



Essex County
Fire & Rescue Service

Medium Term Financial Plan

2020 - 2024





Overview

Context

Economic Backdrop

Funding

Efficiency Targets

Capital Investment

Use of Reserves

How We Spend Your Money

Context

Our Medium Term Financial Plan (MTFP) is set in the context of three key areas, namely:

- **The funding of pay inflation**
- **Reduction in the Local Government Finance Settlement**
- **Impact of the Comprehensive Spending Review**

And the two beliefs, that we should:

- **Work as a value-for-money organisation**
- **Demonstrate our efficiency and effectiveness**

Our financial challenge across the next four years is clear:

Inflation pressures are placed on us to the value of circa £5.5m

Our budgets are likely to increase by circa £1.2m

Our efficiency savings need to address a gap of circa £4.3m

Balance the budget with no use of reserves by 2021/22

This Medium Term Financial Plan seeks to address these challenges. An overview of our approach can be seen in the infographic on the following spread.

Economic Backdrop

Over the last year there has been continued volatility, not only in relation to the Authority's own budgetary position, but also in the wider economy. Political uncertainty leaves a hard-to-factor context to all planning; it seems prudent to plan for the climate we know and to build in resilience to weather future instability. The figures in this document are based upon the best information available at the time of publication.

The current rate of inflation is just under 2% which has had a knock-on effect in terms of expectations around pay awards for both uniformed and non-uniformed staff.

Essex County Fire and Rescue Service (ECFRS) is in receipt of a number of grants, there is uncertainty about the future availability of these income streams.

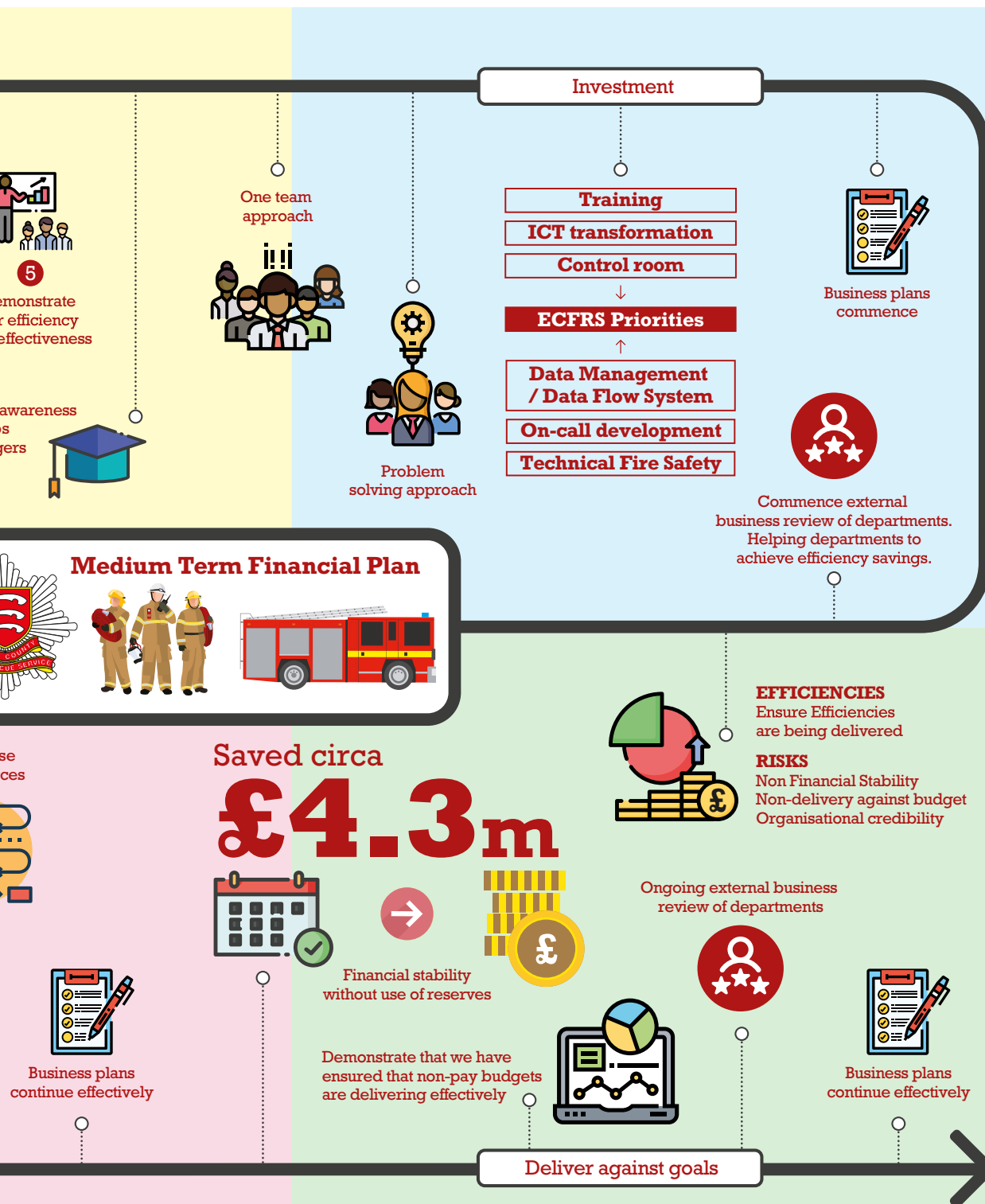
We anticipate, for at least for one year, better funding from Local Government Finance Settlement. These figures can be seen in the Funding section.

Post Grenfell Inquiry, there is an anticipated financial impact due to expected changes in the legislative landscape resulting in an increased demand upon resourcing, training, and technical fire safety activity. The Local Government Association (LGA) and National Fire Chiefs Council (NFCC) anticipate new burdens around this area of Fire and Rescue Service delivery.



Overview of the ECFRS MTFP Approach







Funding

Improvements in efficiency and low net recruitment meant that the financial out-turn for 2018-19 was c.£2m better than the planned budget. We have factored these cost savings into the future model, building cost savings already made into the projections and reducing the future savings requirement to £4,335k, or c.6% of the overall budget.

Future levels of local government finance settlements from 2021-22, are assumed at a reduction of 5% each financial year from 2021-22 to 2023-24.

Our funding settlement will be for one year only in 2020-21, the details of the local government funding settlement for 2020-21 are expected to be announced by Government in December.

From 2020-21 the Government is expected to announce 2% as the threshold for the increase in Council Tax that will require a referendum. The Home Office is encouraging lobbying for increased precept flexibility for Fire Authorities. This MTFP assumes an annual precept rise of 2%. The council tax base of the Authority remains strong with continued growth of 1.5% per annum assumed.

As part of the 2016, pension valuation Her Majesty's Treasury announced public sector pension valuations direction that substantially increased employer contribution rates from 2019-20. This affects all firefighters pension schemes. For 2019-20, the government has funded c. 91% of the additional cost to the Authority by way of a section 31 grant of £3.516k. This grant is assumed to continue on a flat-cash basis until 2023-24.

ECFRS is currently in receipt of a number of additional section 31 grants, these total £2,660k and include:

- **USAR (£857k) - set to March 2020**
- **FireLink (£628k)**
- **Business Rates Relief (£1,175k)**

FireLink figures may change because of the new Emergency Services Mobile Communications Programme (ESMCP) arrangements, which will allow us to deliver a much better voice and data service to the Emergency Services.

The Business Rates Relief (BRR) grant may be incorporated into the new business rates system.



£114

**The annual cost of
Essex Fire and Rescue Service
to an average 'Band D' household**

Summary Revenue Budget Estimates

| All figures are £000's | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Employment Costs | 56,299 | 57,830 | 58,987 | 60,167 | 61,280 |
| Total Non-pay Costs | 24,803 | 24,697 | 25,142 | 25,513 | 25,877 |
| Gross Expenditure | 81,102 | 82,528 | 84,129 | 85,680 | 87,157 |
| Operational Income | (7,305) | (7,555) | (7,706) | (7,860) | (8,016) |
| Net Expenditure | 73,797 | 74,973 | 76,423 | 77,820 | 79,140 |
| Revenue Support Grant | 8,337 | 8,470 | 6,962 | 5,515 | 4,103 |
| National Non-Domestic Rates | 16,196 | 16,514 | 16,778 | 17,047 | 17,320 |
| Council Tax Collection Amount | 643 | 400 | 400 | 400 | 400 |
| Council Tax Precepts | 46,233 | 47,851 | 49,526 | 51,259 | 53,053 |
| Funding | 71,409 | 73,235 | 73,666 | 74,221 | 74,876 |
| Contribution (to) or from Reserves | 2,388 | 1,618 | (29) | (24) | (92) |
| Total Resources | 73,797 | 74,853 | 73,637 | 74,198 | 74,785 |
| Savings Required | | 120 | 2,666 | 836 | 733 |
| Cumulative Savings Required | | 120 | 2,787 | 3,623 | 4,355 |

Analysis of Additional Council Tax

| All figures are £000's | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|------------------------------|--------------|--------------|--------------|--------------|
| Council Tax Base Growth | 683 | 718 | 743 | 769 |
| Council Tax Precept Increase | 935 | 957 | 990 | 1,025 |
| Council Tax Increase | 1,618 | 1,675 | 1,733 | 1,794 |



Efficiency Targets

In short, the budget pressures exceed the increases in funding; the requirement to balance the budget without use of reserves leaves a deficit of £4.3m, to recover over a period of four years.

Our Efficiency Target sets out how savings will be achieved by 2023/24. The challenge is not insignificant, and yet we step into the next financial year with quiet confidence, in full recognition of what is ahead. ECFRS has a good track record of achieving its operational goals below budget, and in the past has delivered in-year savings which have been transferred to reserves. The Key Financial Controls Audit over the last eight years gives us substantial assurance in this regard.

The total budget pressures across four years are predominantly linked to pay inflation and annual inflation. We are also forecasting an increased spend in on-call activity to support our day-crewed conversion project. In addition to the efficiency savings set out in this MTFP, we are asking budget holders to achieve 10% efficiency savings in their non-pay budgets, starting from September 2019.

We have in place a transformation team, with the capability and capacity to lead change as required. Major investment projects, already underway include:

ICT transformation;

training;

control room;

data management;

on-call development;

technical fire safety;

all of which contribute cost benefits.

Arriving at the Efficiency Requirement Figure

| All figures in £000's | 2020/21 | 2021/22 | 2022/23 | 2023/24 | TOTAL |
|--------------------------------|---------|---------|---------|---------|---------|
| Total cost pressures | 1,509 | 1,450 | 1,397 | 1,320 | 5,677 |
| (increase)/decrease in funding | (1,389) | 1,216 | (561) | (587) | (1,321) |
| Savings required | 120 | 2,666 | 836 | 733 | 4,355 |



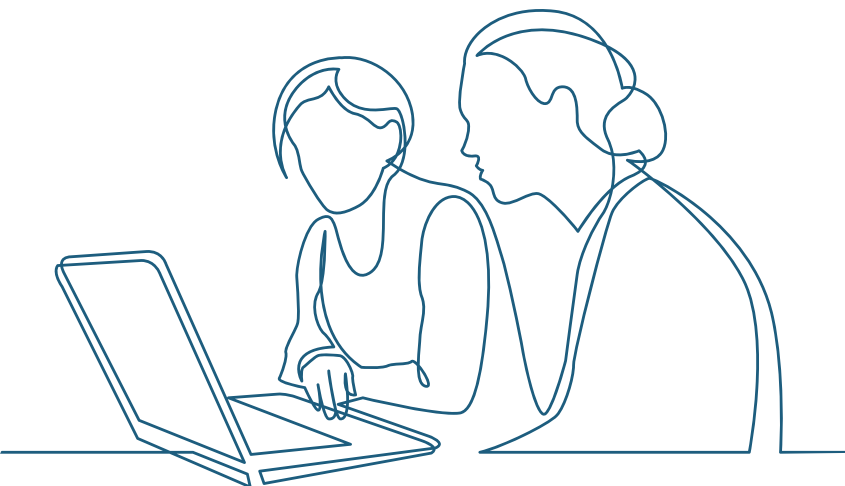


Capital Investment

The Capital Programme is being developed in line with the proposals detailed in the Fire and Rescue Plan and new IRMP, to support and maintain the key assets and infrastructure across the organisation.

Capital Programme Overview

| All figures in £000's | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|--------------|--------------|--------------|--------------|
| Property | 2,500 | 2,700 | 2,000 | 2,000 |
| Equipment | 364 | 183 | 22 | 937 |
| ICT Transformation (including technical fire safety) | 1,900 | 575 | 160 | 0 |
| Vehicles | 2,120 | 2,358 | 2,170 | 2,212 |
| Training | 547 | 310 | 704 | 401 |
| Total Capital Expenditure | 7,432 | 6,126 | 5,055 | 5,549 |



Use of reserves to support the revenue budget

The table below shows the current position on reserves; this will be further developed once fully-costed innovation and change proposals have been developed as part of the ongoing development of this Medium Term Financial Plan.

Earmarked Reserves Overview

| All figures in £000's | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Earmarked reserves brought forward | 5,653 | 5,516 | 3,819 | 3,819 | 3,819 |
| Transfer from General Reserve | 1,650 | 784 | 295 | 305 | |
| Total Earmarked Reserves | 7,303 | 6,300 | 4,114 | 4,124 | 3,819 |
| Total Revenue Expenditure | (1,787) | (2,481) | (295) | (305) | 0 |
| Reserves at year-end | 5,516 | 3,819 | 3,819 | 3,819 | 3,819 |

The projection for 2020/21 forecasts the use of £1,618k of reserves to balance the budget.

| All figures are £000's | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---------------|---------------|---------------|---------------|
| Contribution (to) or from Reserves | 1,618 | (29) | (24) | (92) |
| Total Funding (including reserves) | 74,853 | 73,637 | 74,198 | 74,785 |

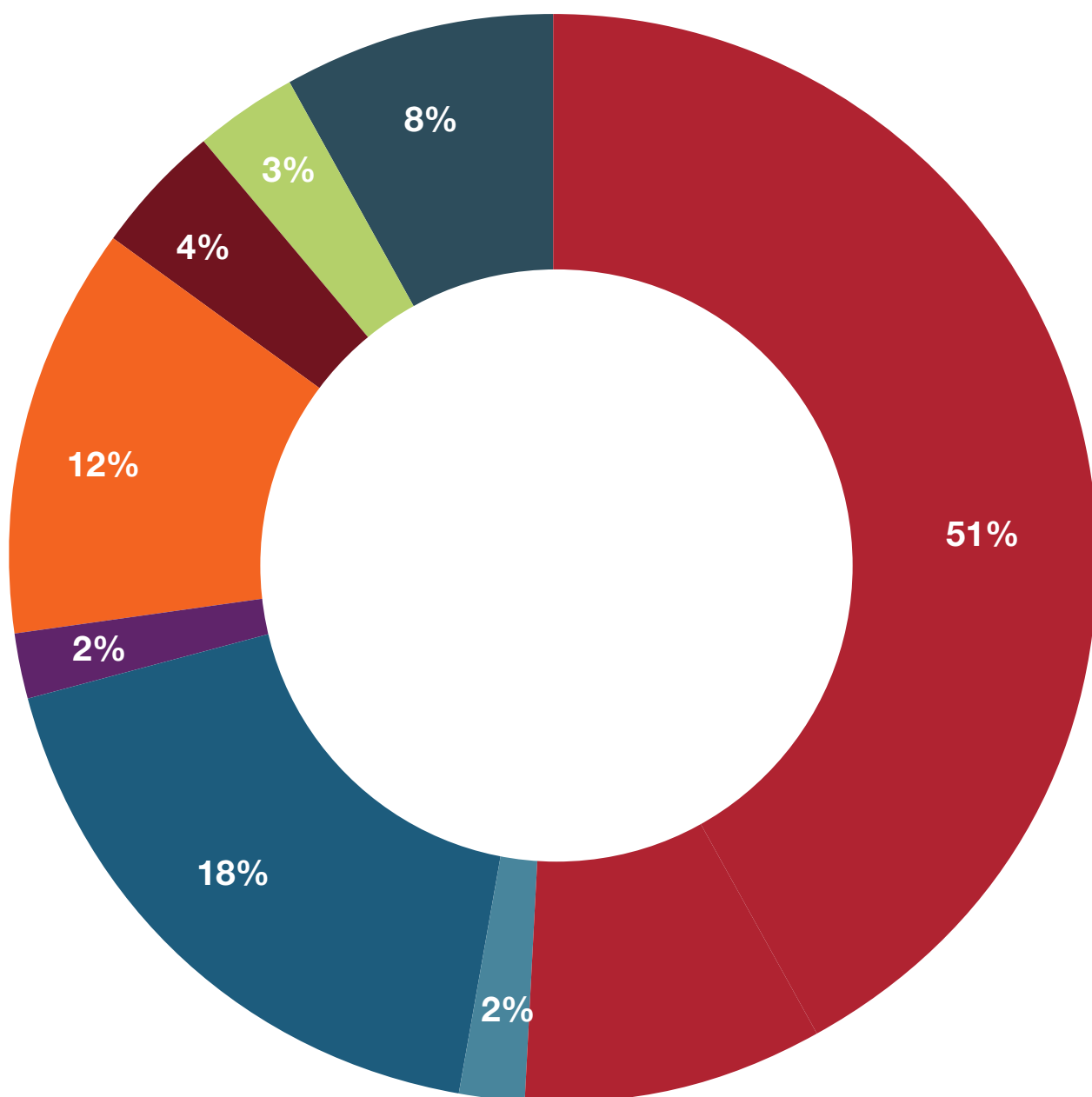


How we spend your money

The chart opposite gives an illustration of how ECFRS allocates grant and revenue funding. The figures shown are an average across the four-year forecast to the end of the financial year 2023-24, and are for illustrative purposes.

- Firefighters
- Control
- Support Staff
- Support Costs
- Premises & Equipment
- Other Services
- Pension Scheme
- Financing







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Context

The funding of pay inflation

Reduction in the Local Government
Finance Settlement

Impact of the Comprehensive
Spending Review

Work as a value-for-money
organisation

Demonstrate our efficiency and
effectiveness

Funding

Local Government Finance

Settlements reducing from 2021/22

Precept rise of 2%

Council Tax base growth 1.5%

Significant funding gap

Economic Backdrop

The current rate of inflation is just
under 2%

Uncertainty of grants

Precept increase

Post Grenfell implications

Capital Investment

In line with the IRMP and Fire and
Rescue Plan, investments in:

Property

Equipment

ICT Transformation

Vehicles

Training Infrastructure

Use of Reserves

Reserves will be used to balance
the budget in 2020/21

Aim to balance the budget without
use of reserves by 2021/22

Funding Allocation

51% Firefighters

2% Control

18% Support Staff

2% Support Costs

12% Premises & Equipment

4% Other Services

3% Pension Scheme

8% Financing

Efficiency Target

Increased funding, £1.2m over a four-year period

Inflation costs pressures £5.5m

Efficiency savings of £4.3m required

Balance the budget without use of reserves by 2021/22

Glossary

MTFP

Medium Term Financial Plan

ECFRS

Essex County Fire and Rescue Services

LGA

Local Government Association

NFCC

National Fire Chiefs Council

USAR

Urban Search and Rescue

FireLink

A new wide area radio system being introduced in England, Wales and Scotland for the fire service.

Business Rates Relief

Business Rates are charged on most non-domestic properties.



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