



Essex County
Fire & Rescue Service

Strategic Assessment of Risk

Economic Risk

About

The UK economic environment remains uncertain and challenging. Within the wider economic context, the long-term impacts of the COVID-19 pandemic and EU Exit are yet to be fully realised. These are coupled with the short-term impacts of the current instability of the market and increase in inflation leading to higher living costs.

Within this chapter of the Strategic Assessment of Risk, the following areas will be considered:

- National Economic Context
- Local Economic Context
- Essex County Fire & Rescue Service Financial Model

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NATIONAL ECONOMIC CONTEXT

The current economic landscape is challenging, with a rate of inflation in the UK of 10.5%. The quarterly Bank of England Monetary Policy Report, published on 3rd November 2022 ([Monetary Policy Report - November 2022 | Bank of England](#)) sets out the economic analysis and inflation projections that the Monetary Policy Committee uses to make its interest rate decisions. The key points from the report are:

- The UK inflation target remains at 2%
- It is a very challenging time for the UK economy, which is expected to remain in recession for some time.
- Consumer Prices Index inflation is expected to remain elevated over 10% in the near term. From Mid-2023 inflation is expected to fall sharply.
- The interest rate has been increased in order to help inflation return to the 2% target. This has increased by 0.75% to 3%.

GOVERNMENT GRANTS INCOME

The total income from government grants is budgeted at £8.3m for 2023-2024. This is broken down in part into a Business Rates Relief grant of £2.9m, the Services Grant of £0.6m and the Firelink Grant of £0.5m.

The Business Rate Relief Support grant for 2023-2024 is a £1.5m increase on the previous year which is a result of the government compensating the Service for freezing the business rate multiplier.

The Services Grant was created in 2022-2023 to compensate for the increase in National Insurance Contributions, however as this has now ceased the grant allocation for 2023-2024 will be a reduction of £0.5m on the previous year. Despite a 2 year local government finance settlement, there has not been any confirmation that the Service Grant will continue into 2023-2024.

The Home Office has confirmed that the Firelink Grant will be phased out over a 5 year period, but all other grants are expected to continue although no formal confirmation has yet been received.

PENSION SCHEMES

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 Service of £3.8m.

The government has provided annual Section 31 grants of £3.5m to cover most of the additional cost pressure. It was announced that the pensions grant would be incorporated into baseline funding from 2022-2023 however this has not been reflected in the local government finance settlement.

The Service budget for firefighters' pension costs is based on the current rates of contribution which average at 27.20% for whole time roles and 25.5% for on call roles.

There is a continuing deficit in the Local Government Pension Scheme and throughout the last 3 years annual lump sum payment has been made of approximately £0.38m which has been funded from the Service Reserves. The Service has been advised and has budgeted to include an ongoing annual lump sum payment of £0.4m into the Local Government Pension Scheme.

In addition, the Local Government Pension Scheme contribution rate has also been increased to 20.6% from 18.94% in the previous year. This increase creates a financial pressure of £0.2m.

There remains uncertainty around the financial impacts resulting around the remedies on the firefighters' pension scheme, which includes an increase in Employer Contributions. The next adjustment is expected 1st April 2024, in line with the latest actuarial valuation.

FUTURE PAY AWARDS

The 2023-24 precept proposal and budget was approved in February 2023. The budget prepared was a balanced (with no use of general reserves).

A Summary of the key movements in the 2023/24 Core Budget are shown in the table below.

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	£m
Opening Budget (carried forward from 2022/23)	82.16
2023/24 Base Budget	82.16
Pay Inflation and Cost Pressures	4.96
Non Pay Inflation and Cost Pressures	1.10
New Investment and Service Demands	1.30
2023/24 Base Budget plus Growth	89.52
Cashable Efficiencies (Savings)	(1.10)
2023/24 Net Budget Requirement	88.42

Figure 1

Pay pressures in Essex for 2023/24 are estimated to be £5.0m, which primarily relate to:

- £1.9m of pay pressure from 2022/23 from unbudgeted pay awards. This includes an assumption of a 5% pay award for Operational Staff.
- £2.7m of pay pressure in 2023/24 based on a 4% pay award for all staff. This also includes £0.4m for the creation of a local cost of living allowance for all staff (subject to affordability following the announcements of national pay settlements).
- £0.4m relating to additional pension charges as a result of the deficit in the LGPS pension scheme.

Since the budget was approved in March 2023, a pay settlement was agreed with grey book staff. The settlement was for a 7% pay award for 2022/23 (backdated to 1st July 22) and 5% for 2023/24.

This will result in a pay pressure of £1.0m pay pressure in 2023/24. At the time of writing no pay award for 2023/24 has been agreed with Green Book Staff. A flat rate of £1,925 was made in February 2023, which would result in a further £0.2m pay pressure.

In 2022/ 2023 pay costs for all staff were budgeted on a 2% increase. In the fire sector pay is determined through negotiations with the National Joint Council.

There will be a £2m financial deficit in 2022/23 which will be funded from General Reserves, which is primarily driven by the unbudgeted pay awards.

NON PAY COSTS

Non pay costs are also exposed to inflationary pressures, and there have been significant increases in utilities and fuel, which have created an additional pressure of £0.7m in 2023/24.

The Non Pay Budget for 2023/24 is £23.78m which is an increase of £0.61m on the previous year. The key movements are:

- £1.0m increases in premises and equipment costs. This is driven by an increase in the costs of Gas and Electricity and an increase in ICT Costs.
- £0.45m reduction in the Financing items. This is a result of a saving in the Capital Finance Charge, as a result of a more effective use of the Authorities capital receipts reserve and a tightening on the capital programme.

There are risks that ongoing pressures within the supply chain could impact future pricing. This could also significantly impact the affordability of the Capital Programme.

LOCAL ECONOMIC CONTEXT

The current cost of living crisis is impacting us all.

The current economic conditions have also created uncertainty on council tax and non-national domestic rate collections within 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 Service and have been used to inform the budget process.

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

LOCAL GOVERNMENT FINANCE SETTLEMENT

On 19 December 2022, the provisional local government finance settlement was published by the Department of Levelling up, Housing and Communities (DLUHC) for 2023/24 and 2024/25. The statement confirmed that for 2023/24:

- The Council Tax Referendum Principle for standalone Fire and Rescue Authorities (FRAs) will be £5.
- The Revenue Support Grant will increase by the September 2022 CPI measure of inflation, which is an increase of 10.1%. This resulted in a £0.98m increase for the Service.
- The Services Grant that was created in 2022/23 would continue into 2023/24, however this will be reduced from £1.1m to £0.6m. Part of the Services Grant was to originally compensate Authorities for a proposed increase in National Insurance Contributions in 2022/23 and the as this is no longer going ahead, the level of the Service Grant has been reduced. No confirmation has been given for the continuation of this Grant into 2024/25.

The 2023-2024 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 funding levels. This uncertainty also includes whether specific grant allocations will continue into 2024-2025.

The 2023-2024 local government finance settlement was finalised in February 2023.

COUNCIL TAX AND BUSINESS RATES COLLECTION

The Commissioner's Precept Survey was live between 17th October 2022 and 1st December 2022. A total of 2,349 residents responded to the questions relating to the Fire and Rescue Precept. Of those who responded and gave a view, 71% were prepared to pay an increase of £5 or more to ensure the Service can manage its Cost Increases, continue its improvement work and to maintain the level of service.

45% of respondents were prepared to pay an increase of £7.50 which would allow the Service to continue to invest more in its improvement programme.

The budget for 2023-2024 includes an increase in the precept of £4.95 (6.57%) for a Band D property. The precept payable for a Band D Council tax property will increase from £75.33 to £80.28. This generates additional council tax funding of £3.96m which comprises of £3.23m from additional council tax receipts resulting from the precept increase and £0.72m from an increase in the council tax base which has increased by 1.3% on the previous year. The Service has aligned itself with the County Council and agreed with the billing authorities to share the precepting authorities' gains from resourcing a dedicated team to improve council tax collection performance.

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 slow down as a result of the current economic situation, this would impact future council tax base increases.

ESSEX COUNTY FIRE & RESCUE SERVICE FINANCIAL MODEL

PRODUCTIVITY AND EFFICIENCY BOARD

The Service has created a Productivity and Efficiency Board which has an objective to monitor, review and challenge key budget areas to support the development of a balanced budget.

The board will track the value of benefits realised from the Services Transformational Programme

The Service will be profile savings from our transformational plans alongside identifying additional in year savings. This will inform the Medium Term Financial Strategy.

Since 2020, the Service has driven savings of £3.9m and a further £1.1m has been identified in the 2023-2024 budget.

ESSEX COUNTY FIRE & RESCUE SERVICE FUNDING PRIORITIES

Essex County Fire & Rescue Service 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 areas for 2023-2024.

These investment areas have been agreed by the Service Leadership Team and direct budget holders working alongside finance business partners to determine the staffing and resource requirements for 2023-2024.

FIRE PROTECTION

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. 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.

PREVENTION

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

The Service is required 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.

WORKFORCE

The Service aims to support the leaders of today and develop 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.

In the last year the Service has been awarded bronze status as an inclusive employer, building upon this foundation is crucial to remaining an employer of choice.

Employment Costs equate to approximately 75% of the Service's core 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 proposed budget shows the following increases as aligned to the different employee groups:

- £2.0m for whole time roles;

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- £1.3m for on call roles;
- £0.3m for control room roles;
- £2.1m for support staff roles.

These costs are offset in part by savings of £0.5m against the whole time roles and £0.3m against the support staff roles. These savings have been made through day crew conversions, pension costs, secondary contracts, overtime and the reduction in employers National Insurance costs.

There continues to be alignment between the whole time firefighter headcount budget for 2023-2024 and the agreement around crewing levels in the Dispute Resolution Agreement (2017) with the Fire Brigade Union.

The proposed budget also shows the allocation of earmarked reserves for use in 2023-2024 in relation to workforce development:

- £0.45m for the final year of Transitional Support on the day crew station conversions.
- £0.15m investment in continued Learning and Development.

SUCCESSION

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. The skills and risk critical specialisms of our senior emergency responders can take years to train for and can be costly to develop.

The Service has piloted the use of On Call Liaison Officers 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 2023-2024. 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.

The current cost implication of ensuring a robust succession process is £0.5m per annum.

WORKPLACE

Investment in our property portfolio to ensure that it is fit for purpose includes an investment in the Breathing Apparatus Chamber refurbishments across our key stations which will be completed this 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.

The proposed budget shows the allocation of capital funds for these investment projects:

- £1.0m in asset protection, including whole time station modernisation works and essential maintenance of the estate.
- £0.8m in the Breathing Apparatus Chamber refurbishments.
- £0.7m in a new Control Room System, with a total capital cost of £1.9m across two years.
- £0.5m in Fire Training Facilities with a total projected capital cost of £10m across three years.
- £0.5m in collaborative fleet workshops with Essex Police with a total capital cost of £5m over three years.

The proposed budget also shows the allocation of earmarked reserves planned to be utilised in 2023-2024 for workplace projects:

- £0.5m investment in ICT modernisation projects.
- £0.1m in consultancy costs for Property transformation projects.
- £0.15m digital upgrade to the Service's OCAT suite.

REFERENCES

Essex County Fire & Rescue Service Final Budget Paper 2023-2024