



**Essex County Fire and Rescue Service
Medium Term Financial Strategy
2021/22 – 2024/25**

Last updated on 10 June 2021

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Background

The 2021/22 budget was approved on 4th February 2021 by the Police, Fire and Crime Panel.

This report sets out the Medium Term Financial Strategy (MTFS) for 2021/22 to 2024/25. The revenue budget funding for this period is estimated using various assumptions.

This MTFS is being set against the difficult backdrop of the CoVID 19 pandemic. This is having an adverse impact on council tax collection rates across the county.

Council tax income would normally grow year on year as a result of the increase in the Tax Base, which is usually around 1.5% and equates to £0.726m in the 2021/22.

A surplus is normally experienced on the Council Tax Collection account and has historically been budgeted at £0.4m.

In the 2021/22 budget, the billing authorities across Essex submitted council tax figures for both the tax base and collection account. These have been shared with the Authority and were used to inform the budget process.

This information resulted in making a provision for £1.126m for the impact of CoVID 19 on council tax collections, being a 0% base increase and the removal of the surplus usually expected on the Council Tax Collection.

The Government finalised the 2021/22 local government finance settlement on 10th February 2021. This was originally expected to be a 3 year settlement but given the nationwide challenges of the CoVID 19 pandemic a one year settlement was announced. The short-term nature of this settlement means that there is uncertainty and risk in the medium term over funding levels, particularly in light of the financial implications from the CoVID 19 pandemic.

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. This review will not take place in 2021 and we await further information from the Government on when this review will take place.

Previous Medium Term Financial Strategy 2020/21 to 2023/24

The previous MTFs was published in February 2020 covering a 4year period from 2020/21 to 2023/24. This showed a cumulative shortfall over the period of £12.5m, which was due to an assumption regarding a reduction in the local government finance settlement. This is summarised in Table 1 below.

Table 1 –Summary of Published MTFs in February 2020

Medium Term Financial Strategy 2020/21-2023/24					
	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Net Budget Requirement - Baseline	74.9	76.4	77.8	79.1	308.3
Total Funding	(73.2)	(73.6)	(74.2)	(74.8)	(295.8)
Annual (Shortfall)/Surplus	(1.7)	(2.8)	(3.6)	(4.3)	(12.5)

Current Medium Term Financial Strategy 2021/22 to 2024/25

This current MTFs for the period 2021/22 to 2024/25 shows a cumulative shortfall for the period of £4.0m. This is summarised in Table 2 below.

Table 2 – Current MTFs

Medium Term Financial Strategy 2021/22-2024/25						
	Unaudited 2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	4 Year Total £m
Net Budget Requirement - Baseline	73.0	74.0	76.1	77.6	79.1	306.7
Specific Costs funded by Earmarked Reserves	0.1	4.2	1.0	0.4	0.0	5.5
Total Funding	(73.9)	(72.9)	(74.7)	(76.5)	(78.5)	(302.7)
Annual (Shortfall)/Surplus - Funded From Earmarked Reserves	(0.1)	(4.2)	(1.0)	(0.4)	0.0	(5.5)
Annual (Shortfall)/Surplus - Funded From General Fund	0.8	(1.1)	(1.3)	(1.0)	(0.6)	(4.0)
Total Funding Comprises of:	Unaudited 2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	4 Year Total £m
Council Tax Precepts	47.8	47.9	49.5	51.3	53.1	201.8
National Non Domestic Rates	16.9	16.5	16.5	16.5	16.5	66.1
Revenue Support Grant	8.7	8.5	8.5	8.5	8.5	34.1
Council Tax Collection Account	0.5	0.0	0.2	0.2	0.4	0.8
Total Funding	73.9	72.9	74.7	76.5	78.5	302.7

The current assumptions are shown in Table 3 below.

Table 3 – Key Assumptions Current MTFS

	2022/23 £m	2023/24 £m	2024/25 £m
Employment Costs			
Pay increase % across all staff	2%	2%	2%
Pay increase across all staff	£1.16m	£1.18m	£1.20m
Additional 6 FTE's - Training	£0.38m	£0.39m	£0.40m
Other Costs			
Non Pay Cost Inflation %	2%	2%	2%
Non Pay Cost Inflationary Pressure	£0.35m	£0.36m	£0.37m
Funding			
Tax base growth %	1.5%	1.5%	1.5%
Tax base growth %	£0.717m	£0.743m	£0.769m
Precept increase %	1.99%	1.99%	1.99%
Precept increase	£0.966m	£1.0m	£1.036m
NNDR & Revenue Support Grant	0.0%	0.0%	0.0%

The Service is still developing its cashable savings plans that are needed to address the cumulative shortfalls identified in the current MTFS. This will form part of a new savings and efficiency board that is in the process of being created within the Service.

The main risks associated with the MTFS are:

National Pay Settlements

In 2021/22 pay costs were “paused in line with the Spending Review announcement”. Negotiations on the pay settlement will take place at the National Joint Council against the background of the Government’s pay policy statement.

For future years, the MTFS includes a rate of pay increase of 2% per annum.

Current negotiations have resulted in a national pay offer of 1.5% to Grey book staff. This is currently under consultation and would equate to an additional cost of £0.65m which would need to be funded by additional cost savings.

A national pay offer of 1.5%, which would equate to an additional cost of £0.25m and would also need to be funded from additional cost savings, has been made to Green book staff. This has subsequently been rejected by the Unions.

Firefighters Pension Schemes

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 and no provision has been made in the MTFS. There is a risk that employer pension contribution levels may change in the future once further information regarding the cost of the remedy is made available.

Funding

The local government finance settlement for 2021/22 is for a one year period.

The short-term nature of this settlement means that there is uncertainty and risk in the medium term over funding levels, particularly in light of the financial implications from the CoVID 19 pandemic.

The service has based its current MTFS on flat funding for the local government finance settlement during the period 2022/23 to 2024/25.

There are further risks around future funding in relation to Council Tax and NNDR Collections as a result of the CoVID 19 pandemic. The 2021/22 budget has been prepared with a £1.1m impact on Council Tax collections as a result of the CoVID 19 pandemic.

The MTFS is based on annual tax base growth of 1.5% per annum and a 1.99% increase in the Council Tax precept.

Section 31 Grant

The Government confirmed in the 2021/21 local government finance settlement that the Pension grant, which totals £3.5m, will be built into 2022/23 baseline funding and is included within the MTFS.

The service is in receipt of a further £2.8m Section 31 Grants which include £0.8m Urban Search and Rescue, £0.6m Firelink and £1.4m Business rates relief support. These are included within the MTFS but are allocated on an annual basis and therefore the service does not have any long term certainty.

MTFS Movements since February 20

The MTFS movements since the February 2020 publication are shown in Table 4 below.

Table 4 – Summary MTFS Movements since February 2020

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
General Fund (shortfall)/ Surplus in Feb 20 MTFS	(1.7)	(2.8)	(3.6)	(4.3)	(12.5)
Favourable / (Adverse) movement in General Fund Balance	2.5	1.7	2.3	3.3	9.9
General Fund (shortfall)/ Surplus in Apr 21 MTFS	0.9	(1.1)	(1.3)	(1.0)	(2.6)

The key movements in 2020/21 relate to:

- £1.1m in year non pay underspends
- £0.8m in year reduction in capital finance charge
- £0.3m additional in year funding (NNDR)
- £0.3m permanent non pay cost savings

The key movements in the future years MTFS are driven by a couple of changes to the assumptions made in the current MTFS, which are shown in table 5 below.

Table 5 – Changes in MTFS Assumptions

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Local Government Finance Settlement	-	1.2	2.4	3.6	7.2
Addition of 6 Trainer Roles from 2022/23	-	-	(0.4)	(0.5)	(0.9)
Impact on Change in Assumptions	0.0	1.2	2.1	3.1	6.4

The MTFS published in February 2020 included an assumption that there would be a reduction in the local government finance settlement due to the revenue support grant being phased out.

The Government has 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, along with a reduction in the revenue support grant. There is no information at this stage to indicate an impact whether there will be any overall impact on the service, and therefore the current MTFS is based upon keeping the overall local government finance settlement flat year on year.

Capital Expenditure and Financing

A summary of the latest capital programme and how it will be financed is shown in Table 6 below, along with the forecast Capital Financing Requirement (CFR).

The CFR represents capital expenditure incurred and forecast to be incurred that has not been financed from cash resources and is therefore an indicator of our underlying need to borrow to fund the investment programme.

There has been a reduction in the CFR in 2020/21 of £1.77m. Through to 2024/25, the CFR is projected to reduce by further £0.29m to £32.43m.

The current MTFS is based upon a Minimum Revenue Provision of £4.95m per year.

Table 6 – Summary Capital Programme and CFR

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Opening CFR	34.49	32.72	33.44	34.18	34.18	
Capital Expenditure						
Approved and Anticipated Capital Projects	2.76	7.13	11.42	6.05	3.20	30.56
Financing Applied						
Capital Receipts	0.00	(1.47)	(5.72)	(1.10)	0.00	(8.28)
Grants & Contributions	(0.21)	0.00	0.00	0.00	0.00	(0.21)
Revenue Fundings	0.00	0.00	0.00	0.00	0.00	0.00
	(0.21)	(1.47)	(5.72)	(1.10)	0.00	(8.50)
Minimum Revenue Provisions	(4.32)	(4.95)	(4.95)	(4.95)	(4.95)	(24.12)
Closing CFR	32.72	33.44	34.18	34.18	32.43	(2.06)

Reserves

The latest reserves forecast is shown in Table 7 below. This shows that the general fund balances will be reduced to £0.24m, 0.30% of net budget by 2024/25 under the current MTFS.

The service published a Reserves Strategy in March 2021, in which the service deems that an adequate level of general reserve is 3% of the budget. With the exception of some final movements in the outturn for 2020/21, there are no material movements from the published Reserves Strategy.

Table 7 – Reserves Forecast

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Earmarked Revenue Reserves opening balance	10.50	10.44	6.24	5.24	4.84
Transferred in / (out)	(0.06)	(4.20)	(1.00)	(0.40)	0.00
Earmarked Revenue Reserves	10.44	6.24	5.24	4.84	4.84
General Reserve opening balance	3.44	4.27	3.19	1.86	0.84
Transferred in / (out)	0.83	(1.07)	(1.33)	(1.02)	(0.61)
General Reserves	4.27	3.19	1.86	0.84	0.24
General Reserves as a % of Net Revenue Budget	5.84%	4.08%	2.41%	1.08%	0.30%
Total Revenue Reserves	14.70	9.43	7.10	5.68	5.07
Capital Reserve opening balance	8.48	9.67	14.40	8.68	7.59
Receipts in - Disposal of Assets	1.19	6.20	0.00	0.00	0.00
Transferred out - Funding of Capital Expenditure		(1.47)	(5.72)	(1.10)	0.00
Total Capital Receipt Reserves	9.67	14.40	8.68	7.59	7.59
Grand Total - Revenue and Capital Reserves	24.4	23.8	15.8	13.3	12.7

. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents – none.	
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