



Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

Decision Report

Report reference number: 004-24

Government security classification Not protectively marked

Title of report: ECFRS Budget 2024/25

Area of county / stakeholders affected: Service wide

Report by: Neil Cross, Chief Financial Officer

Date of report: 15 March 2024

Enquiries to: Neil Cross, Chief Financial Officer

1. Purpose of the report

The purpose of this report is to seek formal approval from the Police, Fire and Crime Commissioner of the 2024/25 Budget for the Essex County Fire and Rescue Service (ECFRS).

2. Recommendations

Approval is sought for the Essex County Fire and Rescue Service budget for 2024-25, with the key points being:

- The Authority is setting a balanced budget for 2024-25.
- Total funding is increasing by £5.2m, with the key movements being:
 - The PFCC's decision to increase the fire and rescue precept by 2.91%, equivalent to an increase of £2.34 a year, from £80.28 to £82.62 for a Band D property, raising an additional £1.5m of council tax receipts. This was approved by the Essex Police, Fire and Crime Panel at its meeting on 1st February 2024. A further £0.9m will be collected in council tax collections which results from an increase in the council tax base and as a result of a collection account surplus resulting from the prior year.

- An inflationary increase of £0.65m being applied to the Revenue Support Grant.
- The Pension Grant of £3.51m being rolled into the Revenue Support Grant. This was previously included as a Section 31 Grant and was classified within Government Grants. This was rolled into the Revenue Support Grant after inflation has been applied (i.e. no inflationary increase was applied to the pension grant within 2024-25). This will be subject to any such inflationary increases in future years.
- An increase in the Baseline National Non-Domestic Rates (NNDR) funding of £0.78m, resulting in the Baseline Funding level being set at £17.9m in 2024-25.
- A £1.1m increase as result of the government compensating the service for freezing the business rate multiplier.
- A reduction in the Services Grant of £0.5m. The Services Grant was originally created in 2022-23 (£1.1m) and was reduced to £0.7m in 2023-24.
- A funding guarantee grant of £0.6m being awarded for 2024-25. This is awarded to Authorities to ensure at least a 3% increase in Core Spending Power (before any council tax precept or reserve decisions).
- There are £4.0m of pay pressures which are driven by:
 - £3.4m pay pressures which are a result of the impact of the unbudgeted pay award from 2023-24 and a 3% pay affordability for 2024-25.
 - £0.6m on call pay pressure which relates to an investment in additional training and the response model.
- There are £1.18m of core non-pay pressures which are primarily driven by:
 - £0.7m increase in premises and equipment costs, mainly driven by increases in ICT and facility management costs.
 - £0.26m increase in other costs and services, driven by contractual pressures in External Audit, insurance and consultancy costs.
 - £0.2m increase in support costs driven by an investment in operational training.
- £0.8m of core revenue budget savings have been identified in 2024-25.

3. Benefits of the 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 under the vision that “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 and the investment articulated in the Medium-Term Financial Strategy.

ECFRS is making good progress on delivering against the Fire and Rescue Plan priorities and associated improvement activities within the IRMP, both of which are in the final year and work has already begun on identification of the improvement and investment areas for 2025-2029. Within the context of closing out the activity required to make the improvements detailed in our current plans, the service is focussed upon the following priority improvement and investment areas for 2024-25:

The service has, over the past three years, invested heavily in the resources, skills and competencies required to ensure it can meet increases in demand on legislative fire safety. **The service has made a commitment to embed the investment made in Fire Protection** to ensure it has sufficient resources to meet the needs of the Risk Based Inspection Programme, support business and take proportionate enforcement action where required.

The service continues to increase **the amount of prevention activity** it undertakes, specifically the number of home safety checks it delivers to the most vulnerable by operational crews. This activity is likely to increase over the course of 2024-25 in response to the risk within the county.

To 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. This has resulted in the **service making better use of the resources it has at its disposal on a risk basis**. This movement of appliances has an increased cost to the service.

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. The service is required as part of its Workforce Succession Plan to **recruit around 150 firefighters** in the next year. Recruitment is a significant pressure in terms of cost and time. The skills and risk critical specialisms of our emergency responders can take years to train for and can be costly to develop. As those officers may apply to any other services in the country, we need to work hard to be an employer of choice to attract and retain in this field.

Capability and 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 Authority is looking to make an investment in Fire Training Facilities at its headquarters at Kelvedon Park which will deliver crucial safety critical, specialist training. This is expected to progress to full business case within 2024-25. The Authority has also updated its Capital Plan to reflect its share of the investment it will be making in the creation of a new joint fleet workshop in Boreham with Essex Police. Both organisations currently have separate workshops which are deteriorating and in need of significant investment. This is expected to progress within 2024-25.

Changes to the firefighters' pension scheme are resulting in a growing demand for the service to respond to and deal with changes in legislation. This is resulting in the need to invest in another role within our pensions team.

The service will **continue the delivery of its Digital and Data Strategy**. This investment in systems and hardware will improve productivity and connectivity. There are some cost pressures arising within the year which resulted from this transformation program, which relate to additional licensing and costs associated with using modern technology. This includes the rollout of a new workforce management system and a new financial system.

Following implementation of the new control system which went live in 2023-24, an additional capital investment of £0.95m will form part of the control room phase 2 project. This will see the replacement of critical station end equipment, ensuring that the 999 mobilising infrastructure is

modern and able to deliver the increasing data requirements and security protection against cyber-attacks.

4. Background and proposal

Following on from the Covid 19 pandemic, the Authority is under financial pressure as a result of the current economic and cost of living pressures. The budget is being set when there has been a continued period of high inflation in the UK and challenging financial environment.

The Authority produced a balanced budget for 2023-24, which included funding the following pay costs:

- 5% pay award for operational staff for 2022-23.
- £1,925 Scale Point Award for non-operational staff for 2022-23.
- 4% pay award for 2023-24 for all staff.

Within the 2023-24 financial year, the Authority has been faced with a £1.2m pressure on its pay budget, which is a result of the final agreed pay awards for both its operational and non-operational staff.

The following operational pay award agreement was reached on 6th March 2023:

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

The following pay agreement was reached on 1 November 2023 for non-operational staff:

- £1,925 (pro rata for part-time employees) on NJC Scale pay points 2 to 43 inclusive (backdated to 1st April 2023)
- An increase of 3.88% per cent on NJC Scale pay points above 43.

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.

On 18 December 2023, the Government announced the provisional local government finance settlement for 2024-25. The headlines from this announcement were:

- Fire and Rescue Authorities will be able to increase council tax bills by up to 3% without the need to hold a referendum for 2024-25.
- The Settlement Funding Assessment will be £31.75m for 2024-25 (compared with £26.81m for 2023-24). This increase of £4.94m is primarily a result of:
 - An increase of £4.16m in the Revenue Support Grant resulting from:
 - An inflationary increase being applied to the Revenue Support Grant which amounted to £0.65m.
 - The Pension Grant of £3.51m being rolled into the Revenue Support Grant. This was previously included as a Section 31 Grant and was classified within Government Grants. This was rolled into the Revenue Support Grant after inflation has been applied (i.e. no inflationary increase was applied to the pension grant within 2024-25). This will be subject to any such inflationary increases in future years.
 - An increase in the Baseline National Non-Domestic Rates (NNDR) funding of £0.78m, resulting in the Baseline Funding level being set at £17.9m in 2024-25.

- A reduction in the Services Grant of £0.5m. The Services Grant was originally created in 2022-23 (£1.1m) and was reduced to £0.7m in 2023-24.
- A funding guarantee grant of £0.6m awarded for 2024-25. This is awarded to Authorities to ensure at least a 3% increase in Core Spending Power (before any council tax precept or reserve decisions).

The Section 151 Officer has considered the robustness of the estimates within the budget and the adequacy of the reserves allowed for in the budget proposal. When considering the adequacy of reserves the following have been considered:

- Estimates and the level and timing of capital receipts
- Treatment of demand led pressures and savings
- Track record on budget management
- Capacity to manage any in year budget pressures
- Adequacy of insurance arrangements
- The level of reserves

5. Alternative options considered and rejected

Various budget scenarios have been considered throughout the budget setting process. These have been communicated and presented at the Strategic Board on 8th June 2023, 13th September 2023 and 13th December 2023. The budgets have evolved accordingly as more information has come to light.

6. Strategic priorities

The budget is set in line with the objectives included within the Fire and Rescue Plan 2019-2024.

7. Operational implications

The budget process has involved the Service Leadership Team and direct budget holders working alongside Finance Business Partners to determine the staffing and resource requirements for 2024-25.

8. Financial implications

The Authority has set a balanced budget for 2024-25.

The analysis of the key income and expenditure headings for the Authority's budget are laid out within the precept setting paper for 2024-25 appended to this report. This paper also shows the Capital Programme and expected use of reserves.

9. Legal implications

There is a legal requirement for the Commissioner to set a balanced budget by 1st March for the following year.

10. Staffing implications

Staffing and resource requirements for 2024-25 have been considered whilst setting the budget.

11. Equality and Diversity implications

The actions being taken will not have a disproportionate impact on individuals with protected characteristics (as defined within the Equality Act 2010), when compared to all other individuals, and will not disadvantage people with protected characteristics.

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 budget are:

- **National pay settlements** - Pay costs for 2024-25 are budgeted based on a 3% pay award. Negotiations on the pay settlement will take place at the National Joint Council (NJC) and will take place after the approval of the 2024-25 budget. Any agreements made in excess of this amount would create unfunded year on year pressures. A 1% increase in the pay award would create a £0.7m unfunded pressure.
- **Inflation** – In addition to our pay costs, there are inflationary impacts and 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** - 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 an annual Section 31 grant of £3.5m to cover most of the additional cost pressure and, from 2024-25, this has been rolled into baseline funding through the Revenue Support Grant.

There remains uncertainty around the financial impacts resulting around the remedies on the firefighters' pension schemes arising from the McCloud / Sergeant judgement, 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 on 1 April 2024, in line with the latest actuarial valuation. No details have yet been provided as to what the increase in employer's contributions will be, but it is expected that the increase will be fully funded through an additional grant.

- **Local Government Finance Settlement** – The latest finance settlement covers 2024-25. The short-term nature of this settlement means that there is uncertainty and risk in the medium term over funding levels. Under this settlement, Fire and Rescue Authorities are able to increase council tax by up to 3%. This is lower than the previous year, where precept flexibility of up to £5 (equivalent to 6.23% in 2024-25) was allowed.

The Authority had considered making additional investments in service improvement if £5 precept flexibility was awarded in 2024-25. Given the precept flexibility in this settlement, some of these investments have not been included within the final budget due to affordability. Such investments included in ICT and recruitment resilience. The service has also had to take additional measures which include re-phasing the use of capital receipts from its existing plan, to utilise these in 2024-25.

- **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 also impacted the

collection accounts. Furthermore, if housing construction beings 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 £6.1m and are allocated on an annual basis. The local government finance settlement has confirmed £4.7m of this funding which relates to the Business Rates Relief Grant, the Services Grant and the Funding Guarantee. The Firelink Grant will reduce to £0.29m. A letter from the Home Office in 2022-23 confirmed that this is being phased out by 2026-27. This is being phased out by an equal instalment each year.

There is an annual grant of £0.8m to fund the Urban Search and Rescue capability. The service has received confirmation in 2023-24 that funding will continue for financial year 2024-25. A further decision around the continuation of funding will be made in 2024-25 which is also expected to include a decision on the funding of the capital refresh associated with USAR assets.

All other grants are expected to continue but no formal confirmation has yet been received.

- **Capital Programme** – 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 interest rates could create also impact affordability.

13. Governance Boards

Extraordinary Strategic Board on 17th January 2024.

Essex Police, Fire and Crime Panel on 1st February 2024.

14. Background papers


Appendix 1 – 2024-25 Proposed Fire and Rescue Precept – Report to the Essex Police, Fire and Crime Panel (1st February 2024)

Decision Process

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:.....15/03/2024

Step 1B – Consultation with representative bodies

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

.....N/A.....

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: 21 March 2024

Chief Finance Officer
...

Sign: 

Print: Neil Cross

Date: 15/03/2024

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 the recommendations to this report:

Sign:  PFCC

Print: Roger Hirst Date signed: 22/03/2024

I