipment Replacement of gym dumbbells	2024/25	0	0	0	0	0	0	0	0	0	0	0	0	
	2025/26	34,400	0	0	34,400	0	0	0	0	34,400	2,750	17,978	20,728	(13,672)
		34,400	0	0	34,400	0	0	0	0	34,400	2,750	17,978	20,728	(13,672)

**Capital Budget Monitoring 2025/26**  
**Service Delivery - Operations**

Details of Scheme	Year	Capital Plan 2025/26			Adjustments to the Capital Plan in 2025/26				Capital Expenditure 2025/26					
		Capital Bids 2025/26	Agreed Slippage into 2025/26 from budget reviews in 2024/25	Slippage b/f at year end from 2024/25	Total Capital Plan 2025/26	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2025/26	Actual expenditure incurred to date	Forecast Expenditure in 25/26	Forecast over / (under) spend	
Command Support BA Cleaning & drying Units Wildfire Vehicle Ladders Body Worn Cameras BA Compressors Dividing Breaches Multi role PPE New Control Project BA Ancillary Equipment BA Sais & Charging Kits Defibrillators Featherweight/Light portable pumps Foam Branches & Ancillary equipment Lockers Mainline Branches MBS Stretchers Rescue Jackets Tirfors and Ancillary Equipment Trauma bag replacement Breathing Apparatus Mechanical & drying units Vehicle Stabilisation strut Foam 2025/26 Breathing Apparatus Cleaning and Drying Units 2025/26 BA Mask Comms 2025/26 Drones 2025/26 Fire Ground Radios 2025/26 Powerboat Engines 2025/26 Gas Tight Suits 2025/26 Lay Flat Hose and Hose reels 2025/26 Hydrants 2025/26 Water Rescue Equipment	2021/22	0	0	43,785	43,785	0	0	0	(41,335)	2,450	2,450	0	0	
	2022/23	0	0	0	0	0	0	0	0	0	0	0	0	
	2022/23	0	0	63,779	63,779	0	(7,240)	0	0	56,539	56,539	0	0	
	2022/23	0	0	0	0	0	0	0	0	0	0	0	0	
	2022/23	0	0	67,515	67,515	0	44,000	0	0	111,515	133,828	22,313	22,313	
	2023/24	0	0	0	0	0	0	0	0	2,958	2,958	(2,958)	0	
	2023/24	0	0	30,000	30,000	0	0	0	0	30,000	27,678	0	0	
	2023/24	0	0	0	0	0	135,240	0	0	135,240	100,548	4,174	(30,518)	
	2023/24	0	0	926,365	926,365	0	0	0	0	926,365	827,686	1,033,377	107,012	
	2023/24	0	275,000	0	275,000	0	0	0	0	0	0	0	0	
	2023/24	0	837,000	0	837,000	0	0	0	0	0	0	0	0	
	2024/25	0	115,000	0	115,000	0	(115,000)	0	0	0	0	0	0	
	2024/25	0	120,000	0	120,000	0	0	0	0	(120,000)	0	0	0	
	2024/25	0	45,000	0	45,000	45,000	0	0	0	0	0	0	0	
	2024/25	0	48,322	0	48,322	48,322	0	0	0	0	48,322	7,828	43,289	2,795
	2024/25	0	20,000	0	20,000	20,000	0	0	0	(20,000)	0	0	0	0
	2024/25	0	55,000	0	55,000	55,000	0	0	0	(55,000)	0	0	0	0
	2024/25	0	200,000	0	200,000	200,000	0	0	0	(200,000)	0	0	0	0
	2024/25	0	60,000	0	60,000	60,000	0	(44,000)	0	0	16,000	0	0	(16,000)
	2024/25	0	40,000	0	40,000	40,000	0	0	0	0	40,000	39,435	576	576
	2024/25	0	50,000	0	62,000	112,000	0	0	0	(61,097)	50,903	50,903	0	0
	2024/25	0	13,000	0	13,000	13,000	0	(13,000)	0	0	0	0	0	0
	2024/25	0	0	0	10,400	10,400	0	45,000	0	(36,200)	19,200	19,199	0	(1)
	2025/26	65,000	0	0	0	65,000	0	0	0	(62,623)	2,377	2,377	0	0
	2025/26	19,000	0	0	0	19,000	0	0	0	0	19,000	19,576	576	576
	2025/26	13,500	0	0	0	13,500	0	0	0	0	13,500	13,500	0	0
2025/26	625,000	0	0	0	625,000	0	0	0	(625,000)	0	0	0	0	
2025/26	37,500	0	0	0	37,500	0	0	0	(37,500)	0	0	0	0	
2025/26	11,500	0	0	0	11,500	0	0	0	0	11,500	12,609	1,109	1,109	
2025/26	70,000	0	0	0	70,000	0	0	0	0	70,000	74,690	4,690	4,690	
2025/26	450,000	0	0	0	450,000	0	0	0	0	450,000	450,000	0	0	
2025/26	15,000	0	0	0	15,000	0	0	0	(15,000)	0	0	0	0	
		1,306,500	1,617,000	1,465,166	4,388,666	0	0	0	(2,385,755)	2,002,911	1,461,939	630,060	89,088	

**Capital Budget Monitoring 2025/26**  
**Service Delivery - Fire Safety**

Details of Scheme	Year	Capital Plan 2025/26				Adjustments to the Capital Plan in 2025/26					Capital Expenditure 2025/26				
		Capital Bids 2025/26	Agreed Slippage into 2025/26 from budget reviews in 2024/25	Slippage b/f at year end from 2024/25	Total Capital Plan 2025/26	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2025/26	Actual expenditure incurred to date	Forecast Expenditure in 25/26	Total Expected Expenditure in 25/26	Forecast over / (under) spend	
Smoke Alarms	2025/26	400,000	0	0	400,000	0	0	0	0	400,000	241,840	148,185	390,025	(9,975)	✓
		400,000	0	0	400,000	0	0	0	0	400,000	241,840	148,185	390,025	(9,975)	✓

**Capital Budget Monitoring 2025/26**  
**Finance and Procurement - Finance**

Details of Scheme	Year	Capital Plan 2025/26				Adjustments to the Capital Plan in 2025/26					Capital Expenditure 2025/26			
		Capital Bids 2025/26	Slippage b/f at year end from 2024/25	Slippage b/f at year end from 2024/25	Total Capital Plan 2025/26	Removal from Plan	Virement	Increase to Capital Plan	Slippage c/f	Revised Capital Plan 2025/26	Actual expenditure incurred to date	Forecast Expenditure in 25/26	Total Expected Expenditure in 25/26	Forecast over / (under) spend
Leases	2025/26	800,000	0	0	800,000	0	0	0	0	800,000	0	800,000	800,000	0
		800,000	800,000	0	800,000	0	0	0	0	800,000	0	800,000	800,000	0

OFFICIAL

Agenda item: 07

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

## Finance and Resources Committee

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**Date:** 30<sup>th</sup> January 2026

**Submitted by:** Director of Finance and Procurement

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**Purpose:** To present a draft capital investment plan, a draft revenue budget, and a Medium-Term Financial Plan 2026/27.

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

**Summary:** This report presents details of the draft revenue budget for 2026/27 along with the four-year medium-term financial plan and capital programme. Included within the report are details of the Draft Local Government Finance Settlement 2026/27, a standstill budget, and a summary of activity in the current financial year.

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Local Government (Access to information) Act 1972

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**Exemption Category:** Nil

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**Background papers open to inspection:** Budget working papers

**Annexes:** Appendix A – Capital Bids 2026/27 to 2030/31  
Appendix B – Standstill Budget 2026/27  
Appendix C – Revenue Bids 2026/27 to 2030/31

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## 1. Introduction

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

- (i) A Capital Investment Plan for the five years to 2030/2031.
- (ii) The Prudential Indicators to support the financing of the Capital Plan.
- (iii) A Revenue Budget and Medium-Term Financial Plan for the same period.

## 2. Information

### **Proposed Capital Investment**

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

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

### **Capital Plan**

- 2.2 The Executive Leadership Team are proposing a five-year capital investment plan of £79.239m which includes expenditure of £13.826m in 2026/2027. This is analysed by department in the table overleaf. This includes £7.647m of slippage carried forward into 2026/27.
- 2.3 The largest capital schemes in 2026/27 are the commencement of the major refurbishment of Huddersfield Fire Station, completion of the refurbishments of Leeds, Hunslet and Fairweather Green fire stations and the replacement of flood response vehicles.
- 2.4 The 2026/27 capital plan also includes:
- Solar panel installations
  - Boiler upgrades
  - LED lighting upgrades
  - Storage of PPE on stations
  - Replacement command unit
  - PC refresh



- Morley Station upgrade of welfare facilities

## 2.5 Capital Plan including financing.

Department	Forecast Outturn 2025/26	Slippage to 2026/27	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Property	3,727,391	2,885,000	4,295,000	3,500,000	3,800,000	2,700,000	3,700,000	20,880,000
Property Rebuild		2,450,000	4,950,000	11,000,000	10,000,000	10,000,000	2,000,000	40,400,000
Digital Data and Technology (DD)	1,161,495		1,251,700	1,490,001	271,293	245,000	250,000	3,507,994
Transport	2,754,494	335,000	816,000	1,689,000	60,750	30,000	30,000	2,960,750
Logistics			50,000	0	0	0	0	50,000
Operational Equipment	1,412,206	1,907,000	1,156,500	568,800	531,450	555,000	518,800	5,237,550
Training Centre	59,247	70,000	59,841	0	0	0	0	129,841
Occupational Health and Safety L	14,970		20,000	0	0	0	0	20,000
Finance	760,000		800,000	800,000	800,000	800,000	800,000	4,000,000
Fire Prevention	260,100		426,534	426,534	400,000	400,000	400,000	2,053,068
<b>Total</b>	<b>£10,149,902</b>	<b>£7,647,000</b>	<b>£13,825,575</b>	<b>£19,474,335</b>	<b>£15,863,493</b>	<b>£14,730,000</b>	<b>£7,698,800</b>	<b>£79,239,203</b>
<b>Financing</b>								
Borrowing	£9,389,902	£7,647,000	£4,765,575	£15,477,002	£12,445,463	£13,670,000	£6,638,800	60,643,840
Reserves	£200,000		£7,000,000	£3,187,333	£2,858,030	£500,000	£500,000	14,045,363
Capital Receipts			£1,500,000	£250,000				1,750,000
Revenue Contributions	£560,000		£560,000	£560,000	£560,000	£560,000	£560,000	2,800,000
	<b>£10,149,902</b>	<b>£7,647,000</b>	<b>£13,825,575</b>	<b>£19,474,335</b>	<b>£15,863,493</b>	<b>£14,730,000</b>	<b>£7,698,800</b>	<b>£79,239,203</b>

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

### Capital Financing

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

### Capital Grants

2.8 The Authority does not anticipate the receipt of any capital grants in 2026/27.

### Capital Receipts

2.9 Capital receipts are used to either purchase new capital assets or repay outstanding loans. It is expected that the remaining twenty nine fire appliances which were replaced in the recent fleet replacement programme will be sold at auction during 2026/27. In addition, once the Service Delivery Centre has been decommissioned, that will be placed on the market for sale. The estimated capital receipts in 2026/27 are £1.5m.

### Borrowing

2.10 The balance of the expenditure will be funded by borrowing and the use of internal reserves, the table shows a total borrowing requirement of £60.643m over the period. The government provides no additional grant to assist the Authority with financing the capital plan.

- 2.11 Over recent years the Authority has been borrowing internally to fund capital expenditure using its revenue balances and reserves, no new external long-term borrowing has been taken out since December 2011.
- 2.12 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and Minimum Revenue Provision (MRP, or debt repayments) are charged to revenue, offset by interest receivable. The net annual charges are known as capital financing costs.
- 2.13 Due to the size of the capital plan over the next four years it is likely that the Authority will be required to take out external borrowing in Summer 2026, the costs of current and future debt servicing costs have been built into the Medium-Term Financial Plan. The Authority does not distinguish between capital and revenue cash flows.

### **Reserves**

- 2.14 The Authority has an earmarked reserve which is specifically for the funding of capital projects, this is called the capital finance reserve. Due to the nature of capital financing charges in the form of Minimum Revenue Provision (MRP) it is proposed that the purchase of long-life assets is funded from the capital finance earmarked reserve. This means that taxpayers of West Yorkshire will not be subject to MRP charges and external loan interest repayments over the next forty years (i.e.) the life of the asset. For example, an asset costing £1m with an estimated life of 40 years the average annual charge of MRP and interest in revenue would be £67k per annum, this saving means that the Authority can spend this money on other areas. To put this into financial context, if the Authority had to borrow in full the cost of the FSHQ development of £31m, the annual cost to revenue would be £2.077m. over the life of the asset which is 40 years this would amount to £83m.
- 2.15 In addition, revenue underspends are either used to make additional voluntary minimum revenue provision charges or transferred to earmarked reserves to support future expenditure plans.
- 2.16 The capital finance reserve, which has a balance of £13.058m as of the 1<sup>st</sup> of April 2025, will be used to fund the rebuild of Huddersfield Fire Station. If the Authority underspends the revenue budget in 2025/26, this will be transferred to the capital finance reserve, assuming that the financial settlement is positive.

## **3. Prudential Indicators**

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

Authority's capital investment remains within sustainable limits, following consideration of the impact on the "bottom line" Council Tax.

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

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

- 3.2 The Authority's capital expenditure projections, from para 2.2, impacts directly on the Capital Financing Requirement (CFR) and the Authority's debt position. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.
- 3.3 When external borrowing is below the CFR, this reveals that the Authority is using some internal balances, such as reserves/creditors, to temporarily finance capital expenditure as is currently the case.

	<b>Estimate 2026/27 £000's</b>	<b>Estimate 2027/28 £000's</b>	<b>Estimate 2028/29 £000's</b>	<b>Estimate 2029/30 £000's</b>
CFR	71,861	83,126	91,045	99,908

- 3.4 The table shows an estimated borrowing requirement of £99.908m by 2029/30 which reflects the size of the capital plan and the need to take out external borrowing in 2026/27.

### **Limits to Borrowing Activity**

- 3.5 The first key control over the Authority's borrowing activity is a Prudential Indicator to ensure that, over the medium term, net borrowing will only be for a capital purpose. Net external borrowing should not, except in the short-term, exceed the total Capital Financing Requirement in the preceding year, plus the estimates of any additional capital financing requirement for 2025/26 and the next two financial years. This allows some flexibility for limited early borrowing for future years.
- 3.6 The Authority comfortably complied with the requirement to keep net borrowing below the relevant Capital Financing Requirement in 2025/26, and no difficulties are envisaged for the current or future years.
- 3.7 A further two Prudential Indicators control the overall level of borrowing. These are the Authorised Limit and the Operational Boundary. The Authorised Limit represents

the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

- 3.8 The Authorised Limit is based on the Authority's plans for capital expenditure and financing and is consistent with its Treasury Management Policy. It allows for sufficient headroom to switch financing for capital projects from reserves, capital receipts, and revenue contributions to external borrowing. The Operational Boundary is based on the probable external debt during the course of the year. It is not a limit, and actual borrowing could vary around this boundary for short times during this year.
- 3.9 The Authority is asked to approve the following limits for its total external debt, gross of any investments. These limits separately identify borrowing from other long-term liabilities such as finance leases.

	2026/27 £000's	2027/28 £000's	2028/29 £000's	2029/30 £000's
Authorised Limit for External Debt	55	70	83	96
Operational Boundary for External Debt	50	65	78	91

### **Affordability Prudential Indicators**

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

### **Ratio of financing costs to net revenue stream.**

- 3.11 This indicator identifies the trend in the cost of capital against the net revenue stream (amounts met from government grants, local taxpayers, and balances):

	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28	Estimate 2028/29	Estimate 2029/30
Ratio of Financing costs to net revenue stream	5.76%	6.27%	6.13%	6.21%	6.67%

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

## **4. Revenue Budget and Medium-Term Financial Plan**

- 4.1 Whilst the Authority will only be required to approve the budget and precept for 2026/27 it is important that the Authority consider the medium-term impact of the decision.

This section is split into five key areas: -

- 1 Review of the economy, cost pressures, and the current year's budget position
- 2 The cost of a standstill budget for 2026/27
- 3 The draft Local Government Finance Settlement
- 4 Medium-Term Financial Plan
- 5 Reserves

### **Economic Overview**

- 4.2 The country is continuing to face difficult economic times, with the cost of living crisis, continuing high interest rates and higher than expected inflation. Although inflation has fallen from its peak of 11.1% in October 2022, it is still at a relatively high level compared to the years pre Covid. The cost of goods and services remains at high level and the delivery of capital schemes has become more expensive.
- 4.3 In terms of the overall economic position, the Consumer Price Inflation (CPI) has increased slightly from April at 3.5% to September at 3.8% and has then reduced by more than economists expected to 3.2% in November. Economic forecasts indicate that inflation will fall gradually to 2% by the end of 2026. It must be noted that inflation forecasts are subject to change and are dependent on the world economy.
- 4.4 The Bank of England's monetary policy committee at its meeting on the 18<sup>th</sup> of December voted to cut interest rates by 0.25% to 3.75%. Our treasury management consultants, MUFG Group, forecast that the bank rate will reduce during 2026, but will be dependent on a corresponding fall in inflation.
- 4.5 The increase in interest rates is having a favourable effect on the Authority's investment income, it is forecast that in 2025/26 £1.200m will be earned in investment income.
- 4.6 It must be recognised that the Authority has used its cash reserves to pay for the development of FSHQ and as such the amount earned in investment interest will be reduced in 2026/27.

## **Spring 2025 Spending Review**

- 4.7 On 11 June 2025, the Chancellor of the Exchequer, Rachel Reeves MP, announced the outcome of the Spending Review 2025. The Spending Review sets out revenue funding allocations for each Government department over the next three years (2026-27 to 2028-29) with an additional fourth year for capital allocations.
- 4.8 The Spending Review allocated £73.2bn, £76.1bn and £79.3bn to the Ministry of Housing, Communities and Local Government (MHCLG) over the 3 year spending review period.
- 4.9 At the same time, consultation on the government's proposed approach to local authority funding reform through the Local Government Finance Settlement from 2026/27 was released, this is called the Fair Funding Review 2.0. This review will determine new funding allocation methodology to take account of the different needs and costs faced by local authorities in urban and rural areas, and the ability of individual local authorities to raise Council Tax. This proposed methodology will determine the allocation to local authorities and fire of the total amount allocated to the MHCLG in the spending review.
- 4.10 The proposal in the Fair Funding Review 2.0 is that funding is to be allocated to local authorities and fire using control totals which is a formula based on previous year's spending. Due to the demands of delivering Adult and Social Care and Children's services over recent years, it means that local authorities will receive increased funding than in previous settlements. To put this into context, the total amount of the control total weighting for these two areas is 61% of the total MHCLG budget.
- For the fire sector, where spending has remained stable over the past years, the amount of funding allocated to fire has reduced from 4.9% in 2025/26 to 4.4% of the overall control total in 2026/27.
- 4.11 The government's view is that there is a strong rationale for retaining a bespoke formula for Fire and Rescue Services and as such fire would be out of scope of this review. The government is considering updating the existing fire and rescue services Relative Needs Formula which was last updated over a decade ago and will be using data that is no longer reflective of the current need for Fire and Rescue Services. The current formula includes a basic allocation of funding per resident, with adjustments for coastline, population density and sparsity, deprivation, fire risk areas, and community fire safety.
- 4.12 The NFCC along with each individual fire and rescue service responded to the fair funding consultation expressing the concerns regarding the proposed allocation of overall funding using control totals and stressing the need to sustain fire sector funding. NFCC modelling on the Spending Review figures showed a potential cut of £102m in real terms for standalone fire and rescue services.

In addition, an estates survey was conducted amongst UK fire and rescue services to identify the condition of buildings and the amount of capital investment that would be needed to bring them up to the standard expected of a modern fire and rescue service. This survey results showed that 93% of fire stations have a significant maintenance backlog, 53% lack facilities that ensure dignity, privacy, and wellbeing for staff and 78% require investment to manage contaminant risks. The survey was sent to MHCLG to support capital funding for the fire sector for which there has been no allocation since 2014/15.

## **Local Government Finance Policy Statement 2026/27 to 2028/29**

- 4.13 The Local Government Finance Policy statement was published on the 20<sup>th</sup> November which sets out the government's proposals for the 2026/27 to 2028/29 multiyear Local Government Finance Settlement, including details on the government's response to the Fair Funding Review 2.0 and other measures which will be delivered through the 2026/27 provisional Local Government Finance Settlement. At the same time the government published a policy statement on the resetting of the business rates retention system from 2026/27.

The statement confirmed that there will be a consolidation of grants which will be rolled into core funding, with the outcome to make funding simpler for the local government sector. Grants received separately by fire in the 2025/26 settlement for National Insurance and under indexation of local business rates will be rolled into core funding in the settlement. It has been confirmed that the pensions grant will not be rolled in and the authority will continue to receive it as a separate grant.

The key announcements relating to the fire sector are:

- Multiyear settlement for the next three years
- Referendum principle of £5 over the spending review period
- Commitment to review the Fire Funding Formula
- £2.1m transitional support for fire and rescue transferring functions to Mayoral Strategic Authorities

- 4.14 The draft provisional settlement was received on the 17<sup>th</sup> December and is detailed in section 5.3 of this report.

## **Financial Overview of West Yorkshire Fire and Rescue**

- 4.15 Unlike other public services, which are demand led, the Authority needs to have enough resources available to provide an emergency response in times of exceptional demand. This includes the ability to deal with large scale emergencies, a range of smaller incidents that may happen together and/or incidents that are of an extended duration. During the peak period (17.00 to 21.00), the service responds to five new incidents every hour, often requiring more than one fire engine to each incident. On top of this business-as-usual demand, the service has responded to

thirty emergencies requiring eight or more fire engines. The occurrence of wildfires and flooding and the associated financial pressures it brings has increased over the past few years, however, government funding has not increased to reflect this financial burden.

- 4.16 The Authority considered its revenue budget and precept strategy on the 27th of February 2025 and approved a precept increase of £5 resulting in a Band D property precept of £84.49. West Yorkshire Fire and Rescue still remains the fourth lowest precepting Fire Authority in England and Wales.

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

### **Pay Awards**

- 4.17 Because employee costs constitute 77% of our expenditure, the impact of pay awards can have a significant impact on the revenue budget. Fortunately, the Authority approved a pay award provision of 4% in 2025/26 which was 0.8% over the agreed pay award. This saving enabled the service to run a mini budget review in June which saw new bids amounting to £0.524m being approved. For every 1% increase in the pay award over and above budget provision costs an additional £0.693m for all staff groups.
- 4.18 The Fire Brigades Union will likely submit a request for a pay rise which are in excess of inflation and in line with those already approved for the public sector in 2025; teachers, NHS workers and Police all received pay awards between 4% and 5.4% which was significantly higher than the firefighters and green book pay uplift of 3.2% in 2025. Unison has already submitted its 2026/27 pay claim which if approved, is in excess of the budget provision.
- 4.19 Increases to the National Living Wage will impact the support staff budget. Although the Authority's lowest grade pays higher than the National Living Wage (NLW), the margin is becoming reduced. In April 2026, the NLW is to increase to £12.71 an hour an increase of 4%, the lowest grade employee at West Yorkshire receives an hourly rate of £13.88.

### **Industrial Action**

- 4.20 Finance and Resources Committee in October 2022 approved the creation of a new earmarked reserve for industrial action by the transfer of £1.00m from the pension ill health reserve. There is currently a balance of £0.610m in the reserve. In addition the Authority has continued to train and employ contingency crews albeit on a much-reduced level. The threat of industrial action has not gone away, as mentioned in section 4.26 the FBU have yet to submit a pay request which if unaffordable by fire and rescue services could result in industrial action.
- 4.21 The Authority needs to ensure that it has the funding to manage the costs associated with Industrial Action should it occur. If such costs from industrial action could not be



met from existing budgets the Authority would need to call upon its reserves. If the reserve were fully spent, funding from existing revenue budgets would be required. More detail on reserves is provided in section 9 of this report.

## **Pensions**

- 4.22 The impact of pensions is two-fold, firstly there is the administrative burden of software and admin costs that has fallen on the Authority to implement the McCloud/Sargeant remedy and secondly, the increase in employers pension contribution rates to 37.6% from the 1<sup>st</sup> of April 2024. This increased employer contributions by £3.590m which is included in base budgets.
- 4.23 Unfortunately, this increase in pension contributions is not fully funded by the Home Office, the amount of grant received in 2025/26 totalling £2.977m, amounted to a shortfall of £0.752m equating to 85% being funded by grant. This grant has not been increased by the corresponding pay award of 4% and will be paid cash flat in 2026/27. However, because the grant is not included in our core funding, there is always uncertainty regarding the continuation of the grant, as this is subject to MHCLG submitting a bid to the Treasury each year to secure the funding.

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

- 4.24 In addition, there are the financial burdens from the O'Brien/Matthews case which effects our on-call firefighters. The Matthews case will introduce a second options exercise for on-call firefighters to join the Firefighters Pension Scheme 2006 from the start date of their employment. This will pose an administrative burden on the Authority and changes to employers' contribution rates will be included in the 2024 Government Actuary Department (GAD) actuarial valuation. These increases will take effect from April 2027 and will need to be factored into the Medium Term Financial Plan.

## **National Insurance Funding**

- 4.25 The Government increased Employers National Insurance Contributions by 1.2% to 15% from April 2025 and reduced the per-employee threshold at which employers become liable to pay National Insurance from £9,100 to £5,000. This change has increased annual employee budgets by £2.095m. Due to how the grant was initially allocated by the use of control totals (i.e.) what each local authority had spent in total in the previous financial year, the amount of grant resulted in a shortfall of £1.3m in 2025/26. The NI grant has been rolled into core funding from 2026/27 so any increased NI funding will now not be realised.

## **New Burdens**

- 4.26 The Authority has received one off grants in 2025/26, to fund the financial pressures of the implementation of the Building Safety Bill, totalling £0.310m. Although this funding is welcomed, it is not built into the Authority's base budget and any spending

commitments that extend beyond the grants will have to be funded from existing budgets. This means that long term spending plans cannot be based on one-year grants without no certainty of receiving the grants going forward.

- 4.27 The introduction of more thorough DBS checks for employees and the need to comply with the new Driver Training Fire Standard has resulted in additional financial burden for the Authority, amounting to £0.250m per annum. The Authority has received no additional funding to meet these new burdens.
- 4.28 Moreover, the Authority received notification from the Home Office in June 2022 that the Fire Link Grant is to be reduced by 20% each year over the next five years. This grant was removed completely in 2025/26 and the Authority no longer receives this grant.
- 4.29 The introduction of the Building Safety Regulator could pose further funding challenges for the sector. The Hackitt Review stated that the new regulatory regime should be cost neutral. However, the recharging mechanism is still in its infancy and combined with concerns with the secondary legislation underpinning the Building Safety Act (which has established that commercial parts of mixed-use buildings are no longer within scope), the NFCC is not convinced that all new burdens will be rechargeable. This would be at a cost to the Authority.

### **Inflationary pressures**

- 4.30 Although inflation is reducing, the impact of inflation is continuing to have an impact on the Authority, there has been no reduction in the cost of goods and services during the current financial year.
- 4.31 There have been large increases in the cost of capital schemes over the past two years, with both the re-development of the FSHQ site and the rebuild of Keighley Fire Station realising a 40% increase in cost against estimates. Initial estimates for the major refurbishment of Huddersfield fire station, is showing a 300% increase in cost from similar rebuilds completed pre covid.
- 4.32 The capital plan also includes provision to rebuild Halifax fire station over the next three years which may also experience even higher price increases. In addition, unless the capital finance reserve is “topped up,” the Authority will have to borrow to pay for the rebuilds. This increases the capital financing charges which are charged to the revenue budget.

### **Data and Digital Strategy**

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

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

### **Commitment to Net Zero**

- 4.34 The Environmental Sustainability Strategy 2025-28 sets out how the Authority will reduce its impact on the environment. The authority is committed to manage carbon emissions and improve the energy efficiency of all buildings through more efficient heating/cooling and environmental improvements and LED lighting schemes across the estate. Although these initiatives will reduce the cost of electricity over time, systems require detailed management and maintenance which is an increase in revenue costs. In addition, because the improvements are capital investments this increases the annual capital financing charges which have to be included in the revenue budget.

### **Financial Position 2025/26**

- 4.35 In terms of the financial outturn, the Authority is forecast to under-spend the revenue budget by a forecast £0.172m for the current financial year. Any budget underspends will be used to make additional voluntary minimum revenue provision charges or make additional contributions to the capital financing reserve, which will reduce the Authority's capital financing requirement and reduce the revenue cost of the capital plan over the long term.

### **Background on West Yorkshire Central Government Funding**

- 4.36 From 2010/11 to the end of the spending review period in 2019/20, the Authority had a total reduction of £26.1m in central government funding. This meant the Authority had to implement a station rationalisation programme and a fundamental review of support services to meet this funding gap. Unlike some Fire Authorities, West Yorkshire reacted immediately to the reduction in core funding and suspended the recruitment of wholetime fire fighters in September 2009, recognising the impact on grant cuts would have on the ability to provide a service to the community.
- 4.37 To put the grant reductions into context, the table below shows the reduction in firefighter numbers and assets employed by the Authority from 2010 to date:

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

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

## **A Standstill Budget for 2026/27 – Maintaining the current level of service.**

4.38 A standstill budget has been prepared for 2026/27, for the purpose of providing a baseline from which to measure changes in the proposed budget. This is calculated by updating the 2025/26 budget for increases in pay and prices, new capital financing charges, and other budget calculation adjustments. A standstill budget for 2026/27 would amount to £120.908m.

The changes from the 2025/26 budget are detailed in the table below.

	£m
<b>2025/26 approved revenue budget</b>	<b>117.196</b>
<u>Pay and price increase 2026/27</u>	
Employee Inflation	3.639
Non Employee Inflation	0.533
Budget Adjustments (net)	-0.141
	-0.319
<b>2025/26 Standstill Budget</b>	<b>120.908</b>

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

4.39 The main changes to the 2025/26 budget are explained below:

- a) Pay and Price Increases** These represent the full year effect of the 2025/26 pay awards for operational staff and a provision for a 5% pay award for all staff in 2026/27. It also includes price increases that have been built into the base budget for 2026/27.
- b) Budget Adjustments** The revenue budget is calculated on a zero-based budget basis, so the budget adjustments represent the changes between the budget calculations in 2025/26 and 2026/27.  
For example, the changes could be one off costs, reductions in costs due to contract renewals, demand changes etc.
- c) One off Revenue Bids** In the budget setting process managers are asked to submit revenue bids for expenditure that is not included within the base budget. Some of these bids may be for one off purchases and as such do not need budget provision in the following year. For example, the purchase of equipment, employment of temporary staff and attendance on training courses would fall into this category.

A subjective analysis of the Standstill budget for 2026/27 is shown in Appendix B.

## **Revenue Balances**

4.40 The Authority maintains both earmarked reserves and a general fund reserve, earmarked reserves are amounts set aside for a specific purpose and the general fund reserve is used to manage fluctuations in revenue budgets. The Authority's reserves strategy was approved at F&R in October 2025 and is published on the Authority's website.

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

### **Minimum Revenue Balance**

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

4.42 As of the 1<sup>st</sup> of April 2026 the Authority had £5.700m of general fund reserves and £24.674m in earmarked reserves.

4.43 The minimum level of balances required is calculated using the Authority's corporate risk register. This document identifies all the major risks to business continuity the Authority may face, evaluates the potential cost, and looks at measures to control or limit the risk. The risk register is maintained by the Risk Management Strategy Group, which is chaired by the Deputy Chief Fire Officer and reports quarterly to the Audit Committee.

4.44 The General Fund reserve balance of £5.700m represents 4.7% of the draft revenue budget, which is in line with the National Framework guidance on balances.

## **5. Provisional Local Government Finance Settlement**

5.1 The 2025 Spending Review set local government departmental expenditure limits (DEL) for each financial year from 2026/27 through to 2028/29. Core Spending Power over the spending review period is £77.7bn in 2026/27, £81bn in 2027/28 and £84.6bn in 2028/29 (a more detailed explanation of core spending power is provided in 5.6)

The Local Government Finance Settlement ('the Settlement') is the annual process through which central government allocates funding to local government for the provision of local services in England.

5.2 The amount of funding allocated is called the Fair Funding Allocation (FFA), previously known as the Settlement Funding Assessment. The FFA is comprised of Revenue Support Grant (RSG) and Baseline Funding levels which is the Business Rates Top Up grant which is the governments projection of the Authority's 1% share of the business rates income raised in West Yorkshire. The Authority also receives specific grants from the Home Office to fund national resilience and fire protection.

The 2026/27 Settlement will be the first multi-year Settlement in a decade, running from 2026/27 to 2028/29.

## Draft Settlement

- 5.3 The provisional Local Government Settlement was published on the 17th of December 2025 and is subject to a four-week consultation period which closed on the 14<sup>th</sup> of January 2026. Much of the methodology for the provisional settlement was set out in a policy statement published on the 20<sup>th</sup> of November 2025.

The provisional grant allocations for 2026/27 to 2028/29 are shown in the table below.

	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
<b>Revenue Support Grant</b>	<b>21.137</b>	<b>30.405</b>	<b>30.885</b>	<b>31.212</b>
<b>Base Line Funding :</b>	<b>27.067</b>	<b>27.276</b>	<b>27.902</b>	<b>28.465</b>
Top Up Grant (Central Pool)	18.703	16.068		
Top Up (Local)	8.364	11.208		
<b>Fair Funding Assessment</b>	<b>48.204</b>	<b>57.681</b>	<b>58.787</b>	<b>59.677</b>

- 5.4 In order to make funding simpler for local government, thirty three grants have been consolidated into the revenue support grant. For West Yorkshire Fire, these are the under indexation grant and the National Insurance grant for which the authority received £4.45m in 2025/26.

Previously, central government funding was increased annually by September CPI for the following years settlement. Under the new multi-year settlement, a GDP deflator has been used to uplift funding in 2027/28 and 2028/29 rather than by an estimated CPI figure. The reason a GDP deflator is used for funding increases is that it is a broader measure of inflation which includes all new, domestically produced final goods and services in an economy. The GDP inflator tends to be lower than CPI.

The fair funding assessment has been provided for the next three years but the estimation of the amount to be received in business rates top up grant has only been provided for 2026/27.

The final settlement will be issued early February.

## Core Spending Power

- 5.5 The core spending power is a measure of the estimated resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the 2026/27 multi-year Local Government Finance Settlement. Core Spending Power includes funding available from the updated fair funding assessment, council tax, business rates retention and central government grant.

The core spending power for West Yorkshire has increased from £114.509m in 2025/26 to £120.642m in 2026/27, an increase of 5.36%. The core spending power increase comprises the fair funding assessment, an average tax base growth over five years and a precept increase of £5 for a Band D property.

After receiving the tax base confirmations from the district councils, the actual council tax requirement is £0.112m lower than that forecast in the core spending power projections. This results in an actual core spending power increase of 5.26%.

### **Fire Funding Formula**

- 5.6 As explained in sections 4.10 and 4.11 of the report, MHCLG has updated the formula to allocate funding across local government, the revised methodology was subject to consultation during the summer. It was agreed that fire funding would **not** be included in the revised methodology of distribution but would retain its own bespoke formula.

The amount allocated to the fire sector as a whole is based on control total weightings which sees 4.4% of local government funding allocated to standalone fire authorities, a reduction of 0.5% from that allocated in 2025/26.

- 5.7 The fire formula maintains the use of the seven top ups which have been included in the formula since 2013/14 which are: coastline, density, sparsity, deprivation, high risk, property and societal risk and community fire safety. Each top up is given its own weighting which is then used to generate the share of the funding allocated to each fire service based on their specific need. This is then multiplied by the population of each service and an area cost adjustment is applied which recognises the differences in providing the service in each area.

Although the methodology of the formula has not been amended, the data underpinning each top up has been updated using 2021 census data and updated population figures.

The government has committed to review the fire funding formula in 2026/27.

### **Business Rates Reset**

- 5.8 All business rates used to be paid directly from central government. In order to devolve responsibility locally, from 2013/14 local councils maintain 50% of business income, with the other 50% being redistributed by government via a business rates

pool. Fire authorities receive 1% of the business rates collected by the district councils.

- 5.9 For 2026/27, Business Rates Baselines (BRB) have been calculated for all local authorities as part of the business rates retention reset. In summary, BRB's were formed using the Valuation Office Agency (VOA) rating list to determine rateable values across each billing authority, national multipliers were then assigned to each property to give a gross rates payable position for each billing authority. Deductions are then made for accounting adjustments and deductibles to reach the BRB for each authority. Major preceptors are then apportioned 1% of this amount.
- 5.10 The settlement indicates the Authority will receive £30.405m in business rate income with £16.068m paid directly from central government in the form of top up grant and the balance of £11.209m being paid by the five district councils which equates to 1% of the income they collect. MHCLG have estimated that the Authority will receive an additional £2.844m from the share of business rates from the district councils in 2026/27 than that received in 2025/26. This increase will be as a result of the business rates reset, but caution must be taken as the actual income to be received maybe lower. The district councils must declare the amount of business rates to be paid by the 31<sup>st</sup> January when they submit their NNDR1 return to MHCLG.

### **Collection Fund**

- 5.11 The district councils collect West Yorkshire Fire's share of council tax on our behalf and manages this through a collection fund, if the collection rate is higher than expected this generates a collection fund surplus. Conversely, if the collection rate is set higher than actual receipts this will cause a collection fund deficit. The Authority has in previous years (excluding 2020/21) benefited from a collection fund surplus, which is used to support the revenue budget.
- 5.12 Returns from four district council are currently declaring a council tax deficit of £0.225m, these are currently estimates and this position may change once all returns have been received and confirmed.

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

### **Tax Base**

- 5.13 The tax base is the overall number of weighted equivalent Band D properties that each of the five local councils can collect council tax from, a change in the tax base is usually the result of:
- The building and completion of new housing
  - Changes in council tax banding due to adjustment and appeals.
  - Discounts, exemptions, and reliefs, for example, changes in the council tax support scheme



- Ending of the discount period on empty properties or their reoccupation.

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

- 5.14 The five district councils have declared an average tax base increase of 1.13% in 2026/27 which is in line with the forecast increase included in the 2026/27 Medium-Term Financial Plan. The lowest increase was Bradford at 0.5% and the highest been Leeds at 2.24%.

### **Referendum Principles**

- 5.15 The Draft Local Government Finance Settlement has set the basic referendum limit for Fire Authorities at £5 in 2026/27 and 2.99% for local authorities.

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

The referendum threshold for the Police and Crime Commissioners has been set at £15 (£14 in 2025/26).

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

### **Precept Income**

- 5.16 As Members are aware, the Authority is dependent upon precept income from the five districts which will provide £58.584m of its income in 2025/26, which equates to 50% of total funding. This income is dependent upon two factors, namely the size of the tax base and the precept set by the Authority.
- 5.17 A precept increase of £5, would generate an additional £4.264m in 2026/27 of precept income from that generated in 2025/26. A precept increase of 2.99% would generate £2.527m of additional precept income.
- 5.18 The table below shows the effect on the precept to a Band A to a Band D council taxpayer based on a £5 and a 2.99% precept increase:

**Precept Increase £5**

	Annual	Per month	Per Week	Increase from 25/26
Band A	£59.66	£4.97	£1.15	£3.34
Band B	£69.60	£5.80	£1.34	£3.89
Band C	£79.55	£6.63	£1.53	£4.44
Band D	£89.49	£7.46	£1.72	£5.00

**Precept Increase 2.99%**

	Annual	Per month	Per Week	Increase from 24/25
Band A	£54.58	£4.42	£1.02	£1.68
Band B	£63.67	£5.15	£1.19	£1.96
Band C	£72.77	£5.89	£1.36	£2.25
Band D	£81.87	£6.62	£1.53	£2.53

## 6. Positive Assurance Statement

- 6.1 Under Section 25 of the Local Government Act (2003) the statutory Chief Financial Officer is required to give positive assurance statements in the robustness of budget estimates and the adequacy of reserves and balances.
- 6.2 If Members approve the recommendations in this report on the level of specific reserves and the strategy for use of balances, I can give the Authority positive assurance on the adequacy of reserves and balances. This assurance is given having considered the following matters: -
- a) This Authority has robust risk management arrangements, and the Director of Finance and Procurement uses a Risk Management Matrix to calculate the minimum level of balances.
  - b) The Authority is single purpose and does not face a full a range of risks to manage as a multi-purpose authority.
  - c) The Authority's revenue reserves have not been consumed during the year by overspendings but have been maintained throughout the year.
- 6.3 I can also give you positive assurance on the accuracy and robustness of all the forecasts and estimates in the budget proposals.

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

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

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

## 7. Revenue Budget 2026/27

- 7.1 The table below shows the revenue budget and estimated funding for 2026/27 and shows the impact of a precept increase of £5 and an increase in precept of 2.99%. Based on estimated funding, if members decide to increase the precept by £5 or 2.99%, the Authority either deliver a balanced budget or require the use of reserves of £1.737m, respectively.

	£5	2.99%
<b>Revenue Budget</b>	<b>£m</b>	<b>£m</b>
Calculated Budget	121.000	121.000
Revenue Bids	1.463	1.463
Cost pressures	0.368	0.368
<b>Budget 2026/27</b>	<b>122.831</b>	<b>122.831</b>
<b>Funding</b>		
Revenue Support Grant	30.405	30.405
Business Rates - Top Up	16.068	16.068
Business Rates - Local Share	10.999	10.999
Collection Fund Deficit	-0.428	-0.428
Business Rates Deficit (net)	-0.038	-0.038
Pension Grant	2.977	2.977
Precept income	62.848	61.111
<b>Funding 2025/26</b>	<b>122.831</b>	<b>121.094</b>
<b>Budget Deficit</b>	<b>0.000</b>	<b>-1.737</b>

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

### Budget Calculations

- 7.2 The Authority had a balanced budget in 2025/26 meaning that expenditure was matched by income.

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

- 7.3 Permanent transfer of budgets to contingencies that were approved at Finance and Resources in July and October 2025 and increases to employee budgets approved at the Executive Committee in September 2025 have been incorporated into the base budget for 2026/27.
- 7.4 The budget is calculated ensuring that each area of expense, whether it be revenue or capital, meets one or more of the Authorities' CRMP priorities:
- a) Provide a safe, effective, and resilient response to local and national emergencies
  - b) Focus our activities on reducing risk and vulnerability.
  - c) Enhance the health, safety, and well-being of our people.
  - d) Prioritise a people first mindset through ethical and professional leadership and management.
  - e) Work with partners and communities to deliver our services.
  - f) Use resources in an innovative, sustainable, and efficient manner to maximise value for money.
  - g) Further develop a culture of excellence, equality, learning, and inclusion.
- 7.5 Budget holders are actively involved directly in the budget setting process and a system of capital and revenue bids are used to identify areas of growth and savings. This is a thorough process which commences in October and is finalised in January when the Executive Leadership Team meet at a special meeting called the Star Chamber and agree the budget to present to members for approval. Each capital and revenue bid are scrutinised by the Executive Leadership Team to ensure that it meets the service priorities.

The following savings totalling £1.772m were identified during the calculation of the 2026/27 budget:

- a) Reduction in the cost of electricity by £0.701m due a reduction in the unit cost of electricity
- b) Reduction in the annual charge for the emergency services radio network, Airwaves, by £0.503m following the Competition and Marketing Authority ruling that Motorola were over charging emergency services for the airwaves network.
- c) Reduction in green book employer pension contributions by £0.483m following a reduction in the pension rate by West Yorkshire Pension Fund from 18% to 14.4%
- d) Reduction in the annual insurance renewal by £0.085m

These reductions have been built into base budgets.

### **Recruitment and Retirements**

- 7.6 There are twenty-three confirmed retirements during the course of 2026/27, and a recruit course will commence in March with twenty recruits, other courses may be

planned during the year dependent upon the number of retirees. The authority also employs firefighters on temporary re-engagement contracts to ensure that the authority is operating on or above establishment. The operational employee budget is calculated using the workforce plan which underpins the Community Risk Management Plan (CRMP). The workforce plan manages the recruitment process so that employee strength is aligned to the establishment, which is currently 940 wholetime employees.

### **Capital Finance Reserve**

- 7.7 The Authority has included provision in the capital plan to undertake a major refurbishment of Huddersfield and a rebuild of Halifax fire stations within the next four years, and due to inflation, it is likely that these estimates will increase; the cost of both FSHQ and Keighley Fire Station rebuild increased by 40% from estimates. If the Authority does not use reserves for the replacement of long-life assets, it means that MRP charges will need to be applied to the rebuilds, which will be charged over the life of the asset (40 years).
- 7.8 It is thus important that the capital finance reserve is topped up, so that it can fund future station rebuilds. It is recommended that if there is surplus funding once the final settlement is determined it is transferred to the reserve in 2026/27.

### **Budget Growth, Savings and Cost Pressures 2026/27**

- 7.9 In addition to the budget adjustments approved at committee during 2025/26 there are a number of areas of growth, savings and cost pressures that have been identified as part of the budget planning process. Revenue bids totalling £1.462m were submitted which are explained below and are individually detailed in Appendix C.

#### **i. Employee Budgets**

- a) Transition to seven day working for the training centre at a cost of £0.221m in 2026/27 rising to £0.530m in a full year. Transitioning to a seven day model will enable more training to be carried out which will address capacity constraints and reduce backlogs. It will also facilitate greater flexibility in scheduling enabling the training centre to better align training with learner availability especially at weekends when operational demand is typically lower. This will require extensive planning and implementation so it is not expected that the financial costs will be borne until later in 2026.
- b) Extension of two trainee instructor secondments for the next two years at a cost of £0.119m, this allows the continuity of trained, experienced instructor capacity over the next planned recruits training courses.
- c) A bid totalling £0.044m has been submitted for two green book posts; £0.029m to employ an admin post in the Occupational Health Unit who will free up the time of clinical staff who currently undertake admin duties and £0.015m for an

increase from part time to full time hours for a post holder in the stores department.

## **ii. Non-Employee Budgets**

- d) There are two bids for employee training totalling £0.031m which are for Institute of Fire examinations and registration for the skills for justice qualifications centre in preparation for firefighter apprentice recruitment.
- e) There are three bids for employee wellbeing totalling £0.076m which are for an increase in clinical medical fees, a new reasonable adjustment budget, expansion of the wellbeing fund, OHU promotional materials and the purchase of hearing aids for the incident ground.
- f) A bid of £0.028m has been approved for the outsourcing of fire risk assessments, this is more cost effective than employing a dedicated fire risk assessment manager.
- g) There are a number of bids for service and maintenance contracts totalling £0.101m these are for; station end equipment, BA repairs, water rescue equipment, and electrical repairs.
- h) A bid totalling £0.050m has been approved for the preparation of the authority being an International Search and Rescue (ISAR) responder which is for a consultant to assist with the recruitment and for the purchase of PPE and equipment.
- i) There have been four bids submitted by the property department which are for an increase in the cost of rates for the HQ site following the redevelopment, redecorating on fire stations, tree surveys, increase in the admin fee for electric vehicle chargers and the cost of a feasibility study for the replacement of the Multi-Purpose Training Centre (MPTC). These amount to £0.320m.
- j) There are two bids from DDaT totalling £0.062m which are for the extension and further roll out of the use of CoPilot.
- k) There are a number of small bids for drone streaming and risk register subscriptions, increases in the window cleaning contract, purchase of equipment for the multipurpose training rig, purchase of a lightweight boat trailer, EV service charge increase, the purchase of additional ABEK filters and BA instructors communications equipment totalling £0.062m.
- l) A bid has been approved totalling £0.171m for the upgrading of all firefighter Microsoft 365 licences from F3 to E3 which will streamline operations, improve

accessibility, and support the digital transformation goals. In addition the bid includes added security to enhance the organisations cyber security posture.

m) A bid of £0.018m has been approved for the purchase of AI Call Handling Training Tool; the tool allows existing competent operators to hone their skills and take part in frequent exercising of complex call types, that perhaps aren't received on a frequent basis ensuring skills and knowledge are maintained and call takers are confident when those rare occurrences happen for real.

n) A bid of £0.020m has been approved to purchase a piece of software which will allow effective strategic workforce planning for stations with on-call firefighters. The system is used to quantify the impact of firefighter changes, in terms of skills, availability and personnel. It also supports decisions around recruitment and diversity.

o) Revenue costs associated with schemes in the capital plan amount to £0.140m have been approved which need to be included in the revenue budget, these costs are for licences, maintenance, and support.

Details of all the revenue bids are shown in Appendix C

### **iii. Cost Pressures**

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

p) The overtime and detached duty budget have historically overspent in the past few financial years, this is due to increase in sickness, attendance on training courses and staff vacancies. For prudence, a provision of £0.100m has been included to support the employee budgets if overtime and detached duties remains at a high level in 2026/27.

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

r) A provision of £0.168m has been included in employer pension contributions to fund the cost of those employees who have opted out of a pension scheme, re-joining. This provision assumes that 25% may decide to opt back in.

### **iv) Budget Calculation Assumptions**

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

- A precept increase of £5 for the next three years 2026/27 to 2028/29, a 2.99% increase thereafter.
- Tax base increases in 2026/27 of 1.13% and 1.0% increase each year thereafter.
- Pay increases for all staff groups of 5% in 2026/27, 4% in 2027/28 and 2% each year thereafter.
- General price inflation of 2.5% in 2026/27, and 2% each year thereafter
- Employees retire as per their budgeted projected retirement date and the Authority continues to recruit in order to maintain establishment at 940 whole time employees.
- The Authority will fully recover the costs associated with the Building Safety Regulator.

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

## 8. Medium Term Financial Planning (MTFP)

- 8.1 The MTFP sets out the framework for understanding the financial challenges faced by the Authority over the medium term. Although the MTFP is a four-year plan it is updated at least annually to consider financial forecasts and factors external to the organisation.
- 8.2 As mentioned in the introduction to the report, the Authority will be asked to approve a four-year MTFP, including the revenue budget for 2026/27. The MTFP will address the key issues of central government funding, precept strategy, cost pressures, and the use of balances. This will be discussed with political groups and presented to the Authority within the final budget report to the Authority in February.

### Financial Planning April 2026 Onwards

- 8.3 Although members will be asked to approve the budget for 2026/27, the longer-term impact on the MTFP also needs to be considered.

The table below shows the MTFP from 2027/28 to 2029/30, based on a precept increase of £5 over the spending review period to 2028/29, then 2.99% each year after. The table also includes the scenario of a 2.99% precept increase over the three year period, although the Authority has been given the flexibility to increase the precept over the three year spending review period, it cannot be assumed that members will approve this.

The MTFP has been prepared considering the assumptions outlined in 7.11.

It has been assumed that grants not rolled into the Fair Funding Assessment will continue to be paid.

Based on the information that is currently available, a £5 precept increase over the spending review period will allow the Authority to put some growth into the service and



commit to longer term projects that hasn't previously been able to do due to the restrictions of having one year settlements over the past 6 years.

The table below shows that from 2027/28 onwards there will be £0.564m, £1.381m and £2.168m available for growth over the next three years.

Conversely the table also includes the scenario of a 2.99% precept increase from 2027/28 which shows that the Authority would not be able to put growth into the service but would need to find efficiencies amounting to £1.084m in 2027/28, £1.891m in 2028/29 and £1.240m in 2029/30.

	2027/28	2028/29	2029/30
	£000's	£000's	£000's
Employees	103,024	106,244	108,337
Non Employee expenditure	17,695	18,029	18,369
Capital Financing Charges	7,814	8,187	9,026
Income	-2,979	-3,004	-3,016
<b>Revenue Budget</b>	<b>125,554</b>	<b>129,456</b>	<b>132,716</b>
<b>Cost Pressures</b>	797	1,400	1,505
<b>Revenue Growth</b>			
Revenue Bids	1,498	1,383	1,414
<b>Use of Reserves</b>			
<b>Net Budget Requirement</b>	<b>127,849</b>	<b>132,239</b>	<b>135,635</b>
<b>Funded by:</b>			
Council Tax Precept	67,023	71,275	74,214
Collection Fund Deficits	-165	-100	-50
Revenue Support Grant	30,885	31,212	31,836
Baseline Funding	27,902	28,465	29,035
Baseline Funding - Local Shortfall	-209	-209	-209
Pension Grant	2,977	2,977	2,977
<b>Total Funding</b>	<b>128,413</b>	<b>133,620</b>	<b>137,803</b>
<b>Growth Opportunity - £5 precept</b>	<b>564</b>	<b>1,381</b>	<b>2,168</b>
<b>Growth Opportunity - 2.99% precept</b>	<b>-1,084</b>	<b>-1,891</b>	<b>-1,240</b>

## **Funding Projections**

- 8.4 It has been assumed that there will be no changes to the three year settlement and that grants that are outside of the settlement will continue to be paid. There has been no guarantee that the Authority will continue to receive the annual grants to cover the costs falling out of Grenfell and the Building Safety Bill for which the Authority received £0.310m in 2025/26, if these grants were ceased the Authority would have to meet these costs from existing budgets or stop the work on these projects.
- 8.5 As mentioned in section 4.11 of the report, the government is committed to review the fire funding formula in the next financial year, although the formula has been updated to reflect latest census and population data the actual mechanism of the formula remains unchanged. Any changes to how the formula is calculated and funding is thus allocated could have a positive or negative effect on funding levels.
- 8.6 It has been assumed in the Medium Term Financial Plan that members will approve a £5 precept increase over the three year settlement period. This cannot be guaranteed so members should be aware of the consequences on the overall budget position if the maximum precept was not taken. This scenario is laid out in the table on page 30.
- 8.7 It has been assumed that the Authority will receive an estimated £2.977m of pension grant in 2026/27 and it will remain at the same level in future settlements. Because this is not built into the base budget, continuation at the same level cannot be guaranteed. Moreover, the April 2024 firefighters employers pension valuation will take effect from April 2027 which could result in an increase in employer pension contributions. In April 2024, the last valuation saw an increase of 8.8% in the employers pension contribution rate, unfortunately the grant paid by government did not meet the full cost of this increase, leaving a £0.685m annual shortfall. If we assume that employers pension contribution rates are increased by 4% from the 1<sup>st</sup> April 2027 and that funding will be at the same proportion to that currently received at 85%, this will leave a shortfall of approximately £0.280m per annum.
- 8.8 The effect on the cost of goods and services from inflation and ongoing supply issues due to the world economy may add further pressure to the revenue budget.
- 8.9 As detailed in section 4.17 of this report the Authority is facing a number of cost pressures particularly around pay which constitutes 77% of total expenditure. These are the pressures on pay awards, and the increase in fire fighter employer contributions from the actuarial valuation of pensions. A one percent increase in the pay award from that budgeted would increase ongoing employee costs by £0.693m per annum.
- 8.10 As Director of Finance and Procurement Officer and as Section 73 officer there is a statutory duty to present a balanced budget as the use of reserves cannot be sustained over the longer term.

- 8.11 An assessment against the Financial Resilience Index has been conducted to assess the financial risk facing the Authority. The Financial Resilience Index is a tool developed by CIPFA which is made up of a set of indicators which take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance.
- 8.12 There is a mandatory requirement for a Local Authority to undertake an assessment of their financial resilience, however this is not compulsory for Fire and Rescue Authorities. CIPFA have devised a model to facilitate the financial resilience. An assessment of the Authority's financial reliance was undertaken prior to the setting of the 2026/27 budget which included an assessment against the three indicators in the CIPFA model.
- 8.13 These indicators are usable reserve levels, social care ratio, and gross external debt. Based on these indicators, the Director of Finance and Procurement has assessed that the Authority has strong financial resilience, in that, usable reserves amount to 20% of the 2026/27 annual revenue budget, there is no social care requirement, and the Authority has a low level of debt.

## **9. Reserves**

- 9.1 Finance and Resources Committee approved the Reserves Strategy in October 2025.

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

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

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

Reserve Description	Origin	Opening Balance 01/04/2025	Planned Use 2025/26	Planned Use 2026/27	Planned Use 2027/28	Planned Use 2028/29	Planned Use 2029/30	Closing Balance 31/03/2030
<b>General Fund</b>		-£5,700,000						-£5,700,000
Transparency	Government Grant	-£84,569						-£84,569
Regional Control Funding	Government Grant	£0						£0
Enhanced Logistical Support	Government Grant	-£187,333			£187,333			£0
Decontamination of Body Bags	Government Grant	-£40,000						-£40,000
Council Tax Reform	Government Grant	-£27,000						-£27,000
Business Rate Appeals	Internal & Grant	-£1,301,160						-£1,301,160
Pension Admin Remedy	Government Grant	-£134,413	£30,000	£40,000	£40,000	£24,413		£0
Serious Violence Duty	Government Grant	-£4,592	£4,592					£0
Insurance Claims	Internal	-£395,000		£50,000		£50,000		-£295,000
Service Support Reserve	Internal	-£627,567	£150,000	£150,000	£150,000	£150,000	£27,567	£0
Pension Ill Health Reserve	Internal	-£3,140,969	£150,000	£200,000	£200,000	£200,000	£200,000	-£2,190,969
Provision for pay and prices	Internal	-£1,069,075						-£1,069,075
Industrial Action	Internal	-£610,302		£500,000				-£110,302
Recruitment Reserve	Internal	-£1,456,596	£188,000	£100,000	£100,000	£100,000	£100,000	-£868,596
Capital Financing Reserve	Internal	-£13,058,030	£200,000	£7,000,000	£3,187,333	£2,670,697		£0
ESMCP	Internal	-£537,560		£300,000	£237,560			£0
Medium Term Funding Impact	Internal	-£2,000,000		£0	£1,500,000	£500,000		£0
<b>Total Earmarked</b>		<b>-£24,674,167</b>	<b>£722,592</b>	<b>£8,340,000</b>	<b>£5,602,226</b>	<b>£3,695,110</b>	<b>£327,567</b>	<b>-£5,986,672</b>
<b>TOTAL USABLE RESERVES</b>		<b>-£30,374,167</b>	<b>£722,592</b>	<b>£8,340,000</b>	<b>£5,602,226</b>	<b>£3,695,110</b>	<b>£327,567</b>	<b>-£11,686,672</b>

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

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

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

- It is recommended that one off cost associated with the continued implementation of the one view system and the data and digital strategy are met from the Service Support Reserve. It is expected that these projects will generate ongoing revenue benefits over the longer term even though they will need initial investment in the first instance.
- The pension ill health reserve may be called upon from 2026/27 to fund any increase in cost resulting from the increase in firefighter pension contributions that will not be met by government grant. Although it has been confirmed that the Authority will receive the £2.977m pension grant in 2026/27, this is a one-off grant and could be subject to reductions in future years. In addition, the financial impact of the Matthews exercise on employer pension contributions which is for on-call employees will be included in the firefighters' 2024 pension actuarial valuation. This could once again lead to an increase in employers pension contributions from April 2027, as detailed in section 8.7 of this report.
- The pay and prices reserve may be called upon to fund any inflationary increases in contracts that are not included in base budgets or pay awards that are over and above budget provision. To put this into financial context, for each additional 1% pay award costs £0.693m per annum.

The Fire Brigades Union have yet to submit a pay claim for 2026/27, If this is higher than the national employers can afford, it could lead to industrial action. For prudence, it is recommended that the industrial action reserve is maintained at its current level.

Unison have submitted a pay claim which is higher than the 5% provision included in the revenue budget.

- d) As detailed in paragraph 7.7, the Authority will be using the recruitment reserve in 2026/27 to fund the cost of being over establishment as of the 1<sup>st</sup> of April. It is intended that the Authority will recruit in advance to prevent going under establishment during the year. The reserve will be used to support this.
- e) The capital finance reserve will be used to fund the major refurbishment of Huddersfield Fire Station. Any underspends on the revenue budget will be moved to this reserve. If rebuilds are paid from reserves, it will mean that capital financing charges in the form of statutory Minimum Revenue Provision is not charged to capital investment resulting in revenue savings over many years. This is because Minimum Revenue Provision is chargeable to revenue over the life of the asset, in the case of a new fire station, which is 40 years. It is proposed that the capital finance reserve is maintained and “topped up,” it is intended this reserve will be used to fund station rebuilds that are in the capital plan.

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

- f) The Emergency Services Network (ESN) reserve may be called upon to fund the replacement of control room servers if the funding from the Home Office is less than the cost. The project has restarted with an implementation date of early 2029, work will commence on the project in April 2026 and will require resources from the service to implement the system. Although it is expected that implementation costs will be reimbursed by government, they will be paid in arrears, resulting in the authority having to fund the costs up front.
- g) If there is a cut in one off grants or the income from local business rates is not at the same level as expected, the Authority will need to call upon its reserves in order to achieve a balanced budget. This will be met from the Medium-Term Funding Impact reserve. In addition, it has been assumed that the Fire Authority will approve a £5 precept increase over the Spending Review period, if members choose to set a 2.99% precept increase, this will result in a loss of £1.7m of precept income which will not be built into base funding.

## **10. Financial Implications**

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

## **11. Legal Implications**

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

## **12. Human Resource and Diversity Implications**

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

## **13. Equality Impact Assessment**

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

## **14. Health, Safety and Wellbeing Implications**

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

## **15. Environmental Implications**

15.1 There are no environmental implications within this report.

## **16. Risk Management Implications**

16.1 There are no risk management implications associated with this report.

## **17. Duty to Collaborate Implications (Police and Crime Act 2017)**

17.1 There are no duty to collaborate implications associated with this report.

## **18. Your Fire and Rescue Service Priorities**

18.1 This report links with the Community Risk Management Plan 2025-28 strategic priorities below:

Use resources in an innovative, sustainable, and efficient manner to maximise value for money.

## 19. Conclusions

- 19.1 This report provides members with the proposed draft revenue and capital budgets for 2026/27 to 2030/31 and a MTFP to 2029/30. This will be brought to Full Authority Committee on the 27th of February for approval.





# Appendix A

Capital Bids 2026/27											
Directorate	Department	Scheme Name	Total	2026/27	2027/28	2028/29	2029/30	2030/31			
Service Support	Property	2026/27 Boiler Upgrades	400,000	400,000	-	-	-	-			
Service Support	Property	2026/27 EV Charging Points	300,000	300,000	-	-	-	-			
Service Support	Property	2026/27 Appliance Bay Doors	400,000	400,000	-	-	-	-			
Service Support	Property	2026/27 Fairweather Green Refurbishment	600,000	600,000	-	-	-	-			
Service Support	Property	2026/27 Leads Refurbishment	750,000	750,000	-	-	-	-			
Service Support	Property	2026/2027 BEMS Upgrades	100,000	100,000	-	-	-	-			
Service Support	Property	2026/27 - Wakefield Fuel Tank	30,000	30,000	-	-	-	-			
Service Support	Property	2026/2027 - Solar Installations	250,000	250,000	-	-	-	-			
Service Support	Property	2026/27 Fire Door and Fire Compartmentation Upgrades	325,000	225,000	100,000	-	-	-			
Service Support	Property	2026/27 Hunslet Refurbishment	500,000	500,000	-	-	-	-			
Service Support	Property	2026/27 Morley Fire Station Welfare Upgrades	350,000	350,000	-	-	-	-			
Service Support	Property	2026/27 Transport Workshop Floor Replacement	90,000	90,000	-	-	-	-			
Service Support	Property	2026/27 Property Capital Plan	51,550,000	4,950,000	14,400,000	13,800,000	12,700,000	5,700,000			
Service Support	Property	2026/27 LED Lighting Upgrades	300,000	300,000	-	-	-	-			
Service Support	Training Centre	2026/27 Competency System Integration	11,841	11,841	-	-	-	-			
Service Support	Training Centre	2026/27 BA Dräger Set Washer and Installation	48,000	48,000	-	-	-	-			
Service Support	DDaT	2026/27 MDT Hardware Refresh	140,000	140,000	-	-	-	-			
Service Support	DDaT	2026/27 Community Room AV	125,000	125,000	-	-	-	-			
Service Support	DDaT	2026/27 GPS repeaters on station	80,000	80,000	-	-	-	-			
Service Support	DDaT	2026/27 VoIP Server refresh	200,000	200,000	-	-	-	-			
Service Support	DDaT	2026/27 Multimedia storage	170,000	170,000	-	-	-	-			
Service Support	DDaT	2026/27 MDT Use Expansion	215,000	215,000	-	-	-	-			
Service Support	DDaT	2026/27 PC rolling refresh	1,176,000	218,000	227,000	236,000	245,000	250,000			
Service Support	DDaT	2027/28 Enterprise Storage Refresh	180,000	-	180,000	-	-	-			
Service Support	DDaT	2027/28 Network Switch refresh	650,000	-	650,000	-	-	-			
Service Support	DDaT	2027/28 Station UPS Refresh	280,000	-	280,000	-	-	-			
Service Support	DDaT	2027/28 Prevention Tablet Refresh	40,000	-	40,000	-	-	-			
Service Support	DDaT	2027/28 ITSM Tool (ESM) Replacement	40,000	-	40,000	-	-	-			
Service Support	DDaT	2026/27 HQ Data Centre Improvements	25,000	25,000	-	-	-	-			
Service Support	DDaT	2026/27 apprenticeships and training laptops	15,960	12,160	3,800	-	-	-			
Service Support	DDaT	2025/26 People Digital Programme	171,034	66,540	69,201	35,293	-	-			
Service Support	Transport	2026/27 Logistics Support Tail-lift Vans	170,000	170,000	-	-	-	-			
Service Support	Transport	2026/27 Command Unit	666,250	150,000	516,250	-	-	-			
Service Support	Transport	2026/27 Flood Response Vehicles	205,000	205,000	-	-	-	-			
Service Support	Transport	2026/27 Welfare Trailers	143,500	143,500	-	-	-	-			
Service Support	Transport	2026/27 Ladder Replacements	161,000	41,000	30,000	30,000	30,000	30,000			
Service Support	Transport	2026/27 Transport Vehicle Column Lifts	92,250	30,750	30,750	30,750	-	-			
Service Support	Transport	2026/27 Vehicle mounted tyre inflation system	45,000	45,000	-	-	-	-			
Service Support	Transport	2026/27 Spare Appliance Ladder Gantry	30,750	30,750	-	-	-	-			
Service Support	Logistics	2026/27 Station Washing Machines	50,000	50,000	-	-	-	-			
Service Delivery	Operations Equipment	2026/27 Replacement of Gas Tight Suits	65,550	11,500	13,800	26,450	-	13,800			
Service Delivery	Operations Equipment	2026/27 Hose & Hosereels	350,000	70,000	70,000	70,000	70,000	70,000			
Service Delivery	Operations Equipment	2026/27 Hydrants	2,100,000	400,000	450,000	400,000	450,000	400,000			
Service Delivery	Operations Equipment	2026/27 Face Fit Testing Machine	15,000	15,000	-	-	-	-			
Service Delivery	Operations Equipment	2026/27 RADOS Kit	350,000	350,000	-	-	-	-			
Service Delivery	Operations Equipment	2026/27 USAR PPE	25,000	25,000	-	-	-	-			
Service Delivery	Operations Equipment	2026/27 Water Rescue Equipment	75,000	15,000	15,000	15,000	15,000	15,000			
Service Delivery	Operations Equipment	2026/27 Branches	100,000	20,000	20,000	20,000	20,000	20,000			
Service Delivery	Operations Equipment	2026/27 PPE Station Storage	100,000	100,000	-	-	-	-			
Service Delivery	Operations Equipment	2026/27 High Pressure Airmats	150,000	150,000	-	-	-	-			
Service Delivery	Fire Prevention	2026/27 Branded Pop-Up Tents	53,068	26,534	26,534	-	-	-			
Service Delivery	Fire Protection	Smoke Alarms	2,000,000	400,000	400,000	400,000	400,000	400,000			
Service Delivery	Operations Equipment	2023/24 BA Ancillary Equipment	275,000	-	275,000	-	-	-			
Service Delivery	Operations Equipment	2023/24 BA Charging Sets	837,000	-	837,000	-	-	-			
People and Culture	Occupational Health and Safety Unit	2026/2027 Development of OPAS G2 Occupational Health Database (Civica)	20,000	20,000	-	-	-	-			
Finance and Procurement	Finance	Vehicle Leases	4,000,000	800,000	800,000	800,000	800,000	800,000			
Total Capital Bids			71,592,203	13,825,575	19,474,335	15,863,493	14,730,000	7,698,800			



## Appendix B

2025/26 £m	STANDSTILL REVENUE BUDGET	2026/27 £m
74.413	Firefighters	77.256
17.037	Support Staff	17.516
1.600	Pensions	1.600
2.517	Other Employees	2.464
6.589	Premises	5.863
2.208	Transport	2.286
7.525	Supplies and Services	7.733
0.381	Lead Authority Charges	0.420
7.367	Capital Financing	8.286
0.450	Contingency	0.450
120.086	GROSS EXPENDITURE	123.874
-2.890	Less Income	-2.966
117.196	NET EXPENDITURE	120.908



# Appendix C

## 2026/27 Revenue Bids

Bid No.	Bid Ref	Directorate	Department	Case Name	Existing or New	One-off/continuous	Report Ref	Total Funding	Funding 26/27	Funding 27/28	Funding 28/29	Funding 29/30	Funding 30/31
1	R2627_PC_01	People and Culture	OHSU	Hearing aids for the incident ground	New Budget Request	Continuous	e	15,000	3,000	3,000	3,000	3,000	3,000
2	R2627_PC_02	People and Culture	OHSU	Increase of clinical medial fees (AMA)	Existing Budget	Continuous	e	165,000	33,000	33,000	33,000	33,000	33,000
3	R2627_PC_03	People and Culture	OHSU	Wellbeing Fund Expansion	Existing Budget	Continuous	e	30,000	5,000	5,000	5,000	5,000	10,000
4	R2627_PC_04	People and Culture	OHSU	OHSW promotional materials	New Budget Request	Continuous	e	25,000	5,000	5,000	5,000	5,000	5,000
5	R2627_SS_05	Service Support	Property Services	Tree surveys	New Budget Request	Continuous	i	40,000	20,000	0	0	20,000	0
6	R2627_SS_06	Service Support	Property Services	Re-Decorating	New Budget Request	Continuous	i	100,000	20,000	20,000	20,000	20,000	20,000
7	R2627_SS_07	Service Support	Property Services	Electric Vehicle Chargers PPM Services	New Budget Request	Continuous	k	50,000	10,000	10,000	10,000	10,000	10,000
8	R2627_SS_08	Service Support	Property Services	Electrical general repairs	Existing Budget	Continuous	g	150,000	30,000	30,000	30,000	30,000	30,000
9	R2627_SS_09	Service Support	Property Services	Window Cleaning Contract	Existing Budget	Continuous	k	30,000	6,000	6,000	6,000	6,000	6,000
10	R2627_PC_10	People and Culture	Organisational Development	Skills For Justice Qualifications Centre	New Budget Request	Continuous	d	62,500	12,500	14,000	12,000	12,000	12,000
11	R2627_PC_11	People and Culture	Organisational Development	Institute of Fire Engineer Examinations	New Budget Request	Continuous	d	97,500	18,500	19,000	19,500	20,000	20,500
12	R2627_SS_12	Service Support	Training Centre	Technical Rescue Lightweight Boat Trailer	New Budget Request	One-off	k	3,175	3,175	0	0	0	0
13	R2627_SS_13	Service Support	Training Centre	Extension of Two Trainee Instructor Secondments	New Budget Request	Two Years	b	243,064	119,149	123,915	0	0	0
14	R2627_SS_14	Service Support	Training Centre	Multi-Purpose Training Rig (MPTR) – Furniture, Ventilation and CCTV Installation	Existing Budget	One-off	k	5,290	5,290	0	0	0	0
15	R2627_SS_15	Service Support	Training Centre	Overarching Training Bid Uplift	Existing Budget	One-off	-	0	0	0	0	0	0
16	R2627_SS_16	Service Support	Training Centre	Replacement of Breathing Apparatus (BA) Instruct	New Budget Request	One-off	k	9,295	9,295	0	0	0	0
17	R2627_PC_17	People and Culture	OHSU	Outsourcing of Fire Risk Assessments for Authority premises	New Budget Request	Continuous	f	137,500	27,500	27,500	27,500	27,500	27,500
18	R2627_SS_18	Service Support	DDaT	CoPilot Continuation	Existing Budget	Continuous	j	168,250	31,000	32,000	33,500	35,000	36,750
19	R2627_SS_19	Service Support	DDaT	CoPilot Use Expansion	Existing Budget	Continuous	j	164,100	30,600	31,500	32,500	34,000	35,500
20	R2627_SS_20	Service Support	DDaT	Risk Ledger	Existing Budget	Continuous	k	55,000	10,000	10,500	11,000	11,500	12,000
21	R2627_SD_21	Service Delivery	Control	HiSkills Artificial Intelligence Emergency Call Simu	New Budget Request	Continuous	m	91,650	18,330	18,330	18,330	18,330	18,330
22	R2627_SS_22	Service Support	DDaT	MS F3 to E3 Licence uplift	Existing Budget	Continuous	i	479,285	88,535	92,000	95,750	99,500	103,500
23	R2627_SS_23	Service Support	DDaT	MS E5 Security	Existing Budget	Continuous	i	449,350	83,000	86,300	89,750	93,300	97,000
24	R2627_SD_24	Service Delivery	Operations HQ	Increase of Revenue amount for Drager Repairs	Existing Budget	Continuous	g	100,000	20,000	20,000	20,000	20,000	20,000
25	R2627_SD_25	Service Delivery	Drone Team	Drone Streaming Subscriptions	Existing Budget	Continuous	k	40,000	8,000	8,000	8,000	8,000	8,000
26	R2627_SD_26	Service Delivery	NRDL	ISAR PPE & Equipment	New Budget Request	One-off	h	25,000	25,000	0	0	0	0
27	R2627_SD_27	Service Delivery	NRDL	ISAR Consultancy	New Budget Request	One-off	h	25,000	25,000	0	0	0	0
28	R2627_SS_28	Service Support	Property Services	MPTC Feasibility	New Budget Request	One-off	i	200,000	200,000	0	0	0	0
29	R2627_SD_29	Service Delivery	DDaT	Station End Equipment Service Contract	New Budget Request	Continuous	g	366,341	40,705	81,409	81,409	81,409	81,409
30	R2627_SD_30	Service Delivery	Operations Equipment	BEK Filters	Existing Budget	Continuous	k	40,000	10,000	10,000	10,000	10,000	0
31	R2627_SD_31	Service Delivery	Operations Equipment	Water Rescue Equipment Repairs	Existing Budget	Continuous	g	50,000	10,000	10,000	10,000	10,000	10,000
32	R2627_PC_32	People and Culture	Corporate Diversity	Reasonable Adjustment budget	New Budget Request	Continuous	e	150,000	30,000	30,000	30,000	30,000	30,000
33	R2627_SD_33	Service Delivery	Operations HQ	OARS (On-call Availability, Recruitment and Skills)	New Budget Request	Continuous	n	60,000	20,000	10,000	10,000	10,000	10,000
34	R2627_PC_34	People and Culture	OHSU	Admin Post for the Occupational Health Unit	New Budget Request	One-off	c	28,866	28,866	0	0	0	0
35	R2627_SS_35	Service Support	Property Services	Rates Increase	Existing Budget	Continuous	i	400,000	80,000	80,000	80,000	80,000	80,000
36	R2627_SS_36	Service Support	Training Centre	Training Centre – Transition to 7-Day Delivery	Existing Budget	Continuous	a	2,342,525	220,993	530,383	530,383	530,383	530,383
37	R2627_SS_37	Service Support	Stores	Increase postholder working week from 3 to 5 days	New Budget Request	Continuous	c	75,000	15,000	15,000	15,000	15,000	15,000

## Capital Bids with Revenue Implications

C.1	R2627_SS_C.1	Service Support	Property	Wakefield Fuel Tank	New Budget Request	Continuous	o	2,500	500	500	500	500	500
C.2	R2627_SS_C.2	Service Support	Property	Solar Installations	New Budget Request	Continuous	o	25,000	5,000	5,000	5,000	5,000	5,000
C.3	R2627_SS_C.3	Service Support	DDaT	GPS repeaters on station	New Budget Request	Continuous	o	20,000	4,000	4,000	4,000	4,000	4,000
C.4	R2627_SS_C.4	Service Support	DDaT	VoIP Server refresh	New Budget Request	Continuous	o	300,000	60,000	60,000	60,000	60,000	60,000
C.5	R2627_SS_C.5	Service Support	DDaT	Multimedia storage	New Budget Request	Continuous	o	35,000	7,000	7,000	7,000	7,000	7,000
C.6	R2627_SS_C.6	Service Support	DDaT	MDT Use Expansion	New Budget Request	Continuous	o	270,000	54,000	54,000	54,000	54,000	54,000
C.7	R2627_SS_C.7	Service Support	Transport	Logistics Support Tail-lift Vans	New Budget Request	Continuous	o	7,500	1,500	1,500	1,500	1,500	1,500
C.8	R2627_SS_C.8	Service Support	Transport	Command Unit	New Budget Request	Continuous	o	12,500	2,500	2,500	2,500	2,500	2,500
C.9	R2627_SS_C.9	Service Support	Transport	Flood Response Vehicles	New Budget Request	Continuous	o	7,500	1,500	1,500	1,500	1,500	1,500
C.10	R2627_SS_C.10	Service Support	Transport	Station Washing Machines	New Budget Request	One-off	o	2,000	2,000	-	-	-	-
C.11	R2627_SS_C.11	Service Support	Transport	Transport Vehicle Column Lifts	New Budget Request	Continuous	o	1,000	200	200	200	200	200
C.12	R2627_SS_C.12	Service Support	Transport	Spare Appliance Ladder Gantry	New Budget Request	One-off	o	1,500	1,500	-	-	-	-

1,462,138 1,498,037 1,382,822 1,414,122 1,401,072



Agenda item: 08

# Draft Treasury Management Strategy 2026/27

## Finance and Resources Committee

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**Date:** 30<sup>th</sup> January 2026

**Submitted by:** Director of Finance and Procurement

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**Purpose:** To present the Draft Treasury Management Strategy 2026/27

**Recommendations:** To recommend to the Full Authority the approval of the Treasury Management Strategy 2026/27 which includes:

- a) Treasury Management Practices
- b) The Capital Strategy outlined from 2.1
- c) The Borrowing Strategy outlined from 2.19
- d) The Investment Strategy outlined from 2.30 and Appendix B
- e) The policy for the provision of the repayment of debt outlined in Appendix D
- f) The Treasury Management Prudential Indicators in Appendix E
- g) The Capital Plan 2026/27 to 2030/31 in Appendix F

**Summary:** The Treasury Management Strategy Statement is an annual statement that sets out the expected treasury activities for the forthcoming year 2026/27. These activities include the Authority's expected borrowing and investments, cashflows and banking.

The Authority has adopted the CIPFA Code of Practice on Treasury Management and is thereby required to consider a Treasury Management Strategy before the start of the next financial year. In addition, the Department for Communities and Local Government (DCLG) issued guidance on Local Authority investments in March 2010 which requires the Authority to approve and investment strategy before the start of each financial year.

**Exemption Category:** None

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

**Annexes:** Appendix A - Treasury Management Practices  
Appendix B – Investment Strategy  
Appendix C – Credit Rating Scores  
Appendix D – Provision for the Repayment of Debt  
Appendix E – Treasury Management Indicators  
Appendix F – Capital Plan 2026/27 to 2030/31



# 1. Introduction

- 1.1 The Authority is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2 The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.
- 1.3 The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

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

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

- 1.4 The CIPFA Code of Practice on Treasury Management (TM) and the CIPFA Prudential Code require local authorities to determine and set the Authority's Treasury Management Strategy, its Strategy relating to investment activity, and Prudential Indicators on an annual basis. The Authority currently has cash backed reserves and balances of circa £43m, so it is important that robust and appropriate processes are in place to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund. Set out below are the key elements of the Strategy covering the borrowing requirements and investment arrangements.
- 1.5 The Authority's Investment Strategy has regard to the TM Code and the Guidance. It has two objectives: the first is security, in order to ensure that the capital sum is protected from loss, ensuring that the Authority's money is returned; and the second is portfolio liquidity, in order to ensure that cash is available when needed. Only when the proper levels of security and liquidity have been determined can the Authority then consider the yield that can be obtained within these parameters.
- 1.6 This Strategy has been created based on CIPFA Prudential and Treasury Management Codes, which requires the Authority to prepare a Capital Strategy. This

Authority does not envisage any commercial investments and has no non-treasury investments.

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

### **National Guidance and Governance**

- 1.8 This Strategy also complies with the CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes (“the TM Code”), and Guidance on Local Government Investments issued by the Secretary of State for Communities and Local Government under section 15(1)(a) of the Local Government Act 2003 (“the Guidance”). Specific decisions on the timing and amount of any borrowing will be made by the Authority’s Director of Finance and Procurement in line with the agreed Strategy.
- 1.9 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
  - an overview of how the associated risk is managed
  - the implications for future financial sustainability

The aim of the strategy is to ensure that all the Authority’s elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

### **1.10 Treasury Management Reporting**

The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
- the capital plans, (including prudential indicators)
  - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
  - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an Annual Investment Strategy, (the parameters on how investments are to be managed)
- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, the Finance and Resources Committee receive quarterly updates on

treasury management activity which are included in the Quarterly Financial Review Report.

- c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. This is presented to Finance and Resources Committee in July.

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

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

1.13 Treasury Management Strategy for 2026/27

The strategy for 2026/27 covers two main areas:

#### **Capital**

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

#### **Treasury management**

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, MHCLG Investment Guidance, MHCLG MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

#### **External Support**

- 1.14 The Authority uses MUFG Corporate Markets , previously known as Link Group as its external treasury management advisors. The Authority recognises that the responsibility for treasury management decisions remains with itself and will ensure that undue reliance is not placed upon the external advisor. The Authority appointed MUFG Corporate Markets in July 2021 when the responsibility for Treasury Management was transferred to the Authority from Kirklees Council, where it was previously provided as a Service Level Agreement.
- 1.15 The Director of Finance and Procurement, the Head of Finance and the Senior Finance Manager who manages treasury on a daily basis receive daily, weekly, and monthly reports on treasury management activity within the UK, Europe and Worldwide.

### **Training**

- 1.16 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. An annual training session is delivered by MUFG Corporate Markets in October which is attended by both members and officers. The training needs of treasury management officers is ongoing to ensure that knowledge is kept up to date.

## **2. Information**

### **Capital Strategy**

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

Fundamentally, the objective of the code is that the total of an Authority's capital investment remains within sustainable limits, following consideration of the impact on the bottom-line Council Tax.

- 2.2 Each financial year the Authority produces a rolling five-year capital programme, and owing to the nature of capital expenditure, a large number of schemes slip between financial years. The detailed capital plan and associated prudential indicators are included in the Budget Report.
- 2.3 The Capital Strategy comprises a number of distinct, but inter-related, elements as follows:

- **Capital Expenditure**

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

- **Capital Financing and Borrowing**

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

- **Director of Finance and Procurement statement**

This section contains the Director of Finance and Procurement views on the deliverability, affordability and risk associated with the capital strategy.

## **Capital Expenditure**

### Capitalisation Policy

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

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

2.5 Subsequent expenditure on existing assets is also classified as capital expenditure if these two criteria are met. There may be instances where expenditure does not meet this definition but would be treated as capital expenditure, including:

- Where the Authority has no direct future control or benefit from the resulting assets but would treat the expenditure as capital if it did control or benefit from the resulting assets. For example, where a grant is provided by the Authority to an external body in order that the body can purchase an asset for its own use. The provision of the grant would be treated as capital expenditure in the accounts of the Authority.
- Where statutory regulations require the Authority to capitalise expenditure that would not otherwise have expenditure implications according to accounting rules. For example, where the Government permits authorities, in special circumstances, to treat redundancy costs as capital costs therefore increasing flexibility as such costs can then be met using their existing borrowing powers or capital receipts.

2.6 The Authority operates a de-minimis limit for capital scheme expenditure of £10,000. This means that items below these limits are charged to revenue rather than capital. The capital schemes that tend to be charged to revenue are for the purchase of small items of operational equipment, for example, gas tight suits and water rescue equipment. Based on the 2026/27 capital plan, the annual financial impact in the revenue budget is a maximum of £10,000.

## 2.7 Leases

The adoption of International Financial Reporting Standard 16 has introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is low value. When such lease contracts and the related assets and liabilities are brought onto the balance sheet, a local authority will increase its long-term liabilities and as a result this will increase the debt liability. The cost of leases categorised under IFRS16 is included in the capital plan as a separate scheme and an associated capital financing charge is charged to the revenue account. The net effect on the Authority's cash position is unchanged following this change in the accounting standard.

### **Governance**

- 2.8 Capital expenditure is a necessary element in the development of the Authority's services since it generates investment in new and improved assets. Capital expenditure is managed through the five-year Capital Programme which is reviewed annually as part of the budget setting process and reviewed in year as part of financial monitoring arrangements.
- 2.9 The Authority's Financial Regulations and Contract Regulations provide a framework for the preparation and appraisal of schemes proposed for inclusion in the Capital Plan, these include appropriate authorisations for individual schemes to proceed and facilitate the overall management of the Capital Programme within defined resource parameters.
- 2.10 The Director of Finance and Procurement shall determine the format of the Capital Programme and the timing of reports relating to it. The approved Capital Programme will comprise a number of individual schemes each of which will be quantified on an annualised basis. Each directorate will submit capital bids to the finance department which are then collated and presented to the Executive Leadership Team Star Chamber for scrutiny and approval for inclusion on the proposed capital plan. The bids are then collated for submission to the Full Authority meeting in February.
- 2.11 The capital plan is monitored on a monthly basis with the provision of detailed budget monitoring reports to managers and is reported quarterly to the Finance and Resources Committee.
- 2.12 The Budget Management Monitoring Group meet bi-monthly where the capital plan is scrutinised, and managers are required to report on the progress of each capital scheme for which they are responsible. This is chaired by the Director of Finance and Procurement.

### **Capital Financing and Borrowing**

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

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

- **Capital grants and contributions** – amounts awarded to the Authority in return for past or future compliance with certain stipulations.
- **Capital receipts** – amounts generated from the sale of assets and from the repayment of capital loans, grants or other financial assistance.
- **Revenue contributions** – amounts set aside from the revenue budget and the earmarked capital financing reserve.
- **Borrowing** – amounts that the Authority does not need to fund immediately from cash resources but instead charges to the revenue budget over a number of years into the future.

#### **Director of Finance and Procurement Statement**

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

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

#### **Statement of Policy on the Minimum Revenue Provision (MRP)**

2.16 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of Capital Financing Requirement (CFR) from its calculation, unless by an exception set out in statute.

2.17 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008, which came into effect on 31 March 2008, replaced the former statutory rules for calculating MRP with a requirement for each local authority to determine a “prudent” provision. This ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The regulations require authorities to draw up a statement of their policy on the calculation of MRP which requires approval by Full Authority in advance of the year to which it applies.

The recommended policy statement is detailed at Appendix D.

### **Capital Financing Requirement**

2.18 The Capital Financing Requirement (CFR) represents the Authority’s underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority’s indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset’s life and so charges the economic consumption of capital assets as they are used.

An Authority can choose to borrow externally to fund its CFR. If it does this, it is likely that it would be investing externally an amount equivalent to its total reserves, balances and net creditors. Alternatively, an Authority can choose not to invest externally but instead use these balances to effectively borrow internally and minimise external borrowing. In between these two extremes, an Authority may have a mixture of external and internal investments/external and internal borrowing.

Forecasts for CFR as at the 31 March 2026 are as follows:



	<b>Estimate 2026/27 £000's</b>	<b>Estimate 2027/28 £000's</b>	<b>Estimate 2028/29 £000's</b>	<b>Estimate 2029/30 £000's</b>
CFR	71,861	83,126	91,045	99,908

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

	<b>Estimate 2026/27</b>	<b>Estimate 2027/28</b>	<b>Estimate 2028/29</b>	<b>Estimate 2029/30</b>
CFR b/fwd	70,935	71,861	83,126	91,045
Capital Expt	13,759	19,405	15,828	14,730
Capital Receipts	-1,500	-250	0	0
Earmarked Reserve	-7,000	-3,187	-2,858	-500
Revenue Contribution	-560	-560	-560	-560
MRP	-3,773	-4,143	-4,491	-4,807
<b>Closing CFR</b>	<b>71,861</b>	<b>83,126</b>	<b>91,045</b>	<b>99,908</b>

2.19 Prior to 2009/10 the Authority's policy had been to borrow up to its CFR and investing externally the majority of its balances. With the onset of instabilities in the financial markets and the economic downturn, the policy changed to one of ensuring the security of the Authority's balances. This coincided with dramatic falls in investment returns making the budgetary benefit of maximising external borrowing more marginal. Over the past few years, the Authority has chosen to finance its capital expenditure by 'borrowing' internally. This has principally been because of the relatively low rates of interest receivable on investments prior to the beginning of 2022, particularly when compared to the cost of borrowing longer term loans from the PWLB. Interest received on investments has continued to be at a high level over the past year with the average rate been at 4.61%. However, there has been a corresponding increase in PWLB borrowing rates, which is still at a higher rate than that earned on investments, thus making it more advantageous to borrow internally.

## **Borrowing Strategy**

### Borrowing Arrangements

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

external borrowing until Summer 2026, which is dependent on the delivery of the capital plan.

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

2.22 It is predicted that as at the 31 March 2026, the Authority will have total external borrowing and other long-term liabilities of around £40.15 million.

This is analysed as follows:

Estimated Debt 31 March 2026		
	£m	%
PWLB Loans	38.15	95.0%
LOBO	2.00	5.0%
<b>TOTAL</b>	<b>40.15</b>	<b>100%</b>

2.23 Historically, the biggest source of borrowing for local authorities has been PWLB loans. These Government loans have offered value for money and also flexibilities to restructure and make possible savings. Although, the Government decided to raise rates for new PWLB loans in October 2010 by around 0.90%, it has since introduced a discounted rate for local authorities joining the new "certainty rate" scheme. The Authority has joined the scheme and will have access to loans discounted by 0.20% in 2026/27.

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

2.25 The Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative source of local authority finance. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities

may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

- 2.26 In terms of meeting the Authority's borrowing requirement over the next five years, it is proposed to take out short term temporary borrowing until the long term PWLB rate reduces to previous levels which is forecast to be September 2027.

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

PWLB	Dec-25	Mar-26	Sep-26	Mar-27	Sep-27	Mar-28
	%	%	%	%	%	%
5 year	4.70%	4.50%	4.30%	4.30%	4.20%	4.20%
10 year	5.20%	5.00%	4.80%	4.80%	4.70%	4.70%
25 year	5.90%	5.70%	5.50%	5.50%	5.40%	5.30%
50 year	5.60%	5.40%	5.30%	5.30%	5.20%	5.10%

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

### **Borrowing in Advance of Need**

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

### **Debt Rescheduling**

- 2.29 When short term interest rates are considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of the debt repayment (premiums incurred). The reasons for rescheduling may include the generation of cash savings in annual interest payments or to amend the maturity profile of the portfolio. The premium charged by the PWLB generally makes restructuring debt for interest rate reasons unattractive. Consideration would be given to debt restructuring if there was a

significant change in the PWLB's policy. Any debt rescheduling will be reported to the Authority at the earliest opportunity following the rescheduling.

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

## **Investment Strategy**

### **Overview**

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

MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments, the Authority has no non-financial investments

- 2.32 The Authority's Investment Strategy has regard to:

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

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

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

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

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

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

2.36 As at the 31 March 2026, the Authority is expected to have around £15.0 million invested externally with local authorities, Money Market Funds (MMFs) or the Government’s Debt Management Account Deposit Facility (DMADF). This will also ensure compliance with The Markets in Financial Instruments Directive II, whereby those maintaining a professional status must keep a minimum of £10 million invested at any point in time.

### **Guidance**

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

- Specified investments are those offering high security and liquidity. All such investments should be in sterling with a maturity of no more than a year. Investments made with the Government’s Debt Management Account Deposit Facility (DMADF) and a local authority automatically count as specified investments.
- Non-specified investments are those with less high credit quality, may be for periods in excess of one year and as such have greater potential risk,

2.38 It is estimated that the Authority could have up to £43million to invest at times during the year which is a combination of cash received in advance, reserves and creditors.

### **Strategy**

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

Investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months).

2.40 Key features of the strategy are as follows:

### Specified Investments

- The Authority is able to invest up to £6 million on an instant access basis with foreign based banks with a “high to upper medium grade” credit rating.
- The Authority can invest up to £6 million in individual MMFs (instant access or two-day notice). MMFs are pooled investment vehicles, having the advantage of providing wide diversification of risk, coupled with the services of a professional fund manager.
- The Authority can invest in the Governments DMADF for up to 6 months.
- The Authority can invest in local authorities for up to 364 days.

### Non-Specified Investments

- The Authority is able to invest up to £1 million and up to two months with individual UK banks and building societies with a “medium grade” credit rating.
- The Authority adopts an overall limit for non-specified investments of £2 million.

2.41 A maximum limit of £6 million applies to any one counterparty and this applies to a banking group rather than each individual bank within a group.

For illustrative purposes, Appendix B lists which banks and building societies the Authority could invest with based on credit ratings as at the end of December 2025.

2.42 The Authority applies the creditworthiness service provided by the MUFG Corporate Markets. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. This is detailed in Appendix C. The lowest credit rating of an organisation will be used to determine credit quality. Long term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade.

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

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

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

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

2.46 Investments may be made using the following instruments:

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

2.47 Investment of money borrowed in advance of need.

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

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

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

### **Prudential Indicators**

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

## **3. Financial Implications**

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

## **4. Legal Implications**

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

## **5. People and Diversity Implications**

5.1 There are no People and Diversity implications associated with this report

## **6. Equality Impact Assessment**

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

## **7. Health, Safety and Wellbeing Implications**

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

## **8. Environmental Implications**

8.1 There are no environmental implications associated with this report

## **9. Risk Management Implications**

9.1 There are no risk management implications associated with this report

## **10. Duty to Collaborate Implications (Police and Crime Act 2017)**

10.1 There are no duty to collaborate implications associated with this report

## **11. Your Fire and Rescue Service Priorities**

11.1 This report links with the Community Risk Management Plan 2025-28 strategic priorities below:

- Use resources in an innovative, sustainable, and efficient manner to maximise value for money.

## **12. Conclusions**

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



### TREASURY MANAGEMENT PRACTICES

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

#### 1. **TMP 1 Risk management**

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

##### **Credit and counterparty risk management**

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

##### **Liquidity risk management**

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

##### **Interest rate risk management**

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

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the

level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

#### **Exchange rate risk management**

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

#### **Refinancing risk management**

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

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

#### **Legal and regulatory risk management**

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

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

#### **Fraud, error and corruption, and contingency management**

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

#### **Market risk management**

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

#### **Environmental, Social & Governance Considerations**

The Authority's credit and counterparty policies set out the policies and practices relating to environmental, social and governance investment considerations. The

credit rating agencies that the Authority uses, incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings.

## **2. TMP2 Performance measurement**

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

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

## **3 TMP3 Decision-making and analysis**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Director of Finance and Procurement will prepare, and the Authority will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included

in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with the TMPs. Budgeting procedures are set out in the capital strategy included in section 2.1 of this report. The Director of Finance and Procurement will exercise effective controls over this budget and will report any major variations.

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

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

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

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

**9. TMP9 Money laundering**

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

**10. TMP10 Training and qualifications**

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

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

11      **TMP11      Use of external service providers**

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

12.      **TMP12      Corporate governance**

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

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

## Appendix B

### Specified

	Short-term Credit Ratings / Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at December 2025
	Fitch	Moody's	S & P	£m	Period (1)	
Banks / Building Societies (Reverse Repurchase Agreements)	F1 AAA,AA+,AA,AA-,A+,A,A-	P-1 Aaa,Aa1,Aa2,Aa3,A1,A2,A3	A-1 AAA,AA+,AA,AA-,A+,A,A-	10	Up to 364 days	
Banks / Building Societies (Deposit Accounts, fixed term deposits)	F1 AAA,AA+,AA,AA-,A+,A,A-	P-1 Aaa,Aa1,Aa2,Aa3,A1,A2,A3	A-1 AAA,AA+,AA,AA-,A+,A,A-	6	<100 days	
MMF (4)	-	-	-	6	Instant access/ up to 2 day notice	Aberdeen Standard, Aviva, Goldman Sachs, Royal London Asset Manager
UK Government (Fixed Term Deposits)	-	-	-	Unlimited	<6mth	
UK local authorities (Fixed Term Deposits)	-	-	-	Unlimited	Up to 364 days	The Highland Council - Inverness, Central Bedfordshire Council, Ashford Borough Council

### Non-Specified (4)

	Short-term Credit Ratings / Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at December 2025
	Fitch	Moody's	S & P	£m	Period (1)	
	F1,F2	P-1,P-2	A-1,A-2			
UK Banks / Building Societies (Fixed Term deposits)	Higher than BBB	Higher than Baa2	Higher than BBB	6	<2mth	

## Investment Strategy

- (1) The investment period begins from the date on which funds are paid over.
- (2) These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency and means that they are exempt from bail-in. Where there is no investment specific credit rating but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- (3) Overall limit for investments in MMFs of £24 million.
- (4) Overall limit of £24 million.

**Credit ratings**

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



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

## Appendix D

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

#### 1.1 Background

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

#### 1.2 Prudent Provision

The regulation does not itself define “prudent provision”. However, guidance issued alongside the regulations makes recommendations on the interpretation of that term. The guidance provides two basic criteria for prudent provision: -

- Borrowing not supported by government grant (prudential borrowing) – the provision for repayment of debt should be linked to the life of the asset.
- Borrowing previously supported by revenue support grant (supported borrowing) – the provision should be in line with the period implicit within the grant determination (4% reducing balance).

#### 1.3 MRP Overpayments

As defined in the Code the Authority has always set aside additional funding, on top of the regulated MRP, to repay the borrowing of money to fund capital. This additional funding that is set aside is called a Voluntary Revenue Provision (VRP). A change introduced by the revised DLUHC, now MHCLG, MRP Guidance, allows for any charges made over the statutory minimum revenue provision (MRP), to be reclaimed, if required, for use in the budget. These revised guidelines came into effect from the 1<sup>st</sup> of April 2019. Up until the 31 March 2025 the total VRP overpayments were £7.4m. These overpayments have allowed for prudent voluntary repayments to reduce the indebtedness of the Authority within a shorter timescale providing greater financial stability in the long term.

#### 1.4 Proposed policy for 2026/27

The Authority has always been prudent when making provision for the repayment of debt. In addition to the minimum revenue provision of 4% of debt outstanding previously required, the Authority had regularly made additional voluntary contributions. These voluntary contributions have been calculated to reflect asset life. Thus, for example, debt used to finance vehicles, and many types of operational equipment has been fully provided for over a 10 to 15-year period and all new buildings over 40. These additional voluntary contributions covered all debt, not just unsupported, and up to 2025/26 were calculated using a sinking fund method with reference to asset lives.

Following the external audit of the 2023/24 financial accounts, the calculation of the

voluntary contribution is now calculated on a straight line method based on the asset life from 2026/27.

It is proposed that if any MRP/Interest budget becomes available due to for example, capital schemes being re phased, a reduction in the capital plan and/or additional capital receipts, the Authority may choose to make additional MRP payments providing the financial position remains in line with the approved financial plan. In addition, any revenue budget savings identified during the year may also be used to make one off MRP payments or be transferred to the earmarked capital finance reserve.

It is recommended that this policy is adopted for 2026/27. The features of the policy can be summarised as follows:

- Provision to be made over the estimated life of the asset for which borrowing is undertaken (maximum asset life of 40 years / 50 years for Land)
- To be applied to supported and unsupported borrowing
- Provision be calculated on a straight line method based on asset life.
- Provision will commence in the financial year following the one in which the expenditure is incurred.

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

## Appendix E

### TREASURY MANAGEMENT INDICATORS

#### Gross Debt and the Capital Financing Requirement (CFR)

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

#### Interest Rate Exposures

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

It is recommended that the Authority sets an upper limit on its fixed interest rate exposures for 2026/27, 2027/28 and 2028/29 of 100% of net interest payments. It is further recommended that the Authoritysets an upper limit on its variable interest rate exposures for 2026/27, 2027/28 and 2028/29 of 40% of its net interest payments.

	Limit 2026/27	Forecast 2026/27
Interest at fixed rates as a percentage of net interest payments	60%-100%	100%
Interest at variable rates as a percentage of net interest payments	0% - 40%	0%

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

#### Maturity Structure of Borrowing

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

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.	Limit Set 2026/27	Forecast Actual 2026/27
Under 12 months	0% -20%	6.8%
12 months to 2 years	0% -20%	2.5%
2 years to 5 years	0% -60%	5.0%
5 years to 10 years	0% -80%	5.3%
More than 10 years	20% -100%	80.4%

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

### **Total principal sums invested for periods longer than 364 days.**

The Authority is not intending to invest sums for periods longer than 364 days.

### **Liability Benchmark**

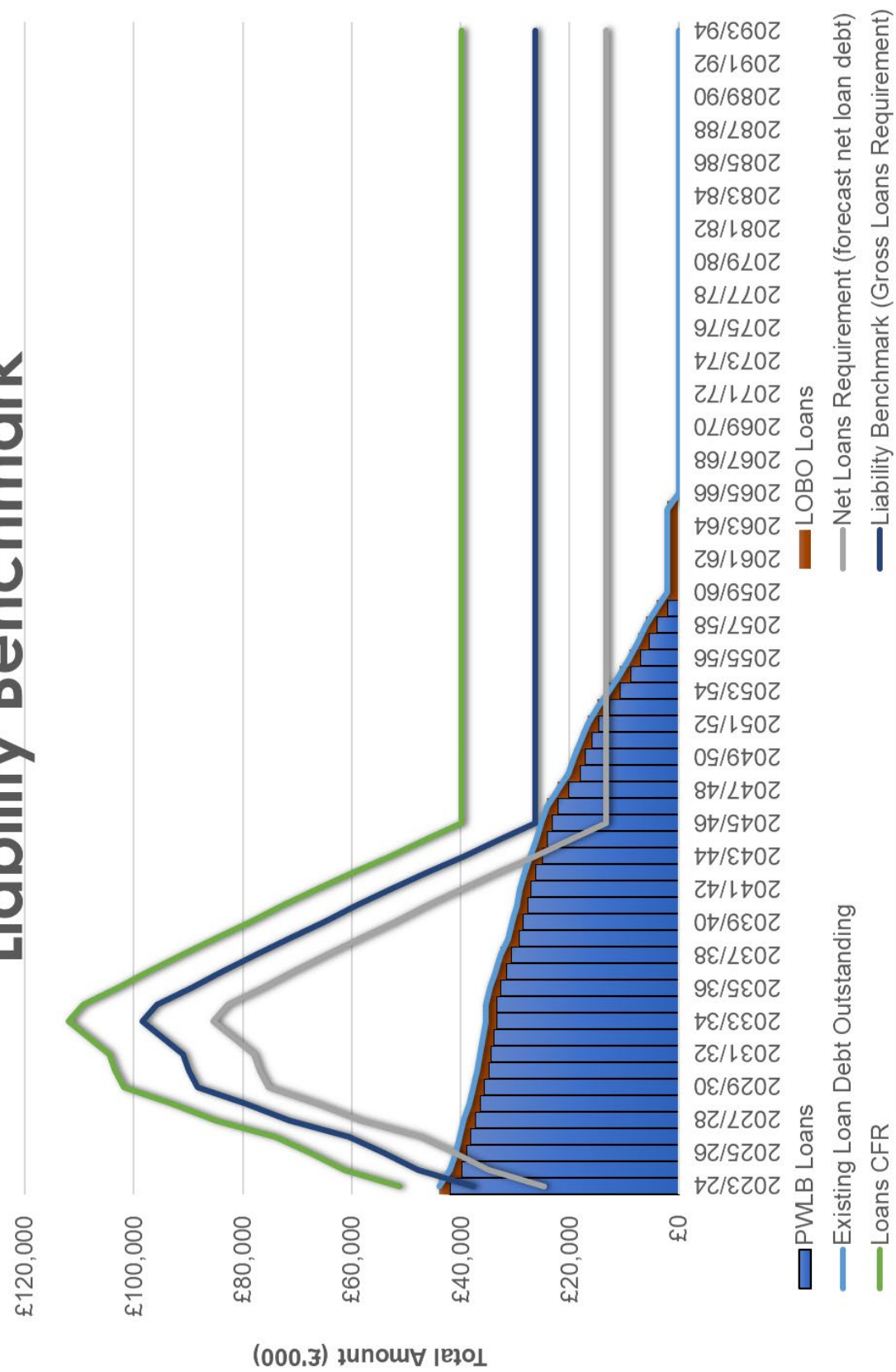
The liability benchmark is a projection of the amount of loan debt outstanding that the authority needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. It is a long-term forecast of the authority's gross loan debt (or 'gross loans requirement')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

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

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

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

# Liability Benchmark



## Appendix F

Department	Forecast Outturn 2025/26	Slippage to 2026/27	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Property	3,727,391	2,885,000	4,295,000	3,500,000	3,800,000	2,700,000	3,700,000	<b>20,880,000</b>
Property Rebuild		2,450,000	4,950,000	11,000,000	10,000,000	10,000,000	2,000,000	<b>40,400,000</b>
Digital Data and Technology (C	1,161,495		1,251,700	1,490,001	271,293	245,000	250,000	<b>3,507,994</b>
Transport	2,754,494	335,000	816,000	1,689,000	60,750	30,000	30,000	<b>2,960,750</b>
Logistics			50,000	0	0	0	0	<b>50,000</b>
Operational Equipment	1,412,206	1,907,000	1,156,500	568,800	531,450	555,000	518,800	<b>5,237,550</b>
Training Centre	59,247	70,000	59,841	0	0	0	0	<b>129,841</b>
Occupational Health and Safety	14,970		20,000	0	0	0	0	<b>20,000</b>
Finance	760,000		800,000	800,000	800,000	800,000	800,000	<b>4,000,000</b>
Fire Prevention	260,100		426,534	426,534	400,000	400,000	400,000	<b>2,053,068</b>
<b>Total</b>	<b>£10,149,902</b>	<b>£7,647,000</b>	<b>£13,825,575</b>	<b>£19,474,335</b>	<b>£15,863,493</b>	<b>£14,730,000</b>	<b>£7,698,800</b>	<b>£79,239,203</b>
<b>Financing</b>								
Borrowing	£9,389,902	£7,647,000	£4,765,575	£15,477,002	£12,445,463	£13,670,000	£6,638,800	<b>60,643,840</b>
Reserves	£200,000		£7,000,000	£3,187,333	£2,858,030	£500,000	£500,000	<b>14,045,363</b>
Capital Receipts			£1,500,000	£250,000				<b>1,750,000</b>
Revenue Contributions	£560,000		£560,000	£560,000	£560,000	£560,000	£560,000	<b>2,800,000</b>
	<b>£10,149,902</b>	<b>£7,647,000</b>	<b>£13,825,575</b>	<b>£19,474,335</b>	<b>£15,863,493</b>	<b>£14,730,000</b>	<b>£7,698,800</b>	<b>£79,239,203</b>





OFFICIAL

Agenda item: 09

# Treasury Management Mid-Year Review

## Finance and Resources Committee

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**Date:** 30<sup>th</sup> January 2026

**Submitted by:** Director of Finance and Procurement

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**Purpose:** To present a mid-year review of Treasury Management activity of the Authority in 2025/26

**Recommendations:** That members note the report

**Summary:** This report presents a review of Treasury Management activity as required by the CIPFA Code of Practice on Treasury Management which has been adopted by the Authority. The report examines all Treasury Management activity to ensure that it is in accordance with the Authority's Treasury Management Strategy. In addition, the report provides an overview and outlook of the UK economy and the impact that this may have on investments and borrowing for the Authority.

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Local Government (Access to information) Act 1972

**Exemption Category:** None

**Contact Officer:** Alison Wood, Director of Finance and Procurement,  
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07500 075362

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

**Annexes:** Appendix A – Investments on the 31st of December  
Appendix B – Prudential Indicators

**Making West Yorkshire Safer**  
[www.westyorksfire.gov.uk](http://www.westyorksfire.gov.uk)

## 1. Introduction

- 1.1 The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 1.2 The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, which is the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.
- 1.3 Accordingly, treasury management is defined as:

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

## 2. Information

- 2.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).
- 2.2 CIPFA is currently consulting local authorities in respect of potential changes to the codes of practice. At this time, the focus primarily is on the non-treasury investment aspects of local authority activity. The Director of Finance and Procurement Officer will provide an update on any material developments/changes in due course, although it is not expected that these changes will have an impact on the authority.

### Economic Update & Interest Rates

- 2.3 The Authority's treasury advisors MUFG Corporate Markets (formerly known as Link Treasury Services Limited) have provided officers with an economic update reflecting April to September 2025/26.

A summary of this can be seen below:

- a) A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth.

- b) The 3 month year on year rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.8% in July.
- c) CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.6%.
- d) The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August.
- e) The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70%.

## 2.4 More detail on the UK economy provided by MUFG is in the paragraphs below:

- a) From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q. Nonetheless, the 0.0% m/m change in real GDP in July will have caused some concern, with the hikes in taxes for businesses that took place in April this year undoubtedly playing a part in restraining growth.
- b) The composite Purchasing Manager Index (PMI) for the UK fell from 53.5 in August to 51.0 in September. The decline was mostly driven by a fall in the services PMI, which declined from 54.2 to 51.9. The manufacturing PMI output balance also fell, from 49.3 to 45.4. That was due to both weak overseas demand (the new exports orders balance fell for the fourth month in a row) and the cyber-attack-induced shutdown at Jaguar Land Rover since 1 September reducing car production across the automotive supply chain.
- c) Public net sector borrowing of £18.0bn in August means that after five months of the financial year, borrowing is already £11.4bn higher than the Office for Budget Responsibility (OBR) forecast at the Spring Statement in March. The overshoot in the Chancellor's chosen fiscal mandate of the current budget is even greater with a cumulative deficit of £15.3bn. All this was due to both current receipts in August being lower than the OBR forecast (by £1.8bn) and current expenditure being higher (by £1.0bn). Over the first five months of the financial year, current receipts have fallen short by a total of £6.1bn (partly due to lower-than-expected self-assessment income tax) and current expenditure has overshot by a total of £3.7bn (partly due to social benefits and departmental spending). Furthermore, what very much matters now is the OBR forecasts and their impact on the current budget in 2029/30, which is when the Chancellor's fiscal mandate bites.
- d) The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of

22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nine of the ten months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October Budget. The number of job vacancies in the three months to August stood at 728,000. Vacancies have now fallen by approximately 47% since its peak in April 2022. All this suggests the labour market continues to loosen, albeit at a declining pace.

- e) CPI inflation fell slightly from 3.5% in April to 3.4% in May, and services inflation dropped from 5.4% to 4.7%, whilst core inflation also softened from 3.8% to 3.5%. More recently, though, inflation pressures have resurfaced, although the recent upward march in CPI inflation did pause for breath in August, with CPI inflation staying at 3.8%. Core inflation eased once more too, from 3.8% to 3.6%, and services inflation dipped from 5.0% to 4.7%. So, we finish the half year in a similar position to where we started, although with food inflation rising to an 18-month high of 5.1% and households' expectations for inflation standing at a six year high, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.
- f) An ever-present issue throughout the past six months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended Q2 at 4.50%.
- g) More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data, and a hawkish Bank of England have kept yields elevated over 4.70%.

- 2.5 Although this report is a mid-year report, it is useful to provide current inflation and Bank of England interest rates. CPI inflation reduced to 3.2% in November, a small reduction from September but still remains higher than the Bank of England target of 2% which it does not anticipate achieving until early 2027. High inflation has financial implications for the Authority, particularly around future pay awards and the cost of goods and services.

In terms of interest rates, the Bank of England reduced the base rate to 4% in September. At its meeting ending on 18th December 2025, the Monetary Policy Committee (MPC) voted by a majority of 5–4 to reduce Bank Rate to 3.75%.

### Interest Rate Forecasts

- 2.6 The Authority has appointed MUFG Corporate Markets as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates.

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

MUFG Interest Rate View												
	Dec.25	Mar.26	Jun.26	Sep.26	Dec.26	Mar.27	Jun.27	Sep.27	Dec.27	Mar.28	Jun.28	Sep.28
Bank Rate	4.00%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%
3 Month ave. earnings	4.00%	4.00%	3.80%	3.80%	3.50%	3.50%	3.50%	3.50%	3.30%	3.30%	3.30%	3.30%
6 Month ave. earnings	4.00%	3.90%	3.70%	3.70%	3.50%	3.50%	3.50%	3.50%	3.30%	3.30%	3.40%	3.40%
12 Month ave. earnings	4.00%	3.90%	3.70%	3.70%	3.50%	3.50%	3.50%	3.50%	3.30%	3.40%	3.50%	3.60%
5 yr PWLB	4.70%	4.50%	4.40%	4.30%	4.30%	4.30%	4.20%	4.20%	4.20%	4.20%	4.10%	4.10%
10 yr PWLB	5.20%	5.00%	4.90%	4.80%	4.80%	4.80%	4.70%	4.70%	4.70%	4.70%	4.60%	4.60%
25 yr PWLB	5.90%	5.70%	5.70%	5.50%	5.50%	5.50%	5.40%	5.40%	5.30%	5.30%	5.30%	5.20%
50 yr PWLB	5.60%	5.40%	5.40%	5.30%	5.30%	5.30%	5.20%	5.20%	5.10%	5.10%	5.00%	5.00%

### Treasury Management Strategy Statement

- 2.7 The Treasury Management Strategy and the Annual Investment Strategy for 2025/26 were approved by Fire Authority in February 2025. There are no changes to either strategy; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The report covers the period 1st of April to the 31st December 2025.

### Investment Performance

- 2.8 The Authority's cash balances are invested with counterparties in the following order of priority: security, liquidity, and yield.
- 2.9 In the current economic climate it is considered appropriate to keep a significant proportion of investments short term. This will not only cover short term cash flow needs but will also seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions using the Link suggested creditworthiness matrices.

- 2.10 The Authority has invested an average balance of £26.2 million externally during the period, generating £0.999 million in investment income. The Authority is always 'cash rich' in the middle of the year due to the receipt of the pension grant at the end of July (£30.530 million) as a single annual payment.
- 2.11 Monies have been invested in line with the Treasury Management Strategy using deposit accounts, money market funds, and short-term deposits. Appendix A shows where investments were held at the start of April and as of the 31st of December 2025 by counterparty, by sector and by country.
- 2.12 The Authority's investment performance was monitored during the period, with the average lending rate of 4.61%, being above the weighted average 7-day London Interbank Offer rate of 4.21%.

### **Borrowing performance**

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

Long-term loans at the end of December 2025 totalled £40.2 million (£40.9 million at the 31 March 2024). Current forecasts indicate that there will not be a borrowing requirement for the remainder of the financial year.

- 2.14 Public Works Loan Board (PWLB) loans total £38.2 million of long-term loans, with the remaining £2.0 million of external debt financed via a Lenders Option Borrowers Option (LOBO) loan. The maturity profile for fixed rate long-term loans is shown in Appendix B and shows that no more than 5% of fixed rate debt is due to be repaid in any one year. This is good practice as it reduces the Authority's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.
- 2.15 PWLB rates have been fairly consistent from April 2025. The 25-year PWLB target rate for new long-term borrowing started in 2025/26 at 5.50% and has increased during the year to a current rate of 5.90% in December. Expected rates in the beginning of 2026 are at 5.70%.
- 2.16 The Authority receives a discount of 0.20% on the PWLB certainty borrowing rate in return for providing the government with the forecast capital expenditure plans for the Authority over the coming years.

### **Revenue Budget Monitoring**

- 2.17 The revenue budget contains a sum of £6.807 million for interest and provision for debt repayment for 2025/26.

If the capital financing charges budget experiences an underspend at the end of the financial year, this will be used to make either additional voluntary minimum revenue provision contributions and/or be transferred to the Capital Finance Reserve, both

have the effect of reducing the Authority's Capital Financing Requirement which in turn eases the financial burden of the capital plan on the ongoing revenue budget.

### **Prudential Indicators**

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

### **Risk and Compliance Issues**

- 2.20 There are no risk or compliance issues to report.
- 2.21 A new regulatory update (Markets in Financial Instruments Directive – MiFID) came into force from 3 January 2018. The Authority has formally registered its status as a 'professional client' for the purposes of investing with or borrowing from regulated financial services firms, such as money market funds. The Authority has plans in place in order to maintain the current investment opportunities.

## **3. Financial Implications**

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

## **4. Legal Implications**

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

## **5. People and Diversity Implications**

- 5.1 There are no People and Diversity implications associated with this report.

## **6. Equality Impact Assessment**

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

## **7. Health, Safety and Wellbeing Implications**

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

## **8. Environmental Implications**

8.1 There are no environmental implications associated with this report.

## **9. Risk Management Implications**

9.1 There are no risk management implications associated with this report.

## **10. Duty to Collaborate Implications (Police and Crime Act 2017)**

10.1 There are no duty to collaborate implications associated with this report.

## **11. Your Fire and Rescue Service Priorities**

11.1 This report links with the Community Risk Management Plan 2025-28 strategic

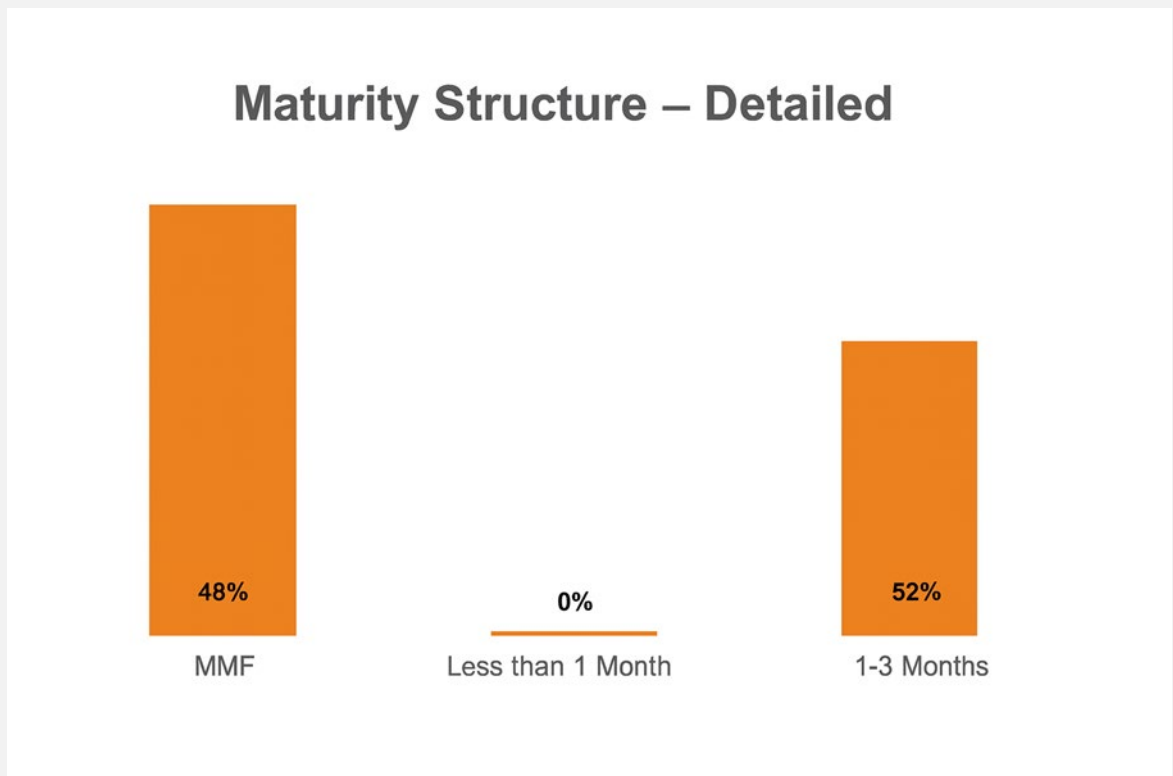
- Use resources in an innovative, sustainable, and efficient manner to maximise value for money.

## **12. Conclusions**

12.1 This report provides Members with an update on Treasury Management activity to the 31st of December 2025, which demonstrates that the Authority is operating within the Treasury Management Strategy and that activity complied with the approved prudential indicators.



SPECIFIED INVESTMENTS					01-Apr-25		15-Dec-25			
Counterparty	Classification	Approved Strategy Limit	Approved Strategy Credit Rating	Credit Rating December 2024	£m	Interest Rate	Maturity Structure	£m	Interest Rate	Maturity Structure
Surrey County Council	LA	Unlimited	-	-	5,000	6.00	Less than 30 days			
Dorset Police	LA	Unlimited	-	-	5,000	7.00	Less than 30 days			
The Highland Council - Inverness	LA	Unlimited	-	-				5,000	4.15	Up to 3 months
Central Bedfordshire Council	LA	Unlimited	-	-				5,000	4.15	Up to 2 months
Ashtford Borough Council	LA	Unlimited	-	-				5,000	4.15	Up to 2 months
Aberdeen Standard	MMF**	6,000	-	AA+mmf	3,937	4.50	MMF	4,993	4.02	MMF
Aviva	MMF**	6,000	-	AA+mmf	1,299	4.52	MMF	4,745	4.04	MMF
Goldman Sachs	MMF**	6,000	-	AA+mmf	4,728	4.41	MMF	0,799	3.93	MMF
Royal London	MMF**	6,000	-	AA+mmf	3,415	4.49	MMF	3,437	3.99	MMF
TOTAL					23,379			28,973		
SECTOR ANALYSIS					01-Apr-25		15-Dec-25			
					£m	Counterparty Structure	Maturity Structure	£m	Counterparty Structure	Maturity Structure
Local Authorities / Central Government					10,000	43%	Less than 30 days	15,000	52%	Up to 3 months
MMF					13,379	57%	MMF	13,973	48%	MMF
TOTAL					23,379	100%		28,973	100%	
COUNTRY ANALYSIS					01-Apr-25		15-Dec-25			
					£m	Counterparty Structure	Maturity Structure	£m	Counterparty Structure	Maturity Structure
UK					10,000	43%	Less Than 30 days	15,000	52%	Up to 3 months
MMF					13,379	57%	MMF	13,973	48%	MMF
TOTAL					23,379	100%		28,973	100%	



## Prudential Indicators Actuals 2025/26

### Capital Expenditure, Capital Financing Requirement and External Debt

The table below draws together the main elements of the capital plan, highlighting borrowing and other financial arrangements. The table below shows the capital financing requirement which is the Authority's underlying indebtedness for a capital purpose compared with the expected borrowing position.

	Estimate 2025/26 £000's	Forecast Actual 2025/26 £000's	Estimate 2026/27 £000's	Estimate 2027/28 £000's	Estimate 2028/29 £000's
CFR b/fwd	64,515	64,515	64,390	70,336	78,125
Capital Expt	10,438	10,438	12,700	12,934	12,439
Capital Receipts	-985	-985	-2,000	0	0
Earmarked Reserve	-5,529	-5,529	-500	-500	-500
Revenue Contribution	-560	-560	-560	-560	-560
MRP	-3,489	-3,489	-3,694	-4,085	-4,536
<b>Closing CFR</b>	<b>64,390</b>	<b>64,390</b>	<b>70,336</b>	<b>78,125</b>	<b>84,968</b>

	Estimate 2025/26 £000's	Forecast Actual 2025/26 £000's	Estimate 2026/27 £000's	Estimate 2027/28 £000's	Estimate 2028/29 £000's
CFR	64,390	64,390	70,336	78,125	84,968

### Limits to Borrowing Activity

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

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

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

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

### External Debt

The Authority is forecasting the levels of outstanding debt on the 31<sup>st</sup> of March 2025

Total debt as at 31 March 2025			Estimated debt as at 31 March 2026		
	£m	%		£m	%
PWLB Fixed Loans	38.9	95.1%	PWLB Fixed Loans	38.2	95.0%
LOBO	2.0	4.9%	LOBO	2.0	5.0%
<b>TOTAL</b>	<b>40.9</b>	<b>100.0%</b>	<b>TOTAL</b>	<b>40.2</b>	<b>100.0%</b>

### Affordability Prudential Indicators

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

#### Ratio of financing costs to net revenue stream.

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

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

## Treasury Management Prudential Indicators

### Interest Rate Exposures

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

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

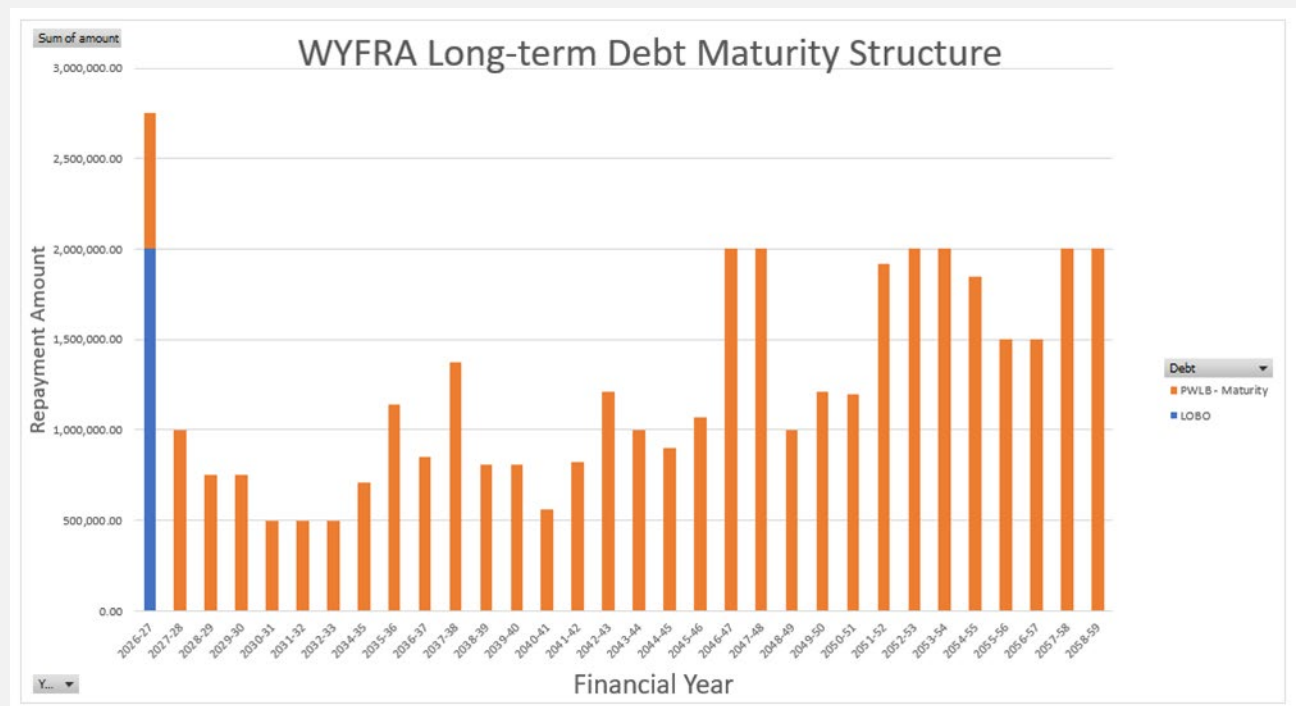
## Maturity Structure of Borrowing

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

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.	Limit Set 2025/26	Forecast Actual 2025/26
Under 12 months	0% -20%	6.8%
12 months to 2 years	0% -20%	2.5%
2 years to 5 years	0% -60%	5.0%
5 years to 10 years	0% -80%	7.1%
More than 10 years	20% -100%	78.6%

## Maturity Profile for Long Term Loans

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



**Total principal sums invested for periods longer than 365 days.**

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