



Meeting	Strategic Board	Agenda Item	5
Meeting Date	21 December 2020	Report Number	
Report Author:	Neil Cross – Chief Financial Officer		
Presented By	Neil Cross – Chief Financial Officer		
Subject	Budget 2021-22		
Type of Report:	Decision		

RECOMMENDATIONS

1 a. The Police, Fire and Crime Commissioner proposes a precept increase of 1.99% equivalent to an increase of £1.47 a year from £73.89 to £75.36 for a Band D council tax. Total council tax funding would be projected to increase by £1.69m, of which £0.964m relates to the increase in the precept.

The increase of £1.69m is offset by the removal of £0.726m for Council tax base growth, that would have been expected without the impact of Covid 19.

1 b. In addition £0.4m has been removed from the baseline budget relating to the surplus normally experienced on the Council Tax Collection account. The details are shown in Tables 3a and 3b below.

1 c. As a result of the Spending Review, the government announced on 25th November 2020 that public sector pay increases will be frozen for 2021-22. Pay costs have been budgeted in line with this policy announcement.

1d. The Authority has set aside £1.1m for investment in productivity improvements.

FINANCIAL TABLES

Table 1 - Budget Summary

Description	Current Budget 2020-21 £'000s	Forecast 2020-21 £'000s	Budget 2021-22 £'000s	Variance	Variance
				adv/(fav) from 2020-21 Forecast £'000s	from 2020-21 Forecast %
Wholetime Firefighters	34,633	34,859	34,340	(519)	(1.5%)
On Call Firefighters	6,893	6,773	7,081	308	4.5%
Control	1,368	1,586	1,568	(18)	(1.1%)
Support Staff	14,715	14,674	15,075	401	(2.7%)
Total Employment Costs	57,609	57,892	58,063	171	0.3%
Support Costs	2,060	1,409	2,148	739	52.4%
Premises & Equipment	10,528	11,198	10,024	(1,174)	(10.5%)
Other Costs & Services	3,268	2,971	3,278	307	10.3%
Ill health pension costs	2,276	2,276	2,276	-	0.0%
Financing Items	6,365	6,061	6,215	154	2.5%
Total Other Costs	24,496	23,915	23,941	26	0.1%
Investment in Productivity Improvement	-	-	1,151	1,151	-
Gross Expenditure	82,106	81,807	83,155	1,348	1.6%
Specific Government Grants Income	(6,188)	(7,606)	(6,387)	1,219	16.0%
Operational income	(1,351)	(992)	(974)	17	14.4%
Net Expenditure	74,567	73,209	75,794	2,585	3.5%
Funding					
Revenue Support Grant	(8,473)	(8,473)	(8,473)	-	0.0%
National Non-Domestic Rates	(16,519)	(16,519)	(16,519)	-	0.0%
Council Tax Collection Account	(400)	(400)	(400)	-	0.0%
Council Tax Precept	(47,851)	(47,851)	(49,541)	(1,690)	(3.5%)
Council Tax Collection impact	-	-	1,126	1,126	-
Net Funding	(73,243)	(73,243)	(73,807)	(564)	-
Contributions to/(from) General Fund	(1,324)	34	(1,309)	(1,343)	-
Contributions to/(from) Earmarked Reserves	-	-	(678)	(678)	-
Total Contribution to/(from) Reserves	(1,324)	34	(1,987)	(2,021)	0%
Total Funding	(74,567)	(73,209)	(75,794)	(2,585)	(3.5%)

Table 2 - Forecast against budget position

Description	Current Budget 2020-21 £'000s	Forecast 2020-21 £'000s	Forecast adv/(fav) Variance £'000s	Forecast Variance %
Wholetime Firefighters	34,633	34,859	226	0.7%
On Call Firefighters	6,893	6,773	(120)	(1.7%)
Control	1,368	1,586	217	15.9%
Support Staff	14,715	14,674	(41)	(0.3%)
Total Employment Costs	57,609	57,892	283	0.5%
Support Costs	2,060	1,409	(651)	(31.6%)
Premises & Equipment	10,528	11,198	670	6.4%
Other Costs & Services	3,268	2,971	(297)	(9.1%)
Ill health pension costs	2,276	2,276	-	0.0%
Financing Items	6,365	6,061	(304)	(4.8%)
Total Other Costs	24,496	23,915	(582)	(0.4%)
Investment in Productivity Improvement	-	-	-	-
Gross Expenditure	82,106	81,807	(299)	(0.4%)
Specific Government Grants Income	(6,188)	(7,606)	(1,418)	(22.9%)
Operational income	(1,351)	(992)	359	26.6%
Net Expenditure	74,567	73,209	(1,358)	(1.8%)
Funding				
Revenue Support Grant	(8,473)	(8,473)	-	0.0%
National Non-Domestic Rates	(16,519)	(16,519)	-	0.0%
Council Tax Collection Account	(400)	(400)	-	0.0%
Council Tax Precept	(47,851)	(47,851)	-	0.0%
Council Tax Collection impact	-	-	-	-
Net Funding	(73,243)	(73,243)	-	0.0%
Contributions to/(from) General Fund	(1,324)	34	1,358	-
Contributions to/(from) Earmarked Reserves	-	-	-	-
Total Contribution to/(from) Reserves	(1,324)	34	1,358	0.0%
Total Funding	(74,567)	(73,209)	1,358	1.8%

Table 3a - Income and Funding

Funding 2020-21 & 2021-22	2020-21 Budget £'000s	2021-22 Budget £'000s	Variance adv/(fav) £'000s
Urban Search & Rescue	(857)	(857)	0
Firelink	(628)	(662)	(34)
Business Rate Relief Support	(1,175)	(1,340)	(165)
Pensions Top Up	(3,517)	(3,517)	0
Other	(11)	(11)	0
Specific Government Grants Income	(6,188)	(6,387)	(199)
Other Operational Income	(1,351)	(975)	376
Total Specific Government Grant and Operational Income	(7,539)	(7,361)	177
Sources of Finance			
Revenue support Grant	(8,473)	(8,473)	0
National Non-Domestic Rates	(16,519)	(16,519)	0
Total Local Government Finance Settlement	(24,992)	(24,992)	0
Collection Fund Surplus	(400)	(400)	0
Council Tax Precept	(47,851)	(49,541)	(1,690)
Provision for Covid related reduction	0	1,126	1,126
Total Council Tax	(48,251)	(48,815)	(564)
Total Funding	(73,243)	(73,807)	(564)
Council Tax Base (Band D Equiv)	647,706	657,422	(9,716)
Rate of Council Tax Increase	1.99%	1.99%	
Council Tax (Band D)	£73.89	£75.36	(£1.47)
Council tax base growth £000's	693	726	
Council Tax precept increase £000's	924	964	
Precept Increase (£000's)	1,618	1,690	

Table 3b - Reconciliation of movement in council tax

	£'000s	£'000s
Council Tax Precept 2020-21 Budget		48,251
2021-22 Council Tax 2.00% Precept Increase	964	
2021-22 1.5% Tax Base Growth	726	
Precept change		1,690
Council Tax 2021-22 Budget (Pre Council Tax Pressure)		49,941
Less: Council Tax Pressure - Covid		
Removal of 1.5% Tax Base Growth	(726)	
Removal of Collection Fund Surplus	(400)	
Council Tax Funding impact of Covid-19		(1,126)
Council Tax 2021-22 Budget		48,815

Table 4 - Capital Expenditure Budget and Programme

	Budget 2020-21 £000's	Budget 2021-22 £000's	Forecast 2022-23 £000's	Forecast 2023-24 £000's
Summary Capital Programme to 2023-24				
New Premises				
Service Workshops	-	250	4,000	750
Existing Premises				
Asset Protection	1,894	1,700	1,700	1,700
Asset Improvement Works Training Facilities Improvement	621	1,078	-	-
Asset Improvement Works - Shoeburyness	100	1,000	460	-
Total Property	2,615	4,028	6,160	2,450
Equipment	187	120	470	915
Information Technology				
Projects	549	537	1,023	255
Total Information Technology	549	537	1,023	255
Vehicles				
New Appliances	-	1,760	2,640	1,760
Other Vehicles	1,071	686	1,125	667
Total Vehicles	1,071	2,446	3,765	2,427
Total Capital Expenditure	4,422	7,131	11,418	6,047

BACKGROUND

2. Essex County Fire and Rescue Service (ECFRS) has an ambitious and exciting improvement programme with the aim of ensuring that it provides the most efficient and effective service to the people of Essex . The improvement priorities are detailed in the Fire and Rescue Plan 2019-2024 under the vision of: “safe and secure communities are the bedrock on which we build success and well- being for all.” The improvement priorities are turned into operational reality in the Integrated Risk Management Plan and the investment articulated in the Medium Term Financial Plan 2019-2024.

ECFRS is making good progress on delivering against the Fire and Rescue Plan priorities and in acknowledgement of the considerable work still to do, has set the following as the improvement and investment priorities for 2021-2022:

- a. Fire protection – delivering on the Building Risk Review and ensure the Service is able to respond to the outcomes of the Grenfell Inquiry
- b. Operational training – ensuring that our fire fighters have all the training and skills they need
- c. On call firefighters – improving and increasing our recruitment and improving our retention of on call firefighters
- d. ICT transformation – updating our systems and hardware to improve productivity and connectivity
- e. Learning and Development - delivering a service-wide programme to support staff in their current and any future roles

The budget is being set against the difficult backdrop of the Covid-19 pandemic.

Throughout the financial year, an adverse impact has been seen on council tax collection rates across the county. The billing authorities across Essex have submitted provisional council tax figures for both the tax base and collection account. These have been shared with the Authority have been used to inform the budget process. On this basis we have made provision of £1,126k for the impact of Covid 19 on council tax collections (Table 3b above).

The Chancellors Spending Review was announced on 25th November 2020. This was originally expected to be a three year review, however due to the economic pressures caused by Covid 19, it was decided to announce a one year settlement for 2021-22. The key announcements from the Spending Review were:

- a. A Public Sector Pay Freeze for 2021-22. It should be noted that pay in the fire sector is determined through negotiations with the National Joint Council (NJC).
- b. 75% of Collection fund deficits in 2021-22 to be funded by the government. The remaining deficit will be spread over three years. The details are being finalised.
- c. Fire Authorities will be able to increase council tax bills by 2% without needing to hold a referendum.

The local government finance settlement agreement for 2021-22 is expected in mid December. This budget assumes this to be on a real flat cash basis with no inflationary increase.

The Government has also previously announced a programme of reforms to the local government finance system. These reforms include a review of the business rates retention system and of the fair funding formula that determines the annual local government finance settlement. We are waiting for further information from the Government on when this review will take place.

The budget process has involved the Service Leadership Team and direct budget holders working alongside finance business partners to determine the staffing and resource requirements for 2021-22.

There continues to be alignment between the whole-time firefighter headcount budget for 2021-22 and the agreement around crewing levels in the Dispute Resolution Agreement (2017) with the FBU.

RISK IMPLICATIONS

3. The main risk areas associated with the budget are summarised below:

a) NATIONAL PAY SETTLEMENTS

Pay costs have been budgeted in line with the Spending Review announcement.

b) FIREFIGHTERS PENSION SCHEMES

National changes in employer contribution rates for firefighter's pension schemes came into effect from April 2019, following a revaluation of firefighters, pension schemes. The national average increase was material at 12.6% of pensionable pay.

This equated to an additional cost burden to the Authority of £3.8m. The government has in 2020-21 continued to support most of this additional cost burden with a section 31 grant of £3.5m.

It is expected this pensions grant will continue in 2021-22 on a "flat cash" basis, and have budgeted accordingly.

Whilst this grant continues to be paid as our largest section 31 grant on an annual basis, the long term support for pension cost will remain uncertain.

There remains an ongoing national issue regarding changes to firefighter pension costs in the medium term. This relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the “McCloud / Sargeant ruling”. The financial implications of this, are not known at this stage. HM Treasury expect to publish there outlining policy intent of the remedy in 2021.

c) INVESTMENT IN PRODUCTIVITY IMPROVEMENT

The Authority has set aside £1.1m for investment in productivity improvements.

d) FUNDING RISKS

The Authority expects to receive details of the provisional local government finance settlement for 2021-22 in mid December. This will be a one year settlement as opposed to the three years originally expected.

The budget assumes that the local government finance settlement will be flat at £24.9m for 2021-22 (2020-21 £24.9m)

The Authority is therefore, updating its Medium Term Financial plan 2020 to 2024, based on a range of assumptions to deal with the financial challenges ahead and to ensure financial sustainability.

There are risks around future funding, these include actual levels of government section 31 grants the local government finance settlement and collection rates for council tax and national non-domestic rates.

For 2021-22 the provisional local government finance settlement due to be announced in December is assumed to be flat and, based on a “roll forward” settlement plus zero inflation.

Business and council tax collections have been impacted as a result of the Covid 19 pandemic. This budget has been prepared on the latest information from the Districts, however, there remains a risk that business and council tax collections are impacted further by the Covid 19 pandemic.

The rate of growth in the council tax base has historically been 1.5%, this may need to be reconsidered for financial planning purposes once the impact of Covid becomes clearer.

Section 31 Grants total £6.3m and are allocated on an annual basis. We expect the Government to continue to fund existing grants on a flat cash basis in 2021-22, but this has not yet been confirmed.

FINANCIAL COMMENTARY

4. ECFRS is making good progress on delivering against the Fire and Rescue Plan priorities and in acknowledgement of the considerable work still to do, has set the following as the improvement and investment priorities for 2021-20:
 - a. Fire protection
 - b. Operational training
 - c. On call firefighters
 - d. ICT transformation
 - e. Learning and Development.

The following sections provide the analysis of the key income and expenditure headings for the Authority's budget:

a) LOCAL GOVERNMENT FINANCE SETTLEMENT

The provisional local government finance settlement for 2021-22 is expected to be announced in mid December 2020.

The basis of the provisional settlement for 2021-22 including the profile of Revenue Support Grant and National Non-Domestic Rates (NNDR) is set out in the Table 3a.

b) COUNCIL TAX

The recommended increase in the council tax precept, would have increased funding by £1.69m, of which £0.964m relates to the increase in the precept.

The increase of £1.69m is offset by the removal of £0.726m for Council tax base growth, that would have been expected without the impact of Covid 19.

In addition £0.4m has been removed from the baseline budget relating to the surplus normally experienced on the Council Tax Collection account. The details are shown in Tables 3a and 3b above.

This provision has been based on the latest information provided by the Districts.

The Authority has aligned itself with the County Council and the Essex Police and agreed with the billing authorities to share the precepting authorities' gains from resourcing a dedicated team to improve council tax collection performance.

c) SPECIFIC GOVERNMENT GRANTS INCOME

This is budgeted at £6.387m for 2021-22, comparatives against the 2020-21 forecast and budget are given in the table below.

The key variance relates to specific Covid 19 funding that was received in 2020-21.

Description	Current Budget 2020-21 £'000s	Forecast 2020-21 £'000s	Budget 2021-22 £'000s	Variance adv/(fav) from	
				2020-21 Forecast £'000s	Variance from 2020-21 Forecast %
Urban Search & Rescue	(857)	(857)	(857)	-	0.0%
Firelink	(628)	(661)	(662)	(1)	(0.2%)
Business Rates Relief Support	(1,175)	(1,340)	(1,340)	-	0.0%
Pension Top up	(3,517)	(3,517)	(3,517)	-	0.0%
Covid Support - non recurring	-	(1,220)	-	1,220	100.0%
Other	(11)	(12)	(11)	1	4.3%
Total Specific Government Grants	(6,188)	(7,606)	(6,387)	1,219	16.0%

d) OTHER OPERATIONAL INCOME

This is budgeted at £0.974m for 2021-22, comparatives against the 2020-21 forecast and budget are given in the table below.

Description	Current Budget 2020-21 £'000s	Forecast 2020-21 £'000s	Budget 2021-22 £'000s	Variance adv/(fav) from	
				2020-21 Forecast £'000s	Variance from 2020-21 Forecast %
Cycle to Work Scheme	(20)	(30)	(30)	-	0.0%
Childcare Vouchers	(69)	(38)	(65)	(27)	(71.1%)
Canteen Income	(68)	(10)	(50)	(40)	(400.0%)
Sale of Vehicle Spares	(25)	(5)	(25)	(20)	(400.0%)
Aerial Sites	(150)	(156)	(156)	-	-
Solar Panel Income	(50)	(55)	(50)	5	9.1%
Hydrant Tests	(90)	(90)	(90)	-	-
Lease Cars - Employee Contributions	-	(15)	(15)	-	-
Service Charges	(1)	(1)	(1)	-	-
Secondments	(92)	-	-	-	-
Labour Credit	(55)	(55)	(55)	-	-
Section 13/16	(45)	(104)	(45)	59	56.7%
Provision of Hire Vehicles & Equipment	(2)	(2)	(2)	-	-
Interest on short term lending	(45)	(25)	(25)	-	0.0%
Community Fire Safety	(175)	(2)	(100)	(98)	-
Shared Services Income	(371)	(380)	(182)	198	52.1%
Reimbursements from EFA(T)	(94)	(22)	-	22	100.0%
Other Miscellaneous Income	-	(2)	(84)	(82)	-
Other Operational Income	(1,351)	(992)	(974)	18	1.8%

e) EMPLOYMENT COSTS

Employment costs equate to c.77 % of the Authority's total revenue budget, with the numbers of firefighters employed being the most significant element. The budget reflects further recruitment and planned retirements of firefighters in the year.

The pay rates are based on the latest NJC settlements agreed in 2020-21.

Overall staff numbers are summarised below:

Staff Budget (Average)	2020-21 Budget	Changes	2021-22 Budget
Wholetime Firefighters	658	14	644
On-Call Firefighters	454	(2)	456
Control Staff	34	(1)	35
Support Staff-Employees	300	(2)	302
Total	1,446	9	1,437

The reduction in whole-time fire firefighters relates to the conversion of day crewed stations to on-call.

The average budgeted numbers of whole-time firefighters in 2020-21 and 2021-22 by role are set out below:

Wholetime Firefighter Budget	2020-21 Budget	Changes	2021-22 Budget
Chief, Deputy Chief and Assistant Chief			
Fire Officers (Brigade Managers)	3	0	3
Area Manager	3	0	3
Group Manager	13	1	12
Station Manager	43	1	42
Watch Manager	129	2	127
Crew Manager	80	4	76
Firefighter	387	11	376
Conversion of day crewed	0	(5)	5
Total	658	14	644

The numbers of On-Call firefighters have been budgeted on an FTE basis. The Service has established an On-Call Development Programme, sponsored by the CFO/CEO, which, along with other things, will be looking to improve the recruitment and the retention of On-Call firefighters, review their current terms and conditions and identify areas where additional support would be most effective.

The recruitment and retention of On-Call firefighters' project is a key element of the changes agreed for 2020 and through 2024. The Authority is not currently meeting recruitment and retention targets for On-Call firefighters; a reserve of £0.4m is therefore set aside for support to improve On-Call recruitment.

The on call pay budget reflects expected levels of activity and makes no allowance for any abnormal activity levels such as flooding, prolonged summer drought or strikes. An earmarked reserve of £0.6m exists should significant unforeseen activity be undertaken.

Overall support staff headcount has increased to 302 (2020-21 - 300). This includes 2 additional staff members for training projects. These posts are funded from earmarked reserves.

In addition to the numbers of staff employed, several other elements influence the overall employment costs. These are discussed in the sections below.

PENSION SCHEMES

FIREFIGHTER PENSION SCHEMES

The budget for firefighters pension costs are based on the current run rate of contribution, these average at 27.5% of pay for whole-time firefighters and 25% for On-Call firefighters.

LOCAL GOVERNMENT PENSION SCHEME (LGPS)

The budget for LGPS pensions costs is based on the current run rate of contribution, this is 18.7%.

f) NON PAY COSTS

Overall Non Pay Costs for 2021-22 are inline with the 2020-21 forecast. There are variances in the cost categories which are a result of the impacts of Covid 19.

The increase in Support Costs of 52.4%, relates to a further investment in Learning and Development and the normalisation of post Covid spending.

Some specific allowances are included within Non Pay budgets for contractual inflationary increases in business rates, utilities, and fuel. Budget holders have absorbed other inflationary pressures.

There have been budget savings of £0.556m recognised against the prior year budget.

CAPITAL BUDGET 2021-22

5. The proposed budget is set out in Table 4 above. The most significant capital projects are:
- a. £1.7m replacement of 8 fire appliances.
 - b. £1.0m redevelopment of Shoeburyness fire station, with work completing in 2022-23.
 - c. £1.0m investment in operational training facility improvement.
 - d. £1.7m for assets protection works, which includes £0.36m boiler replacements, £0.35m replacement windows and £0.27m drill tower apertures.

The affordability of the overall capital programme remains a key factor for the Authority in the next few years.

Significant projects require PFCC approval. All projects submitted will be supported by business cases and the appropriate departmental strategy where applicable.

The cash generated from the proposed income and expenditure budget is £4.9m. This will be used towards financing capital expenditure in the year.

CAPITAL RECEIPTS

6. The Authority is required to dispose of surplus assets, it is expected that as a result of the day crewed conversion project a number of houses previously required to support the day crewing system will be disposed of by 31st March 2022.

The annual property valuation listed the value for the Authority's housing stocks at £7.4m on 31st March 2020. We have currently listed for sale housing stock to the value of £2.2m.

Capital receipts will be used to fund the capital programme.

USABLE RESERVES

7. On 31 March 2020, the Authority had £22.4m of usable reserves. These is made up of:

- a. Earmarked reserves of £10.5m, these are specific reserves set aside to manage key financial risks and to provide funding for future expenditure plans.
- b. Capital receipts reserve of £8.5m, these can only be used to fund capital expenditure.
A further review is to be performed to ensure the best use of the capital receipts reserve in line with our capital programme and legislative requirements.
- c. General reserves of £3.4m. These provide a working balance to help cushion the impact of unexpected events and as a means of smoothing out large fluctuations in spending requirements and/or funding available.

An analysis of earmarked reserves is shown in the table below:

	Balance at 31 March 2020 £'000s	Balance at 31 March 2021 £'000s	Balance at 31 March 2022 £'000s	Movement 2021-22 £'000s
Earmarked Reserves				
Unspent Government Grant - Covid 19	262	0	0	0
On Call Demand Pressures	600	600	600	0
On Call - Support	400	400	400	0
Operational Training Reserve	1,000	1,000	622	(378)
Learning & Development Programme	1,400	1,400	1,100	(300)
Service Support (Spend to Save)	495	495	495	0
Spend to Save Sprinklers	600	600	600	0
Taxbase & Collection Account Reserve	200	200	200	0
National Non Domestic Rates Collection Reserve	200	200	200	0
Innovation & Transformation	4,000	4,000	4,000	0
Rolling Budgets Reserve	85	85	85	0
Business Continuity	150	150	150	0
Risk Protection	250	250	250	0
LGPS Deficit	884	884	884	0
Total	10,526	10,264	9,586	(678)

Although useable reserves were £22.4m on 31st March 2020 the cash balances of the Authority were £12.7m at that date. The main reason for this is that cash balances have been used to fund capital expenditure to reduce the borrowing costs of the Authority.

A further paper will be presented to the March 2021 Strategic Board to provide more detailed proposals for the use of reserves.

EQUALITY AND DIVERSITY IMPLICATIONS

8. Any Human Resources matters will be implemented following a review of any equality and diversity implications.

WORKFORCE ENGAGEMENT

9. Representative bodies will be involved and engaged, as part of the budget process.

LEGAL IMPLICATIONS

10. The Commissioner must agree a budget and set a precept by the end of February 2021.

HEALTH & SAFETY IMPLICATIONS

11. Any Health and Safety matters will be implemented following an appropriate review