



Essex County Fire and Rescue Service Medium Term Financial Strategy 2023/24

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1. Background

The Medium Term Financial Strategy (MTFS) is prepared as part of the budget and precept proposal agreed by the Police, Fire and Crime Panel on 7th February 2023. Sections 2 and 3 are taken directly from that report, while sections 4, 5 and 6 supplement the MTFS in this report.

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 2020-2024.

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 2023-2024:

- **Fire protection** – In the aftermath of the Grenfell Tower tragedy, ECFRS has seen demand on legislative fire safety increase. There are 80,000 businesses in Essex, with a risk-based inspection programme covering 4000 high risk buildings. This is an additional pressure of approximately 1800 since 2010. In the last year the Service has recruited and trained new inspecting officers to allow it to meet the requirements of the risk-based inspection programme. Alongside this the Service has recruited additional resources to support the engagement and education of responsible persons. With the introduction of the Building Safety Act, the Service will become a key statutory partner to the Building Safety Regulator and will need to be able to have the resources and expertise to fulfil this new role.
- Increasing investment in **Prevention** based activities - Essex has a changing demography with the age group 70-74 being the largest growth group over the last 10 years. Analysis of fire deaths indicates that older people living alone with long term mobility issues are most at risk from fire. The fact this group has grown by 44 % over the last 10 years with further increases of 28% in the next few years, supports the Service investment to deliver more Home Safety Visits to those most vulnerable. In addition to maintaining our commitments to reduce road and water related injuries and deaths.
- **Response and Resilience** – ensuring that the Service can respond to a range of emergencies when called upon, requires the Service to actively manage the resources it has available to meet not only the day-to-day demand of incidents, but also the ability to respond to prolonged and sustained periods of high demand as was seen in the summer of 2022. To achieve this, the Service is investing in new technology in the form of a new Mobilising and Command system alongside an improved availability monitoring system will allow for improvements in speed and agility alongside more flexible use of Service resources. In support of this work and to support Control colleagues being able to access continual professional development, the Service is seeking to enhance resilience in Fire Control through an additional operator being placed on each watch.
- **Succession is a growing demand** - Resourcing this demand is key. The current economic situation alongside planned retirements create a pressure on the Service to be able to recruit ahead of time, and then have sufficient time to develop the skills of new staff to replace those that have been lost. Recruitment is a significant pressure in terms of cost and time.

The skills and risk critical specialisms of our senior emergency responders can take years to train for and can be costly to develop. As those officers may apply to any other Service's in the Country, we need to work hard to be an employer of choice to attract and retain in this field.

The Service has piloted the use of On Call Liaison Officers (OCLO's) to assist in supporting the recruitment and retention of on call colleagues and it is the Service intention to substantiate these five posts in the establishment for 2023-24. In addition, the recruitment and retention of On Call firefighters are a particular challenge to the Service. The Service has been successful in recruiting over 170 on call fire fighters since 2019, however as it can take up to three years to fully train a firefighter, investment in additional training is critical.

This creates a cost implication to increase time and training available to these staff or face the risk of fire engines not being available, currently at an additional pressure of £0.5m per annum. To assist in the support of staff to obtain and maintain operational competence additional resources are being secured in the form of Breathing apparatus and driving instructors.

- **Inclusive and high performing workplace** - Supporting the leaders of today and developing the leaders of tomorrow by investing in a Learning and Development service-wide programme to support staff in their current and any future roles as part of our workforce planning remains an important priority for the Service. In the last year the Service has been awarded bronze status as an inclusive employer, building upon this foundation and investing in both our workplaces and our people aligned to our dignity at work and health and safety policies is fundamental. The Service has investment priorities in both estates and people development to enable this ambition to be achieved. This investment is crucial to remaining an employer of choice.
- **Capability & Capacity for the future** – Investment in our property portfolio to ensure that it is fit for purpose and able to meet the support and wellbeing needs of our workforce. The investment in the BA Chamber refurbishments across our key stations will complete in the year. The Service is looking to make an investment in Fire Training Facilities at its headquarters in Kelvedon Park which will deliver crucial safety critical, specialist training.

The Service will continue the delivery of its Digital and Data Strategy. This investment in systems and hardware will improve productivity and connectivity.

2. Medium Term Financial Strategy

The Medium Term Finance Strategy (MTFS) was presented at the 14 January 2023 Strategic Board following the publication of the draft Local Government Finance Settlement which was on 19 December 2022.

The latest MTFS was included as part of the 2023-24 Precept Proposal Paper that was presented to the Police, Fire and Crime Panel on 7th February 2023.

This reflected the information announced in the draft Local Government Finance Settlement.

The latest MTFS is shown in the table below and is compared to the MTFS presented at the December 2022 Strategic Board.

MTFS as at December 2022 Strategic Board

Actuals			Medium Term Financial Strategy 2022/23-2025/26				
2019/20 £m	2020/21 £m	2021/22** £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
78.0	82.1	81.8	89.5	91.0	93.0	94.8	368.3
			Net Expenditure before Savings & Efficiencies				
	(1.2)	(0.6)	(2.4)	(1.1)			(3.5)
		(1.2)	(1.8)	(4.2)	(5.3)	(5.3)	(16.6)
			Unidentified Savings & Efficiencies				
	(1.2)	(1.8)	(4.2)	(5.3)	(5.3)	(5.3)	(20.1)
78.0	80.9	80.0	85.3	85.7	87.7	89.5	348.2
			Net Expenditure after Savings & Efficiencies				
0.0	0.1	1.7	2.0	1.8	1.0	0.2	5.0
			Specific Costs funded by Earmarked Reserves				
(77.9)	(81.7)	(80.5)	(84.0)	(82.9)	(85.1)	(86.8)	(338.8)
			Core Funding				
0.1	(0.7)	1.2	3.3	4.6	3.6	2.9	14.4
			Total Annual Shortfall/(Surplus)				
0.0	(0.1)	(1.7)	(2.0)	(2.2)	(1.0)	(0.2)	(5.4)
			Annual (Shortfall)/Surplus - Funded From Earmarked Reserves				
0.1	0.8	0.5	(1.3)	(2.4)	(2.6)	(2.7)	(9.0)
			Annual (Shortfall)/Surplus - Funded From General Fund				

MTFS as at January 2023 Extraordinary Strategic Board

Actuals			Medium Term Financial Strategy 2022/23-2025/26				
2019/20 £m	2020/21 £m	2021/22** £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
0.0	1.2	81.8	89.5	93.7	95.4	97.2	375.8
			Net Expenditure before Savings & Efficiencies				
	(1.2)	(0.6)	(2.4)	(1.1)			(3.5)
		(1.2)	(1.8)	(4.2)	(5.3)	(5.3)	(16.6)
			Cumulative Identified Savings & Efficiencies				
					(0.6)	(0.7)	(1.3)
			Unidentified Savings & Efficiencies				
	(1.2)	(1.8)	(4.2)	(5.3)	(5.9)	(6.0)	(21.4)
0.0	0.0	80.0	85.3	88.4	89.5	91.2	354.4
			Net Expenditure after Savings & Efficiencies				
0.0	0.1	1.7	2.0	1.6	1.0	0.4	4.9
			Specific Costs funded by Earmarked Reserves				
0.0	0.0	(80.5)	(84.0)	(88.4)	(89.5)	(91.2)	(353.1)
			Core Funding				
0.0	0.1	1.2	3.3	1.6	1.0	0.3	6.2
			Total Annual Shortfall/(Surplus)				
0.0	(0.1)	(1.7)	(2.0)	(1.6)	(1.0)	(0.4)	(4.9)
			Annual (Shortfall)/Surplus - Funded From Earmarked Reserves				
0.0	0.8	0.5	(1.3)	(0.0)	0.0	0.0	(1.3)
			Annual (Shortfall)/Surplus - Funded From General Fund				

The key movements in 2023-24 MTFS since December 2022 are:

- £5.3m increase in funding following the announcement of the provisional local government finance settlement on 19th December 2022, which includes:
- £2.3m increase in council tax funding resulting from the precept flexibility increasing to £5.
- £1.5m increase in the Settlement Funding Assessment which includes an inflationary increase in the Revenue Support Grant £0.9m and an increase in the Baseline NNDR Funding £0.6m
- £0.9m increase in the S31 Business Rates Support Grant as compensation for freezing the business rates multiplier.
- £0.6m Inclusion of the Services grant.

- (£1.9m) Additional Pay Pressures resulting from a change in the 2023-24 pay award assumption to 4% and the creation of a local cost of living allowance.
- (£0.8m) Investment in additional roles which include On Call Liaison Offices, BA and Driving Trainers, Support for the Resource Management Unit and Resilience in the Performance and Data Team as detailed in section 6 of this report.

Savings

£1.1m of core revenue budget savings have been identified for 2023-24 which are:

- £0.5m Pay Costs which consists of £0.2m reduction in secondary contracts, £0.15m On Call Conversion and £0.1m due to a reduction in Pension Costs.
- £0.6m Non-Pay Costs - due to a reduction of £0.4m in the minimum revenue provision and a further £0.2m, a result of an increase in Interest Receivable due to more effective Treasury Management and an improvement in market rates.
- The savings that have arisen as result of the reduction in employers' national insurance contributions have not been included within this schedule, as this was funded from the Services Grant which has been reduced as a result of this.

3. Risks

The main risk areas associated with the MTFS are:

- **National Pay Settlements** – There has been no agreement reached with Grey Book Staff in respect of the 2022-23 pay award. This budget includes the costs of the 5% pay offer that was made in 2022-23. If a final agreement is made that is above the 5% offer previously made, then this would create an unfunded year on year financial pressure.
- **Industrial Action** – The FBU began a ballot on industrial action, which will run from 5th December 2022 to 23 January 2023. This follows the rejection of a 5% pay award. It is therefore a risk that the Service may need 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 provided annual S31 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)** - There remains uncertainty around the financial impacts resulting around the remedies on the firefighter's pension scheme (McCloud/Sergeant, which includes 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 also includes whether specific grant allocations (e.g. Services Grant) will continue into 2024-25, as there was no specific mention of this. The 2023-24 local government finance settlement is expected to be finalised in February 23.
- **Council Tax and National Non-Domestic Rate Collections** - Given the current economic pressures, there is a high risk that Business and Council tax collections will be impacted. This follows on from the Covid 19 pandemic which impacted the Collection Accounts. Furthermore, if the housing construction beings to slowdown 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 provisional 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 that the Firelink Grant (£0.5m) and also that this is being phased out over a 5 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 the interest rates could create also impact affordability.

4. Assumptions and Sensitivity Analysis

The Key Assumptions that are included within the MTFS are outlined below:

Funding

Council Tax – The percept has been increased by £4.95 (6.5%) in 2023/24, which following the one off flexibility of up to £5 announced in the finance settlement. For future years, council tax is increased by 2% per annum.

As part of the Chancellor's Autumn Statement on 17th November 22, 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.

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 Service Grant will continue from 2024/25, it has been removed from the MTFS. The MTFS also reflects that the Firelink Grant is being phased out over a 5 year period.

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 Assumption.

Non Pay Costs are assumed to increase by 2% per annum.

The Table below details some of the key sensitivities within the MTFS:

Funding Category	Impact of a 1% Change
Council Tax Precept	£0.5m
Council Tax Base	£0.6m
Revenue Support Grant	£0.1m
National Non-Domestic Rates	£0.2m

Expenditure Category	Impact of a 1% Change
Grey Book Pay Award	£0.5m
Green Book Pay Award	£0.2m
Total Pay Award	£0.7m
Non-Pay Costs	£0.2m

Capital

The revenue impact of the capital programme is charge to the Core revenue budget through the minimum revenue provision. The Minimum Revenue Provision (MRP) is currently set at £4.2m.

The MRP is modelled and projected in the Capital Strategy, which will also takes account of the funding measures for the Capital Programme, which includes the effective use of Reserves.

5. Governance

The Medium Term Financial Strategy is regularly projected through the year and reported through the quarterly Strategic Board. This ensures that the Service continues to have good oversight of and understanding of its financial position. This also means that any financial gaps can be promptly identified. These gaps are then reviewed by the newly established Productivity and Efficiency Group, which are used to target future savings.

6. Related Strategies

The Medium term Financial Strategy sits alongside the following Service Strategies:

- Capital Strategy and MRP Policy
- Reserves Strategy
- Treasury Management Strategy