West Yorkshire Fire and Rescue Service

Medium Term Financial Strategy

2024/25 to 2027/28

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Purpose and Priorities

1.1 The Medium-Term Financial Strategy (MTFS) sets out how the Authority intends to respond to:

1.1.1 the forecasted size of the financial challenge it faces in the medium term covering the period from 2024/25 to 2027/28.

1.1.2 the constraints of the national economic and local financial landscapes.

1.1.3 the risks to financial resilience.

1.1.4 the need to balance available resources with the costs of service requirements.

1.1.5 The key outcomes that shape the financial planning of the Authority are linked to our strategic priorities:

1.1.6 Plan and deploy our resources against risk to provide an efficient and effective operational response.

1.1.7 Improve the safety and effectiveness of our firefighters.

1.1.8 Promote the health, safety, and well-being of all our staff in the workplace.

1.1.9 Encourage a learning environment in which we support, develop, and enable all our people to be at their best.

1.1.10 Focus our prevention and protection activities on reducing risk and vulnerability.

1.1.11 Provide ethical governance and value for money.

1.1.12 Collaborate with partners to improve efficiency and effectiveness of our services.

1.1.13 Work in a sustainable and environmentally friendly way.

1.1.14 Achieve a more inclusive workforce, which reflects the diverse communities we serve.

1.1.15 Continuously improve using digital and data platforms to innovate and work smarter.

2 Objectives of the Medium-Term Financial Strategy

2.1 Manage the Authority’s revenue budget cost base in line with the available overall resources which also includes the revenue impact of its Capital Programme and considers the impact of its Treasury Management Strategy

2.2 Monitor income levels and increase them where possible, including managing changes from the Council Tax and Business Rates tax bases notified from the Authority’s constituent Local Authorities and to implement increases to its Council Tax precept level which it can influence directly but only to the extent allowed by government regulation.

2.3 Prudent use of reserves and balances as appropriate to smooth the transition to a lower cost base.

2.4 To provide temporary funding if required until CRMP actions are implemented or alternatively to reinvest in service priorities where resources permit.

2.5 To address unforeseen challenges, and ensure that longer term budget liabilities and risks are adequately considered and provided for; and

2.6 Seek to influence where possible and benefit from public sector reforms as these develop.

3 Medium Term Financial Forecast

3.1 The medium-term financial forecast is formally reported to members at the February Authority meeting as part of the Revenue Budget setting exercise each year. This forecast currently assumes no changes to the Authority's structure and uses previous budget plans as a basis for the forecasts produced. Forecast income is based on the best data available from both internal and government sources.

3.2 The Authority has a robust Reserves Policy which details under what circumstances and how each of the Earmarked Reserves or General Fund can be used to temporarily support the MTFS. This is approved annually at Finance and Resources Committee and updated at the budget setting meeting in February.

3.3 The Authority also has an ambitious, yet affordable Capital Programme underpinned by a strong and prudent Treasury Management Strategy that ensures this is both sustainable, makes the best and effective use of the Authority's existing resources and limits the impact and exposure on the Authority's Revenue Budget.

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

3.5 This business case report, named the Fire Spending Proposal, was updated in September 2023 to reflect the current inflationary pressures affecting Fire and Rescue Authorities and was submitted to the Treasury to support an increase to funding for the fire sector. This was backed up with evidence from an inflation survey which was conducted in August 2023 which identified that inflationary pressures have not abated. The result of the survey showed inflationary pressures of £141m across the fire sector in 2023/24 giving a combined two-year inflationary pressure of £286m.

4 Financial Overview of West Yorkshire Fire and Rescue

4.1 Unlike other public services, which are demand led, the Authority needs to have enough resources available to provide an emergency response in times of exceptional demand. This includes the ability to deal with large scale emergencies, a range of smaller incidents that may happen together and/or incidents that are of an extended duration such as the moorland fires at Marsden Moor in Spring 2023 which saw fire appliances and specialist resources deployed over 1,300 hours during the period. 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.

4.2 The Authority considered its revenue budget and precept strategy on the 23rd of February 2023 and approved a precept increase of £5 resulting in a Band D property precept of £77.18. Dispensation to increase the precept on a Band D property by £5 was given to all fire authorities. West Yorkshire Fire and Rescue still remains the fourth lowest precepting Fire Authority in England and Wales.

5 Cost Pressures

5.1 There are several financial pressures that continue to impact the Authority's budget:

Pay Awards

Because employee costs constitute 75% of our expenditure, the impact of pay awards has a significant impact on the revenue budget. The grey book pay award in 2022/23 and 2023/24 was higher than that provided for in the base budget with the additional cost being £1.245m which had to be met from existing budgets.

For every 1% increase in the pay award over and above budget provision costs an additional £0.611m for all staff groups.

In 2023/24 Support Staff accepted a pay offer of £1,925 per pay point or 3.86% (whichever is the highest) rather than a % uplift across all grades. The authority included a provision of a 5% pay award in 2023/24 which covered the cost of the pay award.

Unison have submitted a pay claim to the National Joint Council for 2024/25 which is an increase of £3,000 per pay point or 10% (whichever is the highest). The revenue budget includes a provision for a 5% pay award across all grades, if the pay claim is accepted, this would be an additional cost of £0.565m.

Increases to the National Living Wage will also impact on the support staff budget. Although the Authority's lowest grade pays higher than the National Living Wage (NLW), the margin is becoming reduced, and it is expected that in April 2025 an uplift to those on the lowest grades will be required. The NLW is to increase to £11.44 from the 1st of April 2024 and the lowest grade employee receives an hourly rate of £11.98.

Industrial Action

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 equalisation 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, the implementation of the Minimum Services Level Bill could impact on industrial relations in 2024/25 and the Authority needs to ensure that it has the funding to manage this. 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 7 of this report.

Pensions

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 results of the actuarial review of the firefighter pension schemes which has increased the employer firefighter contribution rates.

Firstly, the outcome of the 2020 GAD actuarial review has seen an increase in the firefighter's employer contribution rate of 8.8% which is payable from the 1st of April 2024. This has increased employer contributions by £3.590m which has been built into 2024/25 base employee budgets.

The Home Office announced last year that the increase in employers pension contributions from the 1st of April would be fully funded. However, the grant is not based on actual costs but has been calculated on a four-year average using the top up grant data for each fire authority. As with any formula this is subject to "winners and losers." Following confirmation received from the Home Office on the 6th of February the Authority grant payment will be £2.916m which is a £0.674m shortfall.

This grant will be paid as an annual grant from the Home Office and will not be rolled into core funding, so receiving the grant going forward is subject to uncertainty.

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 GAD actuarial valuation.

New Burdens

The Authority has received one off grants in 2023/24, to fund the financial pressures of the implementation of the Building Safety Bill, totalling £0.378m. 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. Unfortunately, we have received notification from the Home Office that the amount of fire protection grant has reduced to £0.310m in 2024/25.

The introduction of more thorough DBS checks for employees and the need to comply with the new Driver Training Fire Standard has resulted in an additional financial burden for the Authority, amounting to £0.250m per annum. The Authority has received no additional funding to meet these new burdens. This has been brought to the attention of the Home Office and lobbying will continue for financial support.

Moreover, the Authority received notification from the Home Office in June 2022 that the Fire Link Grant is to be reduced by 20% each year over the next five years. The loss of this grant in 2024/25 is £0.101m.

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

Inflationary Pressures

Although inflation is reducing, the impact of inflation is continuing to have an impact on the Authority. The budgets for electricity and vehicle fuel were increased by £1.041m in 2023/24 and there has been no reduction in the cost of goods and services during the year.

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. Moreover the fleet replacement programme is subject to contract prices increases which is linked to the June CPI rate. This resulted in an increase in the cost of each appliance by £0.032m in 2023/24.

The capital plan includes provision to rebuild Huddersfield and Halifax fire stations over the next three years which may experience prices increases. In addition, unless the capital finance reserve is "topped up," the Authority will have to borrow to pay for the rebuilds. This results in increases to the capital financing charges to the revenue budget.

Data and Digital Strategy

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

The Environmental Sustainability Strategy 2023-25 sets out how the Authority will reduce its impact on the environment. The new FSHQ has been designed to have the latest energy efficient technologies including LED lighting, smart thermostats, solar panels, and water- saving fixtures to name a few. Although these will reduce the cost of electricity, these advanced systems will require detailed management and maintenance which was not required in the previous HQ. This will require an increase to the revenue budget from 2025/26, which has been identified as a cost pressure.

It is planned that the Authority will move to the use of biodiesel in the fleet which is more environmentally friendly but costs 20p more per litre. If approved, this will require an increase to the vehicle fuel budget.

6 Background on West Yorkshire Central Government Funding

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

	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

Table: Reduction firefighters and assets 1

6.2 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. In addition there has been reductions in grants that are outside core funding, for example, the Services Grant, Fire Link Grant, and Fire Protection Grant.

7 Revenue Balances

7.1 The Authority maintains both earmarked reserves and a general fund reserve, earmarked reserves are amounts set aside for a specific purpose and the general fund reserve is used to manage fluctuations in revenue budgets. The Authority's reserves strategy was approved at F&R in October 2023 and is published on the Authority's website.

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

7.3 As of 1st April 2023 the Authority had £5.0m of general fund reserves and £35.99m in earmarked reserves.

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

As of the 1st of April 2023 the Authority had £5.00m of general fund reserves and £35.99m in earmarked reserves.

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

Following a review of the risk register during the budget setting process, the general fund reserve has been increased to £5.700m, this represents 5% of the revenue budget and is in line with the National Framework guidance on balances. This increase was approved at Finance & Resources Committee on the 2nd of February and was funded by a transfer of £0.700m from the pension equalisation earmarked reserve.Local Government Finance Settlement

7.4 The finances of government departments are determined by a process called the Comprehensive Spending Review (CSR); the Authority's last multi-year settlement ended in 2019/20. Since then the Authority has received one-year roll over budgets up to the current financial year.

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

8 Settlement

8.1 The Local Government Settlement was published on the 5th of February 2024.

Table: Central government grant allocations for 23/24

	2023/24 £m	**2024/25 £m**
Settlement Funding Assessment:		
Top Up Grant central pool	17.737	18.499
Top Up local	7.925	8.273
Base line funding (business rates)	**25.662**	**26.772**
Revenue Support Grant	15.472	20.783
Local Government Finance Settlement	**41.134**	**47.555**

8.2 The revenue support grant has increased in line with September CPI, which is 6.7% and overall baseline funding has increased by 4.3% which is the inflationary uplift remaining in the small business rates multiplier in 2023/24 after the multiplier was frozen.

8.3 The local government finance settlement for 2024/25 has increased by £6.421m. This may seem like a large increase but the pension grant for which the Authority receives £4.286m per annum has been rolled into the revenue support grant. If you exclude this, the total additional funding in 2024/25 is £2.135m. Unfortunately the £4.286m pension grant has been rolled into revenue support grant as a cash flat grant for 2024/25 but will be subject to CPI uplift from 2025/26 onwards.

9 Core Spending Power

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

9.2 The 2024/25 core spending power for West Yorkshire has increased from £102.9m in 2023/24 to £108.4m in 2024/25, an increase of 5.4%. This increase comprises inflationary increases to revenue support grant, allocation of the Services and Funding Guarantee Grants, an assumed tax base growth of 1.0%, a precept increase of 2.99% and increases for the under indexing of the business rates multiplier.

10 Service Grant 2023/24

10.1 The Services Grant is un-ringfenced and was introduced to recognise the inflationary pressures on the sector resulting from pay and prices inflation in 2021/22 and the increase in National Insurance contributions from April 2022. The grant is distributed using the 2013/14 shares of the Settlement Funding Assessment.

10.2 The grant has reduced significantly from when it was first paid; in 2022/23 the Authority received £1.700m, in 2023/24 the amount received was £1.000m and for 2024/25 the amount of grant will be £0.173m. This is a 90% reduction over the two years. As in 2023/24, the Service Grant has been “top sliced” to fund increases in Revenue Support Grant, the Social Care Grant, and additional Funding Guarantee grants.

10.3 The Service Grant is not built into core funding, and it is subject to variation, for this reason a prudent approach must be taken when forecasting allocations in future years.

11 Funding Guarantee

12.1 For the first time in 2023/24 the government introduced a funding guarantee to ensure that all local authorities will see at least a 3% increase in core spending power before any decisions about organisational efficiencies, use of reserves or council tax levels are made.

12.2 The Authority did not receive an allocation of funding guarantee in 2023/24. In 2024/25, thirty four out of the forty-four English fire and rescue services will receive an allocation from the Funding Guarantee of which West Yorkshire is one of them.

12.3 Following analysis of the results on the consultation on the draft settlement, the Secretary of State for the Department of Levelling Up and Local Communities (DLUHC), allocated a further £600m of new funding for local authorities. The impact of this new funding on West Yorkshire was an increase in the funding guarantee grant which now guarantees at least a 4% increase in core spending power. The Authority will receive £1.370m of funding guarantee in 2024/25, an increase in grant from the draft to the final settlement of £0.971m.

12.4 As with the Services Grant this is not built into base line funding and is thus subject to variation. A prudent approach will be taken when building this into the Medium-Term Financial Plan in future years.

12 Business Rates

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

12.2 The settlement indicates the Authority will receive £26.773m in business rate income with £18.499m paid directly from central government in the form of top up grant and the balance of £8.273m being paid by the five district councils which equates to 1% of the income they collect. Following receipt of the National Non-Domestic Rate returns (NNDR1) the amount to be received from the local share of business rates has been confirmed at £8.035m, some £0.238m less than that estimated in the Draft Settlement Funding Assessment.

12.3 The Authority in addition receives Section 31 grant through the district councils to compensate for any policy changes introduced around local business rates. The district councils confirm the size of grant when they submit their National Non-Domestic Rate returns (NNDR1) to the DLUHC by the 31st of January. The amount of section 31 grant for 2024/25 to be paid to the Authority from the district councils is confirmed at £3.310m.

13 Under Index Grant

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

13.2 The government announced in the Autumn Statement that the small business rate multiplier for 2024/25 will be frozen at 49.9p and the standard business rates multiplier will be frozen at 54.6p. Local authorities are compensated from this freeze by a Section 31 grant called the Under Index Grant.

13.3 In 2024/25, the Authority will receive £4.597m of under index grant direct from central government.

14 Collection Fund

14.1 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.

14.2 Returns from the district councils have declared a council tax deficit of £0.094m and a business rates deficit of £0.065m

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

15 Tax Base

15.1 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:

15.1.1 The building and completion of new housing.

15.1.2 Changes in council tax banding due to adjustment and appeals.

16.1.3 Discounts, exemptions, and reliefs, for example, changes in the council tax support scheme.

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

15.2 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.

15.3 The five district councils have declared an average tax base increase of 1.34% in 2024/25 which is higher than the 1.1% forecast increase included in the 2023/24 Medium-Term Financial Plan, this has generated an additional £0.130m of precept income than that forecast. The lowest tax base increase was Bradford at 0.67% and the highest been Kirklees at 2.54%.

16 Referendum Principles

16.1 The Local Government Finance Settlement has set the basic referendum limit for local authorities (including fire) at 2.99% for 2024/25.

16.2 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.

16.3 The referendum threshold for the Police and Crime Commissioners has been set at £13 (£15 in 2023/24).

17.4 There are no council tax referendum principles for Mayoral Combined Authorities or Parish Councils.

17 Precept Income

17.1 The Authority is also dependent upon precept income from the five districts which will provide £52.110m of its income in 2023/24. This income is dependent upon two factors, namely the size of the tax base and the precept set by the Authority.

18.2 A precept increase of 2.99% in 2024/25, would generate an additional £2.278m of precept income from that generated in 2023/24.

18 Revenue Budget 2024/25

19.1 The table below shows the revenue budget and estimated funding for 2024/25 and shows the impact of a precept freeze and an increase in precept of 2.99%. If members decide to freeze the precept the Authority will need use reserves or find efficiency savings totalling £1.579m. If the Authority approves an increase to the precept of 2.99%, the budget will be balanced, and no savings will be required.

	Precept Freeze	2.99%
Revenue Budget	£m	£m
Standstill Budget	108.469	108.469
Recruitment and Retirements	0.467	0.467
Revenue Bids	3.521	3.521
Cost pressures	1.457	1.457
Budget 2024/25	113.914	113.914
Funding		
Revenue Support Grant	20.783	20.783
Business Rates – Top Up	18.499	18.499
Business Rates – Local Share	8.273	8.273
Business Rates – Local Share Adjustment	-0.38	-0.238
Collection Fund Deficit	-0.094	-0.094
Business Rates Deficit (net)	-0.065	-0.065
Under Index Grant	4.597	4.597
Section 31 Grant – Local Share	3.311	3.311
Services Grant	0.173	0.173
Funding Guarantee	1.370	1.370
Pension Grant	2.916	2.916
Precept Income	52.810	54.389
Funding 2024/25	112.335	113.914
Budget Deficit	-1.579	0.000

19 Budget Calculations

19.1 The Authority had a balanced budget in 2023/24 meaning that expenditure was matched by income.

19.2 A more detailed budget monitoring system was introduced in 2018/19 which is based on a (Red, Amber, Green) (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 must be reported to the Chief Finance and Procurement Officer accompanied with an action plan for correction or re-alignment.

19.3 The transfer of budgets to contingencies that were approved at Finance and Resources in July and October 2023 and February 2024 and increases and changes to employee budgets approved at Human Resources Committee in March, July 2023 and, January 2024 have been incorporated into the base budget for 2024/25.

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

19.5 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 Management Board meet at a special meeting called the Star Chamber and agree the budget to present to members for approval. Each capital and revenue bid are scrutinised by Management Board to ensure that it meets service priorities.

20 Recruitment and Retirements

20.1 There are thirty-eight planned retirements and fifty-four new recruits in 2024/25, these are phased during the year, but due to external factors timings are subject to variation. The operational employee budget is calculated using the workforce plan which underpins the Community Risk Management Plan (CRMP). The workforce plan manages the recruitment process so that employee strength is aligned to the establishment, which is currently 937 wholetime employees.

21 Budget Growth, Savings and Cost Pressures 2023/24

21.1 In addition to the budget adjustments approved at committee during 2023/24 there are a number of areas of growth, savings and cost pressures that have been identified as part of the budget planning process. Budget holders have submitted £3.521m of revenue growth bids of which £1.6m of this growth is unavoidable plus, the £1.457m identified as cost pressures would have to be met regardless of funding levels.

22 Employee Budgets

22.1 £0.161m has been included for staff that will manage the FSHQ transition project, this is a large project that will require detailed planning and co-ordination as teams are transitioned into the new building.

22.2 A Scania Familiarisation team has been established costing £0.108m who will train crews on the new appliances that are being rolled out to stations during the year.

22.3 £0.528m has been included for the following new posts; an apprentice vehicle technician and apprentice financial accountant, administrators in procurement and HR, driving standards and wellbeing officers, a restructure to the ICT data team, and an increase in hours to two posts. There is also provision for an additional crew commander at the training centre and to bring forward the recruitment of seven Business Fire Safety Advisors from 2025/26. These posts will be subject to approval in a separate report presented to the Human Resources Committee early in the new financial year.

23 Non-Employee Budgets

23.1 £0.653m has been allocated to the FSHQ transition budget, this is for the cost of the relocation of employees back to Birkenshaw. This includes £0.050m which has been included for the payment of rates in the new build.

23.2 £0.581m has been added to training budgets, the training budget has been reduced over a number of years, resulting in the number of training bids that have been submitted for 2024/25 has exceeded budget provision. The Authority continues to have a back log of training resulting from the pandemic.

23.3 £0.482m has been included for new software licences, Mobile Data Terminal (MDT) licences and the continuation of the development and roll out of Power Apps across the organisation.

23.4 £0.533m has been included for the implementation of National Operational Guidance (NOG) within the organisation. This project will involve updating the way the organisation accesses and uses the content of NOG. It will require a multi-disciplinary team that will fundamentally review and update the existing suite of NOG and training materials along with aligning other electronic systems and processes to streamline how the information is accessed and used. This is a project that will span over three financial years.

23.5 £0.160m has been included for the production of a Carbon Reduction Roadmap. The funding will enable a specialist to map out the WYFRS estate, identifying what can be achieved at each station to reduce our carbon footprint. The work will feed directly into us being able to apply for SALIX funding and form the basis of which buildings are chosen and in which order to achieve net zero. The information will also be fed into future up and coming projects.

23.6 Further increases have been required to transport related budgets of £0.183m. This includes an increase to vehicle maintenance budgets as result of the delay to the fleet replacement programme we now have an aged fleet.

23.7 The increase also provides for the purchase of appliance tools and diagnostics which are required to support the new Scania fleet to ensure first line diagnosis and repair to maximise appliance availability and reduce downtime.

23.8 There are a number of smaller growth requests for increase in external audit fees, equipment maintenance and purchases of new equipment totalling £0.132m.

24 Cost Pressures

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

24.2 (£0.212m) has been deducted from employee budgets for vacancy management for support staff.

a) The overtime budget is forecast to overspend in 2023/24, this is due to increases in sickness, attendance on training courses and staff vacancies. A cost pressure was included in 2023/24 to fund this scenario which has been duly called upon to support the employee budget in this financial year. For prudency, a provision of £0.200m has been included to support the employee budgets if overtime remains at a high level in 2024/25.

24.3 The pay award for 2022/23 has yet to be settled, for budget planning purposes it has been assumed that a 7% pay award will be paid to fire fighters. This will cost an additional £1.218m in 2023/24 (a 5% provision is included in 2023/24 base budgets). The back dated cost will also need to be factored into the Medium-Term Financial Strategy, in 2022/23 a provision of 4% was included in base budgets, so a 7% pay award will cost £1.245m.

24.4 The overtime and detached duty budgets are forecast to overspend in 2022/23, this is due to increase in sickness, attendance on training courses and staff vacancies. A provision of £0.500m has been included to support the employee budgets if overtime and detached duties continue to remain at a high level in 2023/24. Moreover, the Covid grant will be fully expended in 2022/23 so it can no longer support the payment of overtime which is undertaken to cover leave that was cancelled during the early stages of the pandemic.

24.5 £0.100m has been included for retained recruitment in order to increase retained availability.

24.6 A provision of £0.123m has been included in employer pension contributions to fund the cost of those firefighters who have opted out of a pension scheme, re-joining. There are currently forty-five wholetime fire fighters who do not contribute to the firefighters' pension scheme. The provision has been calculated on the current opt in rate which is forecast to be eleven in 2024/25.

24.7 £0.050m has been included for pension abatement costs for retired operational employees that join the Authority in a support staff role. This is primarily for fire protection posts.

24.8 A provision of £0.303m has been made for a change in policy of charging of some operational capital expenditure to revenue.

24.9 The Authority's payroll is managed by Kirklees Council through a Service Level Agreement (SLA) agreement. From March 2024, the council will no longer maintain 4-weekly payrolls. If the Authority decides to continue with 4-weekly pay rather than move to monthly pay, this will incur an additional annual SLA charge of £0.043m.

24.10 The cost of fitting out of the new FSHQ training arena and the building of training tunnels underneath the arena are still based on estimated costs which were calculated prior to the approval of the re-development in July 2021. Based on past experience it is likely that these costs will increase once the procurement process has been completed. To mitigate the risk of an increase in these costs, £0.350m will be earmarked for the capital finance reserve.

24.11 There have been increases in the capital plan during 2023/24 which have been due to increases in prices, which has resulted in additional capital financing charges. So that these increases do not impact on the revenue budget, a provision of £0.500m for increased capital financing charges has been included as a cost pressure.

24.12 The cost of facility management at the new FSHQ has been included as a cost pressure from 2025/26 totalling £0.150m. This is an estimated cost and there will be a thorough piece of work undertaken during 2024 to ascertain the additional costs of facilities management when the site is fully operational. This will then be subject to a revenue bid for inclusion in the 2025/26 revenue budget.

25 Budget Calculation Assumptions

25.1 The main financial assumptions underpinning both spending and funding forecasts in the Medium-Term Financial Strategy are:

25.1.1 A precept increase of 2.99% in 2024/25, 1.99% in 2025/26 and each year thereafter.

25.1.2 Tax base increase in 2024/25 of 1.34%, and 1.1% increase each year thereafter.

25.1.3 Pay increases for all staff groups of 5% in 2024/25, 3% in 2025/26 and 2% each year onwards.

25.1.4 General price inflation of 3% in 2024/25, 2% in 2025/26 and each year thereafter.

25.1.5 Central government grant to increase by September CPI inflation, estimated to be 2.0% in 2025/26 and each year thereafter.

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

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

26 Financial Planning April 2024 Onwards

26.1 The Medium-Term Financial Strategy has been prepared considering the assumptions outlined in section 26.

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

26.3 The table shows that there is a deficit position from 2025/26 with a precept increase of 2.99%, this is due to the uncertainty of government grants that are not rolled into core funding.

Table: Medium Term Financial Strategy 2023/24 to 2026-27

							2025/26 £000's	2026/27 £000's	2027/28 £000's
Employees							90.857	92,821	94,645
Non Employee expenditure							16,103	16,416	16,735
Capital Financing Charges							7,755	8,055	8,355
Income							-2,902	-2,778	-2,716
Revenue Budget							111,813	114,514	117,019
Cost Pressures							1,337	1, 371	1,356
Revenue Growth									
Firefighter recruitment (net cost)							774	727	741
Employees							831	762	848
Training							25	25	25
Non employee budgets							1,474	1,485	1,525
Use of Reserves							-345	-545	-82
Net Budget Requirement							115,913	118,319	121,052
Funded by									
Council Tax Precept							56,082	57,827	59.626
Collection Fund Deficits							-135	-100	0
Local Business Rates							8.201	8,370	8,542
Revenue Support Grant							21,198	21,622	22,055
Top Up Grant							18,869	19,247	19.632
Section 31 Grants							7,974	8.042	8,110
Pensions Grant							2,916	2,916	2,916
Services Grant							123	73	0
Funding Guarantee							685	342	171
Total Funding							115,913	118,319	121,052

27 Local Government Funding Projections

27.1 The Autumn Statement and the Economic and Fiscal Outlook laid out the Government's spending plans over the next spending review period. Resource Department Expenditure Levels (RDELs) which is day to day spending shows that the cost envelope grows by just 0.9% in real terms in the next spending review which is lower than the March 2023 budget forecast of 1.1%.

27.2 The Office of Budget Responsibility has considered the impact on unprotected departments in the next spending review period in 2025/26. So, taking into account commitments on protected departments (NHS, defence, education, and overseas aid) the actual impact on unprotected departments is a fall of 3.4% in real terms each year from 2025/26. In order to avoid these cuts the government would need to spend an extra £20 billion in the next review period.

27.3 The effect of a 3.4% reduction in the Authority's core funding would amount to a reduction in grant of £1.094m per annum.

27.4 The Government has clarified that the Review of Relative Needs and Resources (The Fair Funding Review) and a reset of accumulated business growth will not be implemented until the next spending review in 2025/26 at the earliest. Although the fire sector falls outside the review, there is to be a separate review into the allocation of fire resources. This could have an unfavourable impact on this Authority if current formula is changed significantly as a large proportion of funding is related to population and deprivation.

27.5 It has been assumed that there will be no cuts to central base line funding from 2025/26 and that revenue support grant will continue to rise in line with September CPI inflation. There has been no guarantee that the Authority will continue to receive the annual grants to cover the costs falling out of Grenfell and the Building Safety Bill for which the Authority will receive £0.310m in 2024/25, if these grants were ceased the Authority would have to meet these costs from existing budgets or stop the work on these projects.

27.6 It has been assumed that the Under Indexing of Business Rates grant, for which the Authority will receive a total of £4.597m in 2024/25 will remain at the same level in future settlements. The Services Grant has been assumed to continue to reduce from 2025/26 onwards in line with previous years reductions. To put this into context, the Services Grant has reduced by 44% from 2022/23 and 84% from 2023/24. The funding guarantee which has been received for the first time in 2024/25 which ensures our funding is a 4% increase on our core spending power has also been assumed to reduce from 2025/26 onwards.

Because these grants are not built into the base budget, for prudency continuation at the same level cannot be guaranteed.

27.7 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.

27.8 The Authority is facing a number of cost pressures particularly around pay which constitutes 75% of total expenditure. These are the pressures on pay awards, the threat of industrial unrest as a result of the implementation of the Minimum Services Level Bill and the increase in fire fighter employer contributions from the actuarial valuation of pensions.

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

27.10 An assessment against the Financial Resilience Index has been carried out 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 to provide additional assurance.

27.11 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 services. 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 2024/25 budget which included an assessment against the three indicators in the CIPFA model. These indicators are usable reserve levels, social care ratio and gross external debt. Based on these indicators, the CFPO has assessed that WYFRS has strong financial resilience, in that, usable reserves amount to 42% of the 2023/24 annual revenue budget, there is no social care requirement, and the authority has a low level of debt.

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