



Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

Decision Report

Report reference number: 006-24 Government security classification Not protectively marked
Title of report: Medium Term Financial Strategy 2024/25
Area of county / stakeholders affected: Countywide
Report by: Neil Cross (Chief Financial Officer) Date of report: 12 March 2024 Enquiries to: Neil Cross (Chief Financial Officer)

1. Purpose of the report

The purpose of this paper is to approve the attached Medium Term Financial Strategy (MTFS) 2024/25. This sets out the Authority's budget expectations from 2024/25 to 2028/29 and what savings are required to support the priorities in the Fire and Rescue Plan.

2. Recommendations

The Commissioner is asked to approve the Medium-Term Financial Strategy 2024-25 (Appendix 1), with the key points from the strategy being:

- The budget for 2024/25 shows a balanced budget with no use of General Reserves.
- The Council Tax precept for 2024/25 has been increased by £2.34 for a Band D property (2.91%) in 2024/25. The council tax precept is increased by 3% in 2025/26 and then 2% per annum thereafter.
- This budget for 2024/25 is based on a 3% pay award for all staff. Annual pay inflation of 2% is assumed each year thereafter.
- Both the Funding Guarantee and the Services Grant, which total £0.7m, are one off in 2024/25, and have not been included within any of the future years funding.
- £0.8m of savings have been included within the 2024/25 budget.
- Total unidentified savings of £2.2m are included within 2025/26 and 2028/29.

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 budgetary decision making along with any other plans for the future.

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

4. Background and proposal

ECFRS is making good progress on delivering against the Fire and Rescue Plan priorities and associated improvement activities within the Integrated Risk Management Plan (IRMP). Both of these are in the final year and work has already begun on identification of the improvement and investment areas for 2025-2029.

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 £2.34 for a Band D property (2.91%) in 2024/25. The council tax precept is increased by 3% in 2025/26 and then 2% per annum thereafter. 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 1.0% per annum, which is based on the 2024/25 estimate provided by the local districts.

Local Government Finance Settlement – A 2% annual inflationary increase has been applied to the Revenue Support Grant from 2025/26. The Pension Grant (£3.5m) was previously included as a Section 31 Grant but, as part of the 2024/25 local government finance settlement, this was rolled into baseline funding under the Revenue Support Grant. No inflationary increase was applied to the Pension Grant in 2024/25 however, by being included in the Revenue Support Grant, this will be subject to any such inflationary increases in future years. The 2% annual inflationary increase has therefore been applied to this from 2025/26.

Specific Government Grants – The specific government grants in 2024/25 total £6.1m, which is primarily made up of the Business Rates Relief Grant and compensation from the multiplier freeze (£4m), the Urban Search and Rescue Grant (£0.8m), the Funding Guarantee (£0.6m) and Firelink (£0.3m), the Protection Uplift Grant (£0.2m) and the Services Grant (£0.1m). The current MTFS is prepared on the basis that both the Funding Guarantee and the Services Grant, which total £0.7m, are one off in 2024/25, and these will not continue beyond this timeline. The Firelink grant is also phased out of the MTFS by 2026/27, which is in line with the notification given by the Home Office in 2022-23.

All other grants which are included in the MTFS have been included on a flat cash basis. If the specific grants for Urban Search and Rescue and Protection Uplift (totalling £1m) were to cease, the Authority would need to review its capability / resources in the areas to which this grant funding was specifically assigned to ensure there was no financial impact on the service.

Expenditure

Employment Costs equate to approximately 75% of the service's core budget, with the number of firefighters employed being the most significant element. A 3% pay assumption for all staff is included within 2024/25. A 2% pay assumption is included within the MTFS, which is based on the current government inflationary target.

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

5. Alternative options considered and rejected

Various MTFS scenarios have been considered throughout the 2024/25 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 MTFS has evolved accordingly as more information has come to light.

6. Strategic priorities

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

- Reserves Strategy
- Capital and 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 arising from this decision.

10. Staffing implications

Staffing and resource requirements for 2024-25 have been considered whilst setting the 2024/25 budget and the Medium-Term Financial Strategy.

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** – 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.

- **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 firefighter's pension scheme arising from 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 on 1 April 2024, in line with the latest actuarial valuation. No details have yet been provided about 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.
- **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 begins to slow down as a result of the current economic situation, this would impact future council tax base increases. Regular communications and meetings are held with the district authorities so, should any key collections issues arise, the Authority is informed early of such events.
- **Section 31 Grants** – The Funding Guarantee and Services Grant totalling £0.7m, which were announced in the latest finance settlement, have been treated as one off income for 2024/25 and have been removed from future years within the MTFs. In addition, the Firelink Grant has been phased out in line with the 2022/23 Home Office communication.

All other grants that are included in the MTFs have been included on a flat cash basis. If the specific grants for Urban Search and Rescue and Protection Uplift (totalling £1m) were to be cease, then the Authority will need to review its capability / resources in the areas which this grant funding was specifically assigned to, to ensure that there was no financial impact on the service.

- **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 also impact affordability.

- **Exceptional Costs Incurred** - The Authority maintains an adequate level of general reserves to meet an exceptional one-off cost. The Authority also has some Earmarked Reserves available that relate to contingencies, which are outlined in the Reserves Strategy. In the event that any unexpected exceptional costs arise, such reserves may be needed to provide short term funding. This would also allow some time for the Productivity and Efficiency Board to determine and implement a savings plan fund, should any exceptional cost pressure be more than just a one off.

13. Governance Boards

The MTFS was presented to the following boards:

- Service Leadership Team on 16th February 2024.
- Strategic Board on 6th March 2024.

The MTFS was also included in the 2024/25 precept setting paper that was presented to the Police, Fire and Crime Panel on 1 February 2024.

14. Background papers

Appendix 1 – Medium Term Financial Strategy 2024/25

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