West Yorkshire Fire & Rescue Service

West Yorkshire Fire and Rescue Service

Medium Term Financial Strategy

2023/24 to 2026/27

Contents

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 2023/24 to 2026/27.

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 2022 to reflect the current inflationary pressures affecting Fire and Rescue Authorities (FRA) and was submitted to the Treasury to support increase to funding for the fire sector.

3.6 This was supported by a letter that was sent by the Chairs of all FRA's to their respective local MPs to lobby the Department for Levelling Up, Housing and Communities (DLUHC) minister for increased funding to the sector and a precept flexibility of £5 for all FRA's not just those in the lowest quartile.

3.7 This lobbying was successful, resulting in an increase to the settlement funding assessment (government funding) and precept flexibility of an increase of £5 for a Band D property for all FRA's.

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 in Summer 2022.

4.2 The Authority considered its revenue budget and precept strategy on the 24th February 2022 and approved a precept increase of £5 resulting in a Band D property precept of £72.18. Dispensation to increase the precept on a Band D property by £5 was given to the eight lowest precepting fire authorities. West Yorkshire Fire and Rescue remains the fourth lowest precepting Fire Authority in England.

5 Cost Pressures

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

Pay Awards

The Authority made a 4% provision in the 2022/23 budget for pay awards for all staff groups. When the budget was calculated in December 2021, a provision of 4% was reflective of expected inflation going forward. However, issues in the global economy have seen inflation rise to its highest level in forty years.

A pay offer was made to firefighters and control employees by the National Joint Council (NJC) of 2%, which was then increased to 5% in October 2022. This pay offer was out to ballot with Fire Brigade Union (FBU) members and on the 30th January it was announced that the pay offer had been rejected. On 9th February the NJC increased the pay offer to 7% for 2022/23 and 5% for 2023/24. This revised pay offer is currently out to consultation with FBU members until 6th March.

The revised pay offer of 7% is 3% above 2022/23 budget provision, which will cost an additional £1.245m in 2022/23 and must be built into 2023/24 base budgets. If this pay offer is rejected and further increases to the pay award are made by the employers, each additional 1% will cost an extra £0.609m in 2023/24.

Table showing Financial impact of 2022/23 pay award 1

	2022/23 £000's	2023/24 £000s
7%	1,245	1,827
8%	1,660	2,436

The impact of a pay award above 7% must be considered in the Medium-Term Financial Strategy and the consequence on the 2023/24 revenue budget.

Support Staff accepted a pay offer of £1,925 per pay point rather than a % uplift across all grades. This resulted in an average increase of 7% across pay grades 1 to 12, which was above the budget provision of 4%. This cost an additional £0.227m in 2022/23 and has been factored into the base budget for 2023/24.

If support staff are to receive another flat rate increase in 2023/24, the total effect will be above a 5% provision across all grades. Increases to the National Living Wage will also impact on the support staff budget.

In addition, if the government is to reform fire fighters' roles which is included in the White Paper on Fire Reform, there will be pressure to increase salary levels to reflect the change. Previous cost estimates have been calculated of an increase of around 15% to fire fighter pay. For West Yorkshire a 15% increase for fire fighter pay would be in the region of £9.1m per annum.

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. If this reserve is fully consumed, the costs of industrial action must be met from revenue budgets or another transfer from earmarked reserves. It is worth pointing out that the current reserves levels will be significantly reduced due the development of FSHQ so the use of reserves to fund a period of industrial action will become more challenging. 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, there is currently an actuarial review of the firefighter pension schemes which will review the employer contribution rates.

The new rates will be implemented from the 1st of April 2025. Even though this increase will take effect in two years' time, the impact on the Medium-Term Financial Strategy must be considered. To put this into financial context for West Yorkshire, a 1% increase in the employers' rates from 1st April 2025 will cost an estimated additional £0.451m per annum. In the previous actuarial valuation in 2016, which saw an increase in employers' contribution rates of 12.6% from April 2020, the same increase in 2025 would add £5.68m to ongoing employee budgets. Currently, the government reimburses 90% of this cost by an additional pension grant.

If the same level of government funding is used in this valuation, the Authority could face an additional unfunded pension cost of £0.568m. This may be an optimistic view in terms of government support, if so, the additional cost could be significantly higher.

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

Pension Remedy

There is currently much confusion about the pension remedy costs for the age discrimination case of McCloud/Sargeant, especially around the costs of Immediate Detriment payments. On 29th November 2021, the Home Office withdrew its informal guidance on the processing of certain kinds of immediate detriment cases ahead of legislation. West Yorkshire has already processed twenty immediate detriment cases who have retired from the service (eleven in 2021/22 and nine in 2022/23) and is looking to process those cases for those affected employees who have already retired.

The government has confirmed that it will not reimburse non-legitimate expenditure that has been paid to these employees, meaning that the Authority may be unable to claim these costs via the top up grant system. This could have a significant financial impact on the Authority.

New Burdens

The Authority has received one off grants in 2022/23, to fund the financial pressures of the implementation of the Building Safety Bill and costs associated with Covid19. Although this funding is welcomed, it is not built into the Authority's base budget and any spending commitments that extend beyond the grant will have to be funded from existing budgets. This means that long term spending plans cannot be based on one-year grants without no certainty of receiving the grants going forward.

Moreover, the Authority received notification from the Home Office in June 2022 that the Fire Link Grant which the Authority was budgeted to receive £0.469m in 2022/23 is to be reduced by 20% each year over the next five years.

Inflationary Pressures

The current economic environment is such that certain parts of the economy are experiencing either a shortfall in availability or a hike in prices. Within this Authority we have seen issues with supplies, including increased lead times for the delivery of certain goods, in particular vehicles. There has been a need to increase both utility and vehicle fuel budgets by a total of £0.638m during the year, due to large increases in prices. The Authority does not receive any assistance under the non-domestic energy bill relief scheme as consumption is below the threshold for assistance.

There have been large increases in the cost of capital schemes during 2022/23, with both the re-development of the FSHQ site and the rebuild of Keighley Fire Station realising a 40% increase in cost against estimates.

A large proportion of the capital budget has already been slipped to 2023/24, but further slippage may occur if goods, which are currently expected to be delivered, aren't delivered before the end of the financial year. In addition, some planned revenue expenditure may be delayed until next financial year if supplier availability is limited, or if there are issues with the supply of materials required to carry out the works.

5.2 In terms of the financial outturn, the Authority is forecast to under-spend the budget by around £0.422m for the current financial year. Any budget underspends will be used to make additional voluntary minimum revenue provision charges or make additional contributions to the capital finance reserve, which will reduce the Authority's capital financing requirement and reduce the revenue cost of the capital plan over the long term.

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 three years have included no real terms growth in funding as central government grants were only inflated by CPI. No assurance has been provided regarding the funding of the implementation of the pensions remedy and the White Paper into the reform of fire and rescue services.

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 2022 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 2022 the Authority had £5.0m of general fund reserves and £37.8m in earmarked reserves.

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

8 Local Government Finance Settlement

8.1 The finances of government departments are determined by a process called the Comprehensive Spending Review (CSR); the Authority's last multi-year settlement ended in 2019/20. Since then, the Authority has received one-year roll over budgets up to the current financial year. Although, there is no multi-year settlement for 2023/24, the Secretary of State confirmed that core grants will continue to increase in line with baseline funding levels, (i.e.) September 2023 CPI inflation. This does provide some clarity over funding levels.

8.2 Following the conclusion of the CSR, funding allocations are distributed by the Local Government Finance Settlement, this is called the Settlement Funding Assessment (SFA). West Yorkshire Fire and Rescue receives its annual SFA via the 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.

9 Settlement

9.1 The final Local Government Settlement was published on 6th February, this was subject to a period of consultation which closed on 16th January.

Table: Central government grant allocations for 23/24

	2022/23 Actual £m	2023/24 £m
Settlement Funding Assessment:		
Top Up Grant central pool	16,922	17,737
Top Up local	7,814	7,925
Base line funding (business rates)	**24,736**	**25,662**
Revenue Support Grant	14,048	15,472
Local Government Finance Settlement	**38,784**	**41,134**

9.2 The revenue support grant has increased in line with September CPI, which is 10.1% and overall baseline funding has increased by 3.74% which is the inflationary uplift remaining in the small business rates multiplier in 2023/24 after the multiplier was frozen.

9.3 This has given the Authority a total of £2.350m additional funding from 2022/23.

9.4 Once again, the government announced in the Autumn Statement that the business rate multiplier for 2023/24 will be frozen at 49.9p in the pound. Local authorities are compensated from this freeze by a Section 31 grant.

10 Core Spending Power

10.1 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.

10.2 In the local government finance settlement, core spending power across the fire sector has increased by 7.9%. The 2023/24 core spending power for West Yorkshire has increased from £91.249m in 2022/23 to £98.224m in 2023/24, an increase of 7.64%. This includes inflationary increases to revenue support grant, allocation of the Services Grant an assumed tax base growth of 1.1%, a precept increase, of £5 and increases for the under indexing of the business rates multiplier.

11 Service Grant 2023/24

11.1 The Services Grant was a new grant introduced in 2022/23 and was worth £845m for the fire sector. The grant is distributed using the 2013/14 shares of the Settlement Funding Assessment which equated to funding of £1.700m for West Yorkshire. The 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.

11.2 Following the reversal of the National Insurance increase with effect from the 6th of November, it was expected that the grant would reduce by 25% in 2023/24 to reflect the change. The actual reduction in grant for the sector is £384m. The reason for the increased reduction is that some of the grant has been top sliced to fund the CPI uplift to the revenue support grant. The Authority will receive £1.000m of service grant in 2023/24, a reduction of 41% from 2022/23.

11.3 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.

12 Section 31 Grant

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

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

12.3 The Authority will receive a Section 31 grant of £3.021m direct from DLUHC in 2023/24 for the freezing of the multiplier.

13 Pension Grant

13.1 Confirmation has been received that the pension grant to cover the increased cost of employer fire fighter pension contributions because of a reduction in the SCAPE discount rate will be paid as a cash flat grant in 2023/24 (further detail was provided in paragraph 4.3.3). This means that the Authority will receive £4.285m, the same amount of grant as in 2022/23.

13.2 Following the transfer of responsibility for the grant payment from the Home Office to the DLUHC, it was expected that this would be rolled into base line funding and would be subject to CPI uplift. This has not materialised, and the grant will continue to be paid as a section 31 cash flat grant.

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 For prudency, an estimated surplus is not factored into the MTPF due to the potential volatility and because the collection rate and policy is beyond our control.

14.3 In 2021/2022 the Government announced measures to assist local authorities for dealing with forecast collection fund deficits that had arisen due to measures announced to deal with Covid19. For eligible 2020/2021 deficits these could be charged to the general fund over a 3-year period (2021/2022 to 2023/2024). This is the final year of the deficit spread of which the deficit to be met by the Authority is £0.414m. This has been offset by a small collection fund surplus for 2023/24 of £0.022m, resulting in a net deficit of £0.391m.

14.4 One third of the tax income guarantee grant totalling £0.274m, which is held in an earmarked reserve will be applied to support this collection fund deficit.

15 Local Funding

15.1 Tax Base

15.1.1 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:

15.1.1.1 The building and completion of new housing.

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

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

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

15.1.2 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.

15.1.3 The five district councils have declared an overall tax base increase of 1.04% in 2023/24 which is lower than the 1.5% forecast increase included in the 2022/23 Medium-Term Financial Strategy. The lowest increase was Bradford at 0.35% and the highest has been Leeds at 1.52%.

15.1.4 This slowdown in the growth of the tax base may be indicative of the inflationary and supply pressures that are affecting the housing sector.

15.2 Referendum Principles

15.2.1 The Local Government Finance Settlement has set the basic referendum limit for local authorities (including fire) at 2.99% for 2023/24 and 2024/25, plus a referendum principle of £5 on a Band D property for 2023/24 for all English fire and rescue authorities.

15.2.2 For information, local authorities can 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.

15.3 Business Rates

15.3.1 All business rates used to be paid directly from central government. 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.

15.3.2 The settlement indicates the Authority will receive £25.662m in business rate income with £17.737m paid directly from central government in the form of a central pool top up grant and the balance of £7.925m being paid by the five district councils which equates to 1% of the income they collect. Following receipt of all the National Non-Domestic Rate returns (NNDR1) the amount to be received from the local share of business rates has been confirmed at £7.589m, some £0.335m less than that estimated in the Settlement Funding Assessment.

15.3.3 The Authority must also bear a share of the business rates deficit, which for 2023/24 is £0.083m.

15.3.4 The Authority in addition receives a local share of section 31 grants to compensate for any policy changes introduced around local business rates. The size of grant is confirmed by the district councils when they submit their NNDR1 to the DLUHC on the 31st of January. The amount of section 31 grant for 2023/24 from the district councils is confirmed at £2.963m.

15.4 Precept Income

15.4.1 The Authority is also dependent upon precept income from the five districts which will provide £48.232m of its income in 2022/23. This income is dependent upon two factors, namely the size of the tax base and the precept set by the Authority.

15.4.2 The precept flexibility of £5, would generate an estimated additional £3.376m of precept income from that generated in 2022/23. In comparison, a precept increase, of 2.99% would result in an estimated additional precept income of £1.457m. (These figures have been calculated on the 2023/24 tax base).

16 Revenue Budget 2023/24

16.1 The table below shows the revenue budget and estimated funding for 2023/24 and shows the impact of a precept freeze, an increase in precept of 2.99% and an increase of £5. Based on estimated funding, if the precept is frozen or increased by 2.99%, the Authority will need use reserves or find efficiency savings totalling £3.376m and £1.918m respectively. If the precept is increased by £5, the budget will be balanced, and no savings will be required.

	Precept Freeze	2.99%	£5
Revenue Budget	**£m**	**£m**	**£m**
Standstill Budget	96.393	96.393	96.393
Recruitment and Retirements	0.032	0.032	0.032
Growth and Savings	3.385	3.385	3.385
Cost pressures	4.490	4.490	4.490
Budget 2023/24	**104.300**	**104.300**	**104.300**
Funding			
Revenue Support Grant	15.472	15.472	15.472
Business Rates - Top Up	17.737	17.737	17.737
Business Rates - Local Share	7.925	7.925	7.925
Business Rates - Local Share Adjustment	-0.335	-0.335	-0.335
Collection Fund Deficit	-0.391	-0.391	-0.391
Business Rates Deficit (net)	-0.083	-0.083	-0.083
Under Index Grant	3.021	3.021	3.021
Section 31 Grant - Local Share	2.963	2.963	2.963
Building Safety Grant	0.320	0.320	0.320
Services Grant	1.001	1.001	1.001
Pension Grant	4.285	4.285	4.285
Tax Income Guarantee Grant	0.274	0.274	0.274
Precept income	48.735	50.193	52.111
Funding 2023/24	**100.924**	**102.382**	**104.300**
Budget Deficit	**-3.376**	**-1.918**	**0.000**
Service Investment			**0.000**
Use of Reserves	**3.376**	**1.918**	**0**

17 Budget Calculations

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

17.2 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.

17.3 There was a transfer of budgets to contingencies approved at Finance and Resources in July and October 2022 and pending committee approval in February 2023. In addition, increases and changes to employee budgets were approved at Human Resources Committee in March, July an, October 2022. All of these have been incorporated into the base budget for 2023/24.

17.4 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.

17.5 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.

18 Recruitment and Retirements

18.1 There are twenty-seven planned retirements and forty new recruits in 2023/24, these are phased during the year, but due to external factors 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.

19 Budget Growth, Savings and Cost Pressures 2023/24

19.1 In addition to the budget adjustments approved at committee during 2022/23 there are several areas of growth, savings and cost pressures that have been identified as part of the budget planning process. £2.1m of this growth is unavoidable plus, the £4.084m identified as cost pressures would have to be met regardless of funding levels.

20 Employee Budgets

20.1 £0.552m has been included for the continuation of the training and maintenance of the competence of contingency resilience fire crews who will provide fire cover during periods of industrial action.

20.2 £0.452m 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.

20.3 £0.112m has been included for increases to budgets for specialist teams, such as drone operators, Marauding Terrorist Firearms Attack (MTFA) and Joint Emergency Service Interoperability Programme (JESIP) for increased training and resilience. In addition, a provision has been included for honorarium payments and the extension of fixed terms contracts.

20.4 £0.133m has been included for three new support posts which will be subject to a separate report presented to the Human Resources Committee.

21 Non-Employee Budgets

21.1 £0.423m has been allocated to the FSHQ transition budget, this is for the cost of the relocating of employees back to Birkenshaw, most of the cost (£0.390m) is for the breathing apparatus training at the Fire Service College as the smoke house at FSHQ is unavailable for training during the rebuild. The transition budget will reduce in 2024/25, once all staff have fully migrated to the new FSHQ.

21.2 £0.250m has been added to training budgets, the training budget has been reduced over several years, resulting in the number of training bids that have been submitted for 2023/24 has exceeded budget provision. The Authority has a back log of training resulting from the pandemic.

21.3 The electricity and gas budgets have been increased by £0.977m which are a result of inflationary increases. The increase to gas is relatively small at £0.098m as this is due to increases in standing charges only, the contract for gas is not due for renewal until Autumn 2025.

21.4 The vehicle fuel budget has been increased by £0.162m which reflects the inflationary increase in fuel prices.

21.5 Further increases have been required to transport related budgets of £0.102m. These are for the initial start-up costs of a car salary sacrifice scheme for employees, inflationary increases to spare parts and an increase in vehicle and plant hire costs relating to the moving of employees around sites during periods of industrial action and the development of FSHQ.

21.6 There are several smaller growth requests for staff advertising, equipment, consultancy fees, extension to the cleaning contract and increased audit fees, totalling £0.222m.

22 Cost Pressures

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

22.2 From 1st April 2023, the Authority will become a member of the Fire and Rescue Indemnity Company (FRIC) for most of our insurance provision. This will save an estimated (£0.285m) per annum compared to the current cost of insurance provision.

22.3 (£0.259m) has been deducted from employee budgets for vacancy management for support staff.

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

22.5 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.

22.6 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.

22.7 There is a possibility that a flat amount will be offered again as a pay award to support staff in 2023/24. This would ease the issue of complying with the National Living Wage in April 2024. Assuming a similar pay award is offered in 2023/24, this would cost an estimated additional £0.200m over the 5% budget provision.

22.8 £0.102m has been added to employee contingency budgets to cover the cost of three employees who have exceeded their projected retirement date and are still in employment at the time of budget setting.

22.9 £0.100m has been included for retained recruitment to increase retained availability.

22.10 A provision of £0.132m has been included in employer pension contributions to fund the cost of those firefighters who have opted out of a pension scheme, re-joining. This provision assumes that 25% may decide to opt back in.

22.11 Although the ongoing revenue costs of the new control system will not take effect until 2024/25, there will be an increase in maintenance of the existing system of £0.088m in 2023/24. Once the new system is fully implemented in 2024/25, the increase in revenue costs will be significant with an estimated additional cost of £0.690m per annum.

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

22.13 The income budgets have been reduced by £0.049m to meet the anticipated reduction in enhanced logistics grant and telephone mast rental.

22.14 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 £0.040m.

22.15 A provision of £0.107m has been included in employee budgets for increases to support staff grades due to job evaluation and the payment of honorariums following the implementation of the pay spine review and for temporary staff to undertake project work.

22.16 £1.050m has been included for additional revenue contributions to capital expenditure which will reduce the Authority's capital financing requirement.

23 Budget Calculation Assumptions

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

23.1.1 Precept increases of £5 in 2023/24, 2.99% in 2024/25 and 1.99% each year thereafter.

23.1.2 Tax base increase in 2023/24 of 1%, and 1.1% increase each year thereafter.

23.1.3 Pay increases for all staff groups of 5% in 2023/24, 3% in 2024/25 and 2% each year onwards.

23.1.4 General price inflation of 5% in 2023/24, 3% in 2024/25 and 2% each year thereafter.

23.1.5 Central government grant to increase by September CPI inflation, estimated to be 5.0% in 2024/25 and 2% each year thereafter.

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

23.1.7 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.

24 Financial Planning April 2024 Onwards

24.1 The Medium-Term Financial Strategy has been prepared considering the assumptions outlined in section 11.

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

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

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
Employees	77,448	79,709	81,269	82,861
Non Employee expenditure	14,474	14,895	15,183	15,478
Capital Financing Charges	7,005	7,005	7,005	7,005
Income	-2,534	-2,534	-2,534	-2,534
Revenue Budget	**96,393**	**99,074**	**100,923**	**102,809**
Cost Pressures				
Pay Awards & Pressures	3,245	3,348	3,420	3,477
Non Employee Inflation and budget pressures	2,543	2,841	2,879	2,735
Savings/Efficiencies	-1,298	-1,315	-1,248	-1,006
Revenue Growth				
Firefighter Recruitment (net cost)	32	552	924	1,374
Employees	1,140	1,384	583	583
Training	350	350	250	250
Non Employee budgets	1,896	1,669	2,306	2,324
Use of Reserves	**0**	**-695**	**-772**	**-919**
Net Budget Requirement	**104,300**	**107,210**	**109,265**	**111,628**
Funded by:				
Council Tax Precept	52,111	54,259	55,948	57,917
Collection Fund Deficits	-474	-299	0	0
Local Business rates	7,589	7,725	7,725	7,725
Revenue Support Grant	15,472	16,246	16,571	16,902
Top Up grant	17,737	17,737	17,737	17,737
Section 31 Grants	6,579	6,257	5,999	6,062
Pension Grant	4,286	4,285	4,285	4,285
Services Grant	1,000	1,000	1,000	1,000
Total Funding	**104,300**	**107,210**	**109,265**	**111,628**

24.3 The table above shows that the Authority is forecasting a budget deficit requiring the use of reserves from 2024/25 this will require the Authority to find efficiency savings over the next four years. This is primarily due to the financial impact on the revenue budget of the new command and control system which will become operational in 2024. The increased cost is an estimated £0.690m.

24.4 Due to recent periods of high inflation, increases in the cost of delivering the capital plan, uncertainty about the 2022/23 final fire fighter pay award and the potential cost of industrial action means that the deficit and surplus could be subject to large variation and the managing of a deficit through using reserves would be difficult.

24.5 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. 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.

24.6 It has been assumed that there will be no cuts to central base line funding from 2025/26 and that government grant will continue to rise in line with September CPI inflation. There has been no guarantee that the Authority will continue to receive the annual grants to cover the costs falling out of Grenfell and the Building Safety Bill for which the Authority received £0.377m in 2022/23, if these grants were ceased the Authority would have to meet these costs from existing budgets or stop the work on these projects.

24.7 It has been assumed that the Services grant and the Under Indexing of Business Rates grant, for which the Authority will receive a total of £3.02m in 2023/24 will remain at the same level in future settlements, because these are not built into the base budget, continuation at the same level cannot be guaranteed. The 2023/24 settlement has seen that the Services Grant is subject to variation, as this grant has been reduced by 44% from 2022/23.

24.8 In addition, it has been assumed that the district councils will reduce their collection fund deficits by 50% in 2024/25, with a surplus position to be resumed from 2025/26.

24.9 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.

24.10 The Authority is facing several cost pressures particularly around pay which constitutes 74% of total expenditure. These are the pressures on pay awards, increased pay due to the White Paper on Fire Service Reform and the increase in fire fighter employer contributions from the actuarial valuation of pensions. The financial burden is currently unknown but could have a significant impact on the revenue budget.

24.11 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.

24.12 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.

24.13 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 2023/24 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 44% of the 2022/23 annual revenue budget, there is no social care requirement, and the authority has a low level of debt.

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