



**Essex Police, Fire and Crime Commissioner Fire and Rescue Authority**

**Decision Report**

<b>Report reference number:</b> 012-23
<b>Government security classification</b> Not protectively marked
<b>Title of report:</b> Medium Term Financial Strategy 2023-24
<b>Area of county / stakeholders affected:</b> Countywide
<b>Report by:</b> Austin Page (Financial Accounting and Compliance Manager)
<b>Date of report:</b> 17 April 2023
<b>Enquiries to:</b> Neil Cross (Chief Financial Officer)

**1. Purpose of the report**

The purpose of this paper is to seek the PFCC's approval of the Medium-Term Financial Strategy (MTFS) 2023-24 (attached at Appendix 1). This sets out the Authority's budget expectations over the next three years and what savings are required to support the priorities in the Fire and Rescue Plan.

It should be noted that this version of the MTFS was included in the 2023/24 precept-setting paper that was presented to the Police, Fire and Crime Panel on 7<sup>th</sup> February 2023. At the time of preparing the MTFS, no agreement had been reached with Grey Book Staff in respect of the 2022-23 pay award. The MTFS is updated quarterly via the Strategic Board, and the next update, in June 2023, will take account of the Grey Book pay award and the financial pressure this creates.

**2. Recommendations**

The Commissioner is asked to approve the Medium-Term Financial Strategy 2023-24 (Appendix 1), with the key points from the strategy being:

- The budget for 2023/24 shows a balanced budget with no use of General Reserves.
- The Council Tax precept has been increased by £4.95 (6.5%) for 2023/24, following the one-off flexibility of up to £5 announced in the finance settlement. For future years, council tax is assumed to increase by 2% per annum.

- The budget for 2023/24 funds a 5% pay award for Grey Book staff and a flat rate award of £1,925 for Green Book staff relating to 2022/23. Pay inflation of 4% is built into the MTFS for all staff in 2023/24, and then 2% thereafter.
- £1.1m of savings have been included within the 2023/24 budget.
- Total unidentified savings of £1.3m are included within the 2024/25 and 2025/26 budgets. This is primarily relating to the assumption that the Services Grant does not continue after 2023/24.

### **3. Benefits of the proposal**

The MTFS is a transparent and credible assessment of the financial resilience of the Authority. This allows management to understand the long-term implications of budget setting and decision making along with any other plans for the future.

The plan framework is underpinned by and complies with the CIPFA Financial Management Code.

### **4. Background and proposal**

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. The MTFS is a service planning and performance management framework which aims to ensure that resources are directed towards achieving delivery of the Fire and Rescue Plan.

The key assumptions that are included within the MTFS are outlined below:

#### **Funding**

**Council Tax** – The precept has been increased by £4.95 (6.5%) in 2023/24, following the one-off flexibility of up to £5 announced in the finance settlement. For future years, council tax is presumed to increase by 2% per annum. As part of the Chancellor’s Autumn Statement on 17<sup>th</sup> November 2022, the council tax referendum limits were increased to 3% to 2027/28.

Council tax income would normally grow year on year as a result of an increase in the tax base. The MTFS assumption is that the council tax base will grow by 1.2% per annum.

**Local Government Finance Settlement** – Funding has been assumed on a flat cash basis from 2024/25.

**Specific Government Grants** – These include the Pension Top Up Grant (£3.5m), Business Rates Relief Grant (£3m), Urban Search and Rescue Grant (£0.8m), Services Grant (£0.6m) and Firelink (£0.4m). As there was no further confirmation in the finance settlement that the Services Grant will continue from 2024/25, it has been removed from the MTFS. The MTFS also reflects the phasing out of the Firelink Grant. All other grants are assumed to continue on a flat cash basis.

#### **Expenditure**

**Employment costs** equate to approximately 75% of the service’s core budget, with the numbers of firefighters employed being the most significant element. The MTFS assumes an annual 2% pay award.

**Non-pay costs** are assumed to increase by 2% per annum.

The MTFS was included in the 2023/24 precept-setting paper that was presented to the Police, Fire and Crime Panel on 7<sup>th</sup> February 2023. At the time of preparing the MTFS, no agreement had been reached with Grey Book Staff in respect of the 2022-23 pay award.

The MTFS is updated quarterly via the Strategic Board.

## **5. Alternative options considered and rejected**

No alternative options have been considered.

## **6. Strategic priorities**

The MTFS supports delivery of all the priorities within the Fire and Rescue Plan and makes a particular contribution to the realisation of the priority to make best use of our resources.

The MTFS is supported by the following financial strategies, which are published on the Authority's website:

- Reserves Strategy
- Capital and Minimum Revenue Provision (MRP) Strategy
- Treasury Management Strategy

## **7. Operational implications**

No operational implications have been identified.

## **8. Financial implications**

These are covered in Section 4 above.

## **9. Legal implications**

There are no legal implications associated with this decision.

## **10. Staffing implications**

A business case for future staff investments will be prepared in 2022/23.

## **11. Equality and Diversity implications**

The service will ensure that the MTFS is managed in an equitable and fair manner which does not unduly impact on any particular group. We have considered whether individuals with protected characteristics will be disadvantaged as a consequence of the actions being taken. Due regard has also been given to whether there is impact on each of the following protected characteristics as defined within the Equality Act 2010:

Race	N	Religion or belief	N
Sex	N	Gender reassignment	N
Age	N	Pregnancy & maternity	N
Disability	N	Marriage and Civil Partnership	N
Sexual orientation	N		

The Core Code of Ethics Fire Standard has been fully considered and incorporated into the proposals outlined in this paper.

## **12. Risks**

The main risk areas associated with the MTFS are:

- **National pay settlements** – At the time of preparing the MTFs, no agreement had been reached with Grey Book Staff in respect of the 2022-23 pay award. This version includes the costs of the 5% pay offer that was made in 2022-23. As set out in section 1 above, the next update, in June 2023, will take account of the Grey Book pay award and the financial pressure this creates.
- **Industrial Action** – The FBU began a ballot on industrial action, which ran from 5<sup>th</sup> December 2022 to 23<sup>rd</sup> January 2023. This followed the rejection of a 5% pay award. This version therefore reflects the risk of the service needing to fund industrial action contingency arrangements and in turn a larger pay award.
- **Inflation** – In addition to our pay costs, there are inflationary impacts and potential supply chain issues that are impacting upon non-pay costs. Although the service is continuing to monitor its non-pay costs closely, there are risks that ongoing pressures within the supply chain could impact future pricing.
- **Firefighters Pension Schemes (funding)** - National changes in employer contribution rates for firefighters' 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, which equated to an additional cost burden to the Authority of £3.8m. The government has previously provided an annual Section 31 grant of £3.5m to cover most of the additional cost pressure. It was announced in the 2021-22 final local government finance settlement agreement that, from 2022-23, the pensions grant would be incorporated into baseline funding. This was not reflected in the 2022-23 local government finance settlement.
- **Firefighters Pension Schemes (McCloud / Sergeant judgement)** - There remains uncertainty around the financial impacts resulting from the remedies on the firefighter's pension scheme (the McCloud / Sergeant judgement), which include an increase in employer contributions. There is currently no information on what the cost of the remedy will be, and how this will be funded. The employer's contribution rates are expected to increase to take account of the cost of remedy. The next adjustment is expected 1 April 2024, in line with the latest actuarial valuation.
- **Local Government Finance Settlement** – The 2023-24 local government finance settlement is for two years. The short-term nature of this settlement means that there is uncertainty and risk in the medium term over funding levels. This uncertainty includes whether specific grant allocations (e.g. the Services Grant) will continue into 2024-25, as there was no specific mention of this. The 2023-24 local government finance settlement was finalised in February 2023.
- **Council Tax and National Non-Domestic Rate Collections** - Given the current economic pressures, there is a high risk that business rates and council tax collections will be impacted. This follows on from the Covid 19 pandemic, which impacted the collection accounts. Furthermore, if housing construction begins to slow down as a result of the current economic situation, this would impact future council tax base increases.
- **Section 31 Grants** – These grants total £8.3m and are allocated on an annual basis. The local government finance settlement has confirmed the Business Rates Relief Grant of £2.9m and the Service Grant of £0.6m. A recent letter from the Home Office has confirmed the Firelink Grant (£0.5m), and also that this is being phased out over a five-year period. All other grants are expected to continue but no formal confirmation has yet been received.

- **Capital Program** – The current economic situation will impact the Capital Program, and in particular the cost of the capital projects. It will be important to keep the Capital Program under close review to ensure its affordability. In the event that further borrowing is required, changes in interest rates could create also impact affordability.

### **13. Governance Boards**

The MTFS was presented to the following boards:

- Service Leadership Team on 28<sup>th</sup> February 2023.
- Strategic Board on 16<sup>th</sup> March 2023.

The MTFS was included in the 2023/24 precept-setting paper that was presented to the Police, Fire and Crime Panel on 7<sup>th</sup> February 2023.

### **14. Background papers**

Appendix 1 – Medium Term Financial Strategy 2023/24.


**Decision Process (012-23)**

**Step 1A - Chief Fire Officer Comments**

(The Chief Fire Officer is asked in their capacity as the Head of Paid Service to comment on the proposal.)

.....I support the recommendation.....

.....

Sign: .....  ..... Date:.....23/03/2023.....

**Step 1B – Consultation with representative bodies**

(The Chief Fire Officer is to set out the consultation that has been undertaken with the representative bodies)

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**Step 2 - Statutory Officer Review**

The report will be reviewed by the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority’s (“the Commissioner’s”) Monitoring Officer and Chief Finance Officer prior to review and sign off by the Commissioner or their Deputy.

Monitoring Officer

Sign: 

Print: P. Brent-Isherwood

Date: 26 April 2023

Chief Finance Officer

Sign: .....  .....

Print: .....Neil Cross.....

Date: ..... 23/03/2023 .....

**Step 3 - Publication**

Is the report for publication?      **YES**

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'none' if applicable)

None

If the report is not for publication, the Monitoring Officer will decide if and how the public can be informed of the decision.

**Step 4 - Redaction**

If the report is for publication, is redaction required:

- 1      Of Decision Sheet                      **NO**
- 2      Of Appendix                              **NO**

If 'YES', please provide details of required redaction:

N/A

Date redaction carried out: .....

If redaction is required, the Chief Finance Officer or the Monitoring Officer are to sign off that redaction has been completed.

Sign: .....      Print: .....

Date signed: .....

**Step 5 - Decision by the Police, Fire and Crime Commissioner or Deputy Police, Fire and Crime Commissioner**

I agree /do not agree the recommendations to this report:



Sign:                                      (PFCC)

Print: ROGER HIRST              Date signed: 28<sup>th</sup> April 2023