



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

Update June 2023

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1. Background

The 2023/24 budget has been set during a challenging economic landscape, where the current rate of inflation (CPI) in the UK reached 10.5%. The latest quarterly Bank of England Monetary Policy Report was published on 2nd February 2023. [Monetary Policy Report - February 2023 | Bank of England](#).

It is anticipated that UK inflation will fall sharply in the year. However, the labour market remains tight and domestic price and wage pressures have been stronger than expected, suggesting risks of greater persistence in underlying inflation. The UK inflation target remains at 2%.

The Authority produced a balanced budget for 2023/24, which includes the following the following pay assumptions:

- 5% Pay Award for 2022/23 for Operational Staff.
- 4% Pay Award for 2023/24 for all staff.
- £0.4m was allocated for the creation of a local cost of living allowance (subject to affordability of the pay award settlements).

At the time of finalising the 2023/24 budget, no agreement had been reached at the National Joint Council (NJC) on the 2022/23 pay award for Operational Staff. If agreements were made in excess of this amount would create financial pressures on the Authority. The 2022/23 pay award for Non Operational Staff (Green Book) was accepted in November 2022.

On 6 March 2023, the NJC reached agreement on the pay award for the Operational Staff which was for a:

- 7% pay award for 2022/23 (backdated to 1st July 22)
- 5% pay award for 2023/24.

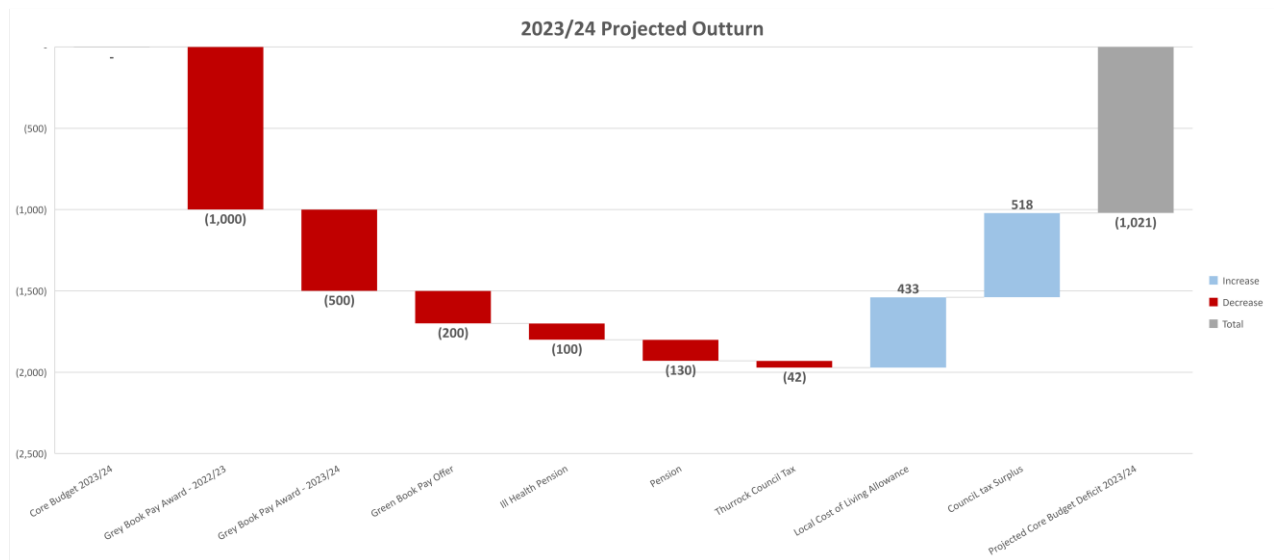
On 23 February 2023, the NJC made a pay offer to Non Operational Staff (Green Book) of:

- £1,925 (pro rata for part-time employees) on NJC Scale pay points 2 to 43 inclusive.
- An increase of 3.88% per cent on NJC Scale pay points above 43.

This pay offer has been rejected by the 3 Unions (Unison, GMB and Unite). Unison will ballot members for Industrial Action in May 23. The GMB and Unite members will be consulted on the basis of a recommendation that the offer be rejected. Depending upon the outcome, this could lead to lead to a ballot for industrial action by these Unions.

2. Current Year Projection

The current 2023/24 outturn is shown in the waterfall chart below.



The latest projection for 2023/24 shows a financial deficit of £1.0m.

The key financial movements are:

- (£1.0m) Cost Pressure relating to the final 2022/23 Pay Award for Operational Staff
- (£0.5m) Cost Pressure relating to the final 2023/24 Pay Award for Operational Staff
- (£0.2m) Cost Pressure relating to the 2023/24 Pay Offer that was rejected for Non-Operational Staff
- £0.5m Additional Council Tax Receipts (Prior Year Collection Account)
- £0.4m Re-allocation of Cost of Living Allowance to fund Pay Award pressure

3. Non Pay Analysis & Cashable Savings

Non Pay Costs are reviewed at the Productivity & Efficiency Board, as well as part of reviews with specific budget holders.

The Authority's Core Non Pay Budget for 2023/24 is £23.7m. The table below shows all Non Pay Budget lines over £200,000, which make total £19.9m (84% of the Total Non Pay Core Budget). The table below reflects that:

- £17.6m (74.05%) of our Total Non Pay costs there is limited ability to influence
- £2.3m (10%) of our Total Non Pay costs are more directly controllable.

Non Pay Costs > £200,000	£	% of of Non Pay Total Non Pay Core Budget	Non Controllable	Limited Control	Partial Control
Statutory Provision for Capital Financing	4,200,000	17.66%	3,800,000	400,000	
F P S Injury Payments	2,060,000	8.66%	2,060,000		
IT Maintenance and Contracts	1,736,893	7.30%	1,736,893		
IT Communications	1,565,029	6.58%	1,565,029		
Rates	1,556,900	6.55%	1,556,900		
Interest: Long Term	1,129,050	4.75%	1,129,050		
Electricity	879,000	3.70%		879,000	
Managed Personal Protective Equipment	780,000	3.28%	780,000		
Other Local Authority Services	630,348	2.65%	630,348		
Building Maintenance	630,000	2.65%			630,000
Gas	541,790	2.28%		541,790	
Petrol and Diesel	500,000	2.10%		500,000	
Building Cleaning	470,004	1.98%			470,004
Vehicle Spares	450,000	1.89%		450,000	
Planned Works	429,996	1.81%			429,996
Risk Protection - EL PL Property etc	403,827	1.70%	403,827		
Operational Equipment, Support	349,500	1.47%			349,500
Home Safety	285,000	1.20%		285,000	
Consultancy Fees	268,004	1.13%			268,004
Occupational Health	235,550	0.99%	235,550		
OPFCC Governance Costs	232,000	0.98%	232,000		
Departmental requested training	231,500	0.97%			231,500
Mileage Costs	226,400	0.95%		226,400	
Section 13/16	200,000	0.84%		200,000	
Total	19,990,791		14,129,597	3,482,190	2,379,004
% of Non Pay core Budget 2023/24	84.05%		59.41%	14.64%	10.00%

The current financial position has been discussed at the Productivity and Efficiency Board, and £0.42m of areas of potential cashable savings have been identified which are shown in the table below. This would reduce the financial deficit to £0.6m

Department	Director	Description	2023/24 Budget £	Targeted Cashable Saving £	Detail
Property	Corporate Services	Cleaning Tender	470,000	50,000	Currently out for tender as part of NFCC Collaborative Procurement. Revisions made to current cleaning specification. This also includes On Call Stations. Contract Delivery in Sept 23.
Property	Corporate Services	Utilities Management	879,000	50,000	
Property	Corporate Services	Ambulance Response Posts	-	20,000	Recharge Eeast for 10 station response posts. (3 Ready Apr 23 & 7 remaining part of year).
Property	Corporate Services	Canteen	-	50,000	Increase pricing of catering (Internal & External Service).
Finance	Chief Financial Officer	Interest Received	150,000	250,000	Additional Income targeted as a result of investing in line with Treasury Management Strategy and with the improvement in interest rates.
			Total	420,000	

In addition, there will be a review of the utilisation of Additional Shift Working across our Whole-Time Duty system. The aim of this review is to look at more efficient ways of moving our staff across the service, by providing greater scrutiny and central oversight of all staff movements.

4. Medium Term Financial Strategy

The tables below shows the changes in Core Budget in each financial year up to 2026/27, along with a breakdown of Core funding sources.

The assumptions in this projection are in line with the MTFS approved at the March 2023 Strategic Board and incorporates the potential savings identified in Section 2 being included within the 2023/24 Core Budget.

Key Movement in Core Budget	Published Budget 2023/24 £m	MTFS 2024/25 £m	MTFS 2025/26 £m	MTFS 2026/27 £m	Assumption
Core Budget From Prior Year	82.16	88.40	91.11	93.08	
Pay Inflation and Cost Pressures	4.94	2.63	1.51	1.41	2% Annual Pay Inflation. 2024/25 includes 2023/24 Pay Pressure outlined in Section 2
Non Pay Inflation and Cost Pressures	1.10	0.44	0.45	0.45	2% Non Pay Inflation
New Investment and Service Demands	1.30	0.00	0.00	0.00	
Additional Pressures	0.00	0.06	0.00	0.00	
Core Budget plus Growth	89.50	91.53	93.08	94.94	
Cashable Efficiencies (Savings)	(1.10)	(0.42)	0.00	0.00	
2023/24 Net Budget Requirement	88.40	91.11	93.08	94.94	
Total Funding Summary	Published Budget 2023/24 £m	MTFS 2024/25 £m	MTFS 2025/26 £m	MTFS 2026/27 £m	Comment
Revenue Support Grants	9.67	9.67	9.67	9.67	Flat Cash
National Non Domestic Rates	17.13	17.14	17.14	17.14	Flat Cash
Local Government Funding Settlement	26.80	26.81	26.81	26.81	
Council Tax Precept	53.26	54.93	56.65	58.41	2% Council Tax Precept Per Annum & 1.1% Annual Growth in Council Tax Base
Total General Funding	80.06	81.74	83.45	85.22	
Government Grants	8.34	7.64	7.54	7.44	24/25 - remove £0.6m Remove Service Grant £0.1m in Firelink Grant
Total Funding	88.40	89.38	91.00	92.66	
Unidentified Cashable Efficiencies (Savings)	0.00	- 1.73	- 2.08	- 2.28	
Net Budget Position (surplus) / deficit	0.00	0.00	0.00	0.00	

An alternative projection is shown below, which has the following assumption changes:

- Council Tax Precept – An increase in the Council Tax Precept to 3% in line with the Statutory referendum limits announced within the 2022 Chancellors Autumn Statement. The increase to 3% has been included in 2024/25 and 2025/26 and then reverts back to 2% in 2026/27.
- Revenue Support Grant – This includes an annual 2% inflationary increase.
- Government Grants
 - A 2% annual inflationary increase in the S31 Business Rates Relief Grant.
 - The service grant of £0.6m remains in place for 2024/25 (in line with the existing Local Government Finance Settlement Agreement) and then is removed from 2025/26.

Key Movement in Core Budget	Published Budget 2023/24 £m	MTFS 2024/25 £m	MTFS 2025/26 £m	MTFS 2026/27 £m	Assumption
Core Budget From Prior Year	82.16	88.40	91.20	93.44	
Pay Inflation and Cost Pressures	4.94	2.63	1.81	1.43	2% Annual Pay Inflation. 2024/25 includes 2023/24 Pay Pressure outlined in Section 7
Non Pay Inflation and Cost Pressures	1.10	0.43	0.44	0.44	2% Non Pay Inflation
New Investment and Service Demands	1.30	0.00	0.00	0.00	
Additional Pressures	0.00	0.16	0.00	0.00	ICT Systems
Core Budget plus Growth	89.50	91.62	93.44	95.31	
Cashable Efficiencies (Savings)	(1.10)	(0.42)	0.00	0.00	
2023/24 Net Budget Requirement	88.40	91.20	93.44	95.31	
Total Funding Summary	Published Budget 2023/24 £m	MTFS 2024/25 £m	MTFS 2025/26 £m	MTFS 2026/27 £m	Comment
Revenue Support Grants	9.67	9.86	10.06	10.26	2% Increase per annum
National Non Domestic Rates	17.13	17.14	17.14	17.14	Flat Cash Basis
Local Government Funding Settlement	26.80	27.00	27.20	27.40	
Council Tax Precept	53.26	55.47	57.76	59.56	3% Council Tax Precept in 2024/25 and 25/26 2% in 26/27 1.1% Annual Growth in Council Tax Base
Total General Funding	80.06	82.47	84.96	86.96	
Government Grants	8.34	8.54	8.14	8.34	24/25 - 2% per annum increase in Business Rates Relief per annum 25/26 Remove £0.6m Service Grant
Total Funding	88.40	91.01	93.10	95.31	
Unidentified Cashable Efficiencies (Savings)	0.00	- 0.18	- 0.34	- 0.00	
Net Budget Position (surplus) / deficit	0.00	0.00	0.00	0.00	

5. Other Risks

The main risk areas associated with the MTFs are:

- **National Pay Settlements** – There has been no agreement reached with Green Book Staff in respect of the 2023/24 pay award. Any pay settlement agreed in excess of the offer made (as Outlined in Section 1), would result in an additional unfunded year on year financial pressure. From 2024/25 if any national pay settlement is reached in excess of 2%, then this would create an unfunded year on year financial pressure.
- **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.
- **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 begins to slowdown as a result of the current economic situation, this would impact future council tax base increases.
- **Section 31 Grants** – These Grants are allocated on an annual basis and there is currently no longer term commitments that have been given on the continuation of such grants.
- **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.