

<b>Report title: 2023-24 Proposed Fire and Rescue Precept</b>	
<b>Report to:</b> Essex Police, Fire and Crime Panel	
<b>Report author: Roger Hirst – Police, Fire and Crime Commissioner Fire and Rescue Authority</b>	
<b>Date: 7 February 2023</b>	<b>For: Review</b>
<b>Enquiries to:</b> Neil Cross – Chief Financial Officer	
<b>County Divisions affected:</b> All Essex	

## **1. Purpose of Report**

- 1.1 The purpose of this report is to set out the proposed budget and precept for Essex County Fire and Rescue Service for 2023-24. The budget has been set in line with the objectives included within the Fire and Rescue Plan 2019-2024.

## **2. Recommendations**

- 2.1 That the Police, Fire and Crime Panel reviews and makes a report to the Commissioner on the proposed increase in the precept of £4.95 (6.57%) for the 2023-24 financial year for a property in Band D. The precept payable for a Band D Council Tax property will increase from £75.33 to £80.28. The Panel's report may include recommendations as to the precept that should be issued for the financial year.

### 3. Context/Summary

- 3.1 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 of: “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 2023-2026.
- 3.2 ECFRS 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:
- **Fire protection** – In the aftermath of the Grenfell Tower tragedy, ECFRS has seen demand on legislative fire safety increase. There are 80,000 businesses in Essex, with a risk-based inspection programme covering 4000 high risk buildings. This is an additional pressure of approximately 1800 since 2010. 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. 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.
  - Increasing investment in **Prevention** based activities - Essex has a changing demography with the age group 70-74 being the largest growth group over the last 10 years. 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** – ensuring that the Service can 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. 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.
  - **Succession is a growing demand** - 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. Recruitment

is a significant pressure in terms of cost and time.

The skills and risk critical specialisms of our senior emergency responders can take years to train for and can be costly to develop. As those officers may apply to any other Service's in the Country, we need to work hard to be an employer of choice to attract and retain in this field.

The Service has piloted the use of On Call Liaison Officers (OCLO's) 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 2023-24. In addition, the recruitment and retention of On Call firefighters are a particular challenge to the Service. 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.

This creates a cost implication to increase time and training available to these staff or face the risk of fire engines not being available, currently at an additional pressure of £0.5m per annum. To assist in the support of staff to obtain and maintain operational competence additional resources are being secured in the form of Breathing apparatus and driving instructors.

- **Inclusive and high performing workplace** - Supporting the leaders of today and developing 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 remains an important priority for the Service. In the last year the Service has been awarded bronze status as an inclusive employer, building upon this foundation and investing in both our workplaces and our people aligned to our dignity at work and health and safety policies is fundamental. The Service has investment priorities in both estates and people development to enable this ambition to be achieved. This investment is crucial to remaining an employer of choice.
- **Capability & 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 investment in the BA Chamber refurbishments across our key stations will complete in the 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.

## Figure 1 – Funding

Core Funding	2022-23 Budget £'000s	2023-24 Budget £'000s	Variance Favourable / (Adverse)	% change
Government Grants	7,549	8,343	794	10.5%
Revenue Support Grant	8,780	9,671	891	10.1%
National Non-Domestic Rates	16,519	17,137	618	3.7%
Council Tax Precepts	49,314	53,267	3,953	8.0%
<b>Total</b>	<b>82,162</b>	<b>88,418</b>	<b>6,256</b>	<b>7.6%</b>

## Figure 2 - Reconciliation of Movement in Council Tax

Council Tax Precept	2022-23 Budget £'000s	2023-24 Budget £'000s	Variance Favourable / (Adverse)	% change
Tax Base	654,649	663,521	8,872	1.3%
Council Tax (Band D)	£75.33	£80.28	£4.95	6.2%
<b>Total Council Tax</b>	<b>£49,314,709</b>	<b>£53,267,464</b>	<b>£3,952,755</b>	<b>7.4%</b>

Tax Base Movement	
2022-23 Budgeted Tax Base	654,649
2022-23 Financial Tax Base adjustment	1,018
<b>Expected 2022-23 Tax Base</b>	<b>655,667</b>
Tax Base Growth 1.2%	7,854
<b>2023-24 Budgeted Tax Base</b>	<b>663,521</b>





3.3 The budget is being set during a challenging economic landscape, where the current rate of inflation in the UK 10.5%. The latest quarterly Bank of England Monetary Policy Report was published on 3<sup>rd</sup> November 2022 ([Monetary Policy Report - November 2022 | Bank of England](#)). The report 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 shown below:

- 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.
- CPI 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%.

3.4 In 2022-23 Pay costs were budgeted on a 2% increase. In the fire sector pay is determined through negotiations with the National Joint Council (NJC).

In November 2022, a green book staff pay offer was accepted, which has resulted in an increase of every scale point by £1,925. This has created an additional financial pressure of £0.5m in the 2023-24 budget.

In October 2022, grey book (operational) staff were offered a national pay offer of 5%. This would create an additional financial pressure of £1.2m in 2023-24, and this is included within the 2023-24 budget proposals.

The FBU Executive Council recommended that this pay offer be rejected, and following a consultative ballot with its members, this pay offer was rejected on 14th November 2022. The FBU membership voted 79% in favour of rejection of the pay award, on a ballot turnout of 78%.

The FBU began a ballot on industrial action, which will run from 5th December 2022 to 23 January 2023.

3.5 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.

3.6 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.

3.7 On 19 December 2022, the Government announced the provisional local government finance settlement agreement for 2023-24 and 2024-25. The headlines from this announcement were:

- Fire and Rescue Authorities will be able to increase council tax bills by up to £5 without the need to hold a referendum for 2023-24.

- The Services Grant that was created in 2022-23 and will continue into 2023-24 albeit it at a reduced amount. The Services Grant will reduce from £1.1m in 2022-23 to £0.6m in 2023-24. Part of the Services Grant was to originally compensate Authorities for the increase in National Insurance Contributions in 2022-23. As there is no longer an increase in National Insurance Contributions, the level of the Service Grant has been reduced.
- The Settlement Funding Assessment will be £26.8m for 2023-24 (compared with £25.29m for 2022-23). This increase of £1.50m is a result of:
  - An inflationary increase being applied to the Revenue Support Grant. This results in an increase of £0.98m, resulting in the Revenue Support Grant being £9.76m in 2023-24.
  - An increase in the Baseline National Non Domestic Rates (NNDR) funding of £0.62m, resulting in the Baseline Funding level being set at £17.1m in 2023-24.

3.8 The Service has also 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. Since 2020, the Service has driven savings of £3.9m and a further £1.1m has been identified in 2023-24 budget.

There continues to be alignment between the whole-time firefighter headcount budget for 2023-24 and the agreement around crewing levels in the Dispute Resolution Agreement (2017) with the FBU.

3.9 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 2023-24.

3.10 The main risk areas associated with the budget are:

- **National Pay Settlements** - There has been no agreement reached with Grey Book Staff in respect of the 2022-23 pay award. This budget includes the costs of the 5% pay offer that was made in 2022-23. If a final agreement is made that is above the 5% offer previously made, then this would create an unfunded year on year financial pressure.

Pay cost for 2023-24 are budgeted based on a 4% pay award. Negotiations on the pay settlement will take place at the NJC and agreements made in excess of this amount would create further unfunded year on year pressures.

Included within the 2023-24 budget is £0.4m for the creation of a local cost of living allowance. If the national pay settlements exceed the budgeted amounts, this would impact upon the affordability of being able to offer any specific local cost of living allowance.

- **Industrial Action** – The FBU began a ballot on industrial action, which will run from 5th December 2022 to 23 January 2023. This follows the rejection of a 5% pay award. It is therefore a risk that the Service may need to fund Industrial Action contingency arrangements and in turn a larger pay award.



- **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** - 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 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. In a recent Home Office communication, they have stated that *"We will be seeking to roll-in this grant to the Local Government Finance Settlement for 2023-24,"* however this was not mentioned in the Provisional Finance Settlement announced on 19 December 2022.

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.

The 2023-24 local government finance settlement is expected to be finalised in February 23.

- **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 total £8.3m and are allocated on an annual basis. The provisional local government finance settlement has confirmed the Business Rates Relief grant of £2.9m and the Service Grant of £0.6m. A recent letter from the Home Office has confirmed that the Firelink Grant (£0.5m) and also that this is being phased out over a 5 year period.

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

- **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.
- **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.

3.11 The analysis of the key income and expenditure headings for the Service's budget are:

- **Local Government Finance Settlement** - The provisional local government finance settlement for 2023-24 was announced on 19 December 2022. This amounts of the Revenue Support Grant and National Non-Domestic Rates (NNDR) set out in the settlement are set out in Figure 1.
- **Council Tax** - The Commissioner's Precept Survey was live between 17 October 22 and 1 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 who gave a view, were prepared to pay an increase of £7.50 which would allow the Service to continue to invest more in its improvement programme and improve the level of service.

The budget for 2023-24 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 £3.23mm from additional council tax receipts resulting from the precept increase and £0.72m from an increase in the council tax base.

Council tax income would normally grow year on year as a result of an increase in the tax base. The 2023-24 council tax base has increased by 1.3% as compared to the prior year budget.

After the Service's budget was submitted in 2022-23, there was an increase of 1,018 Band D Properties in the Districts estimates of the tax base for 2022-23, which ultimately did not get reflected in the 2022-23 budget. The tax base has increased by 1.2% if comparing the 2023-24 tax base to this revised 2022-23 tax base estimate. The details are shown in Figure 1 and 2.

All tax base information based on the latest information provided by the districts.

ECFRS 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.

**Specific Government Grants Income** - is budgeted at £8.3m for 2023-24. Comparatives against the 2022-23 forecast and budget are shown in Figure 5.

**Figure 5 – Summary of Specific Government Grants**

	2022-23 Budget £'000s	2022-23 Forecast £'000s	2023-24 Budget £'000s	Budget 2023-24 to Forecast 2022-23 Variance Favourable / (Adverse) £'000s	% Variance Favourable / (Adverse)
Urban Search & Rescue	857	857	857	-	-
Firelink	617	617	429	(188)	(30%)
Business Rates Relief Support	1,404	3,004	2,900	(104)	(3%)
Services Grant	1,154	1,154	640	(514)	(45%)
Pension Top up	3,517	3,517	3,517	-	-
<b>Total Specific Government Grants</b>	<b>7,549</b>	<b>9,149</b>	<b>8,343</b>	<b>(806)</b>	<b>(9%)</b>

The Services Grant that was created in 2022-23 and will continue into 2023-24 albeit it at a reduced amount. The Services Grant will reduce from £1.1m in 2022-23 to £0.6m in 2023-24. Part of the Services Grant was to originally compensate Authorities for the increase in National Insurance Contributions in 2022-23. As there is no longer an increase in National Insurance Contributions, the level of the Service Grant has been reduced.

The Business Rate Relief Support grant has been budgeted at £2.9m in 2023-24. This has increased by £1.5m from the 2022-23 budget as a result of the government compensating the Service for freezing the business rate multiplier.

Within 2022-23 the projected amount of this grant is £3.0m, which includes £0.8m of specific business rate reliefs (e.g., Hospitality) that the government have granted during the year. This will compensate the Service for a reduction in business rates collected by the districts. The 2023-24 budget does not include any such amounts, however if these specific business rate reliefs grants are given this would be offset by a reduction in funding from the collection of Baseline NNDR.

**Specific Government Grants Income** - The budget for 2023-24 is £1.6m, comparatives against the 2022-23 forecast and budget are shown in Figure 6.

**Figure 6 – Summary of Other Operational Income**

	2022-23 Budget £'000s	2022-23 Forecast £'000s	2023-24 Budget £'000s	Budget 2023-24 to Forecast 2022-23 Variance Favourable / (Adverse) £'000s	% Variance Favourable / (Adverse)
Cycle to Work Scheme	30	30	35	5	16%
Childcare Vouchers	60	37	30	(7)	(19%)
Canteen Income	64	86	78	(8)	(10%)
Sale of Vehicle Spares	25	78	90	12	16%
Aerial Sites	130	128	115	(13)	(10%)
Solar Panel Income	65	56	60	4	7%
Hydrant Tests	80	77	90	13	17%
Lease Cars - Employee Contributions	6	8	6	(2)	(21%)
Service Charges	1	1	0	(0)	(13%)
Secondments	165	275	183	(92)	(33%)
Community Safety general	78	81	78	(3)	(3%)
Labour Credit	55	118	90	(28)	(24%)
Section 13/16	60	50	60	10	20%
Provision of Hire Vehicles & Equipment	0	4	0	(4)	(100%)
Interest Received Short Term Investments	10	245	150	(95)	(39%)
Events Income	115	131	115	(16)	(12%)
Community Safety Youth Work	0	32	0	(32)	(100%)
Shared Services Income	300	313	250	(63)	(20%)
Other Miscellaneous Income	172	148	171	23	16%
<b>Total</b>	<b>1,415</b>	<b>1,897</b>	<b>1,602</b>	<b>(295)</b>	<b>(18%)</b>

3.12 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. Analysis of the Staff Establishment are shown in Figure 7. Specific analysis of the movements in Wholetime Firefighters and Green Book Staff being shown in Figure 8 and 9.

**Figure 7 – Staff Numbers**

Staff Budget (Full Time Equivalent)	2022-23 Budget	Changes in 2022-23	2023-24 Additional Roles	2023-24 Budget
Wholetime Firefighters	638	(10)	10	638
On-Call Firefighters	461	-	-	461
Control Staff	34	-	5	39
Support Staff	299	16	3	318
<b>Total</b>	<b>1,432</b>	<b>6</b>	<b>18</b>	<b>1,456</b>

**Figure 8 – Wholetime Firefighter Establishment**

Wholetime Firefighter Budget	2022-23 Budget	Changes in 2022-23	2023-24 Additional Roles	2023-24 Budget
Watch Based Wholetime	480	-	7	487
Watch Based Day Crew	3	(3)	-	-
Whole Time Protection	29	(10)	-	19
Whole Time Prevention	4	1	-	5
Whole Time Operational Training	35	2	3	40
Whole Time USAR	17	1	-	18
Whole Time Other Non Watch Based	70	(1)	-	69
<b>Total Wholetime Firefighter Budget</b>	<b>638</b>	<b>(10)</b>	<b>10</b>	<b>638</b>

**Figure 9 – Green Book Establishment**

	2022-23 Budget	Department Line Manager Changes	Changes in 2022-23	2023-24 Additional Roles	2023-24 Budget
Prevention	34	-	1	-	35
Protection	26	-	11	-	37
Operational Training	8	-	-	2	10
Learning & Development (Training)	4	-	-	-	4
Operational Policy	3	-	-	-	3
Technical Services	5	6	-	-	11
Corporate Comms	13	(1)	-	-	12
Emergency Planning	3	1	2	-	6
Human Resources	37	(3)	-	-	34
Workshops Engineering & Management	38	-	-	-	38
Property Services	13	-	(0)	-	13
Innovation & Change	14	-	-	-	14
Finance & Pay	16	1	-	-	17
Purchasing & Supply	11	(6)	-	-	5
ICT	24	-	2	-	26
Performance & Improvement	12	(3)	-	1	10
Systems & Data	-	7	-	-	7
Other Admin Support Green Book Roles	38	(2)	-	-	36
<b>Total Support Budget</b>	<b>299</b>	<b>-</b>	<b>16</b>	<b>3</b>	<b>318</b>

**Wholetime staff** - The proposed budget shows an increase of £2.0m in the Core budget compared to the prior year. This includes:

- £2.5m of pay pressures (5% pay offer made in 2022-23, 4% pay inflation for 2023-24 and the proposed local cost of living allowance).
- £0.3m in 5 additional posts for On Call Liaisons Officers. This recognises the significant contribution that the team already provides to supporting On Call. This team has previously been funded by one off sources and will now be substantiated into base budget.
- £0.2m in 3 Breathing Apparatus Trainers. This will support the training requirement of the increased number of new recruits joining the Service, as well as ensuring existing firefighters remain competent.
- £0.1m investment in 2 posts in the Resource Management Unit, to improve the planning of operational availability which will enable more efficient and proactive planning and decision making.

This is offset by savings of £0.5m relating to day crew conversions, pension costs and the reduction in employers National Insurance costs.

During 2022-23, the Service has recruited into its Protection Department. These roles had originally been budgeted in the wholetime establishment, but following its open recruitment process the roles have been filled under the Green Book Terms and Conditions. This has resulted in a reallocation of 10 Posts from the Wholetime Firefighter Establishment into the Support Staff Establishment in the 2023-24 budget. This has resulted in £0.5m of cost being transferred into the Support Staff budget.

**On Call staff** - The proposed budget shows an increase of £1.3m in the Core budget compared to the prior year. This includes 0.6m of pay pressures and £0.5m of additional training costs.

**Control staff** - The 2023-24 budget shows an increase of £0.3m in the Core budget compared to the prior year. There is an investment of £0.2m in 5 additional roles in Control to improve resilience and support the introduction of the new mobilising system that is due in 2023.

**Support staff** - The proposed budget shows an increase of £2.1m in the Core budget compared to the prior year. This includes £1.8m which relate to the following pay pressures

- £1.4m Pay pressure (impact of the approved pay in 2022-23, a 4% increase in 2023-24 and the proposed local cost of living allowance).
- £0.6m Additional Local Government Pension Scheme costs
- £0.5m 10 Protection Posts recruited (cost transferred from Wholetime staff budget)
- £0.1m investment in 2 driver training roles to ensure the Service can deliver upon the additional training needs for new drivers and to maintain the competence of existing drivers. This need is enhanced by the new Fire Standard criteria which requires additional specific training.

This cost is offset by savings of £0.3m in secondary contracts, overtime, the reduction in employers National Insurance costs.

Within Support Staff costs for 2022-23, there are an additional 2 roles that have been recruited in emergency planning and these are fully funded from Essex Resilience Forum.

There are also 2 additional roles within the ICT department, which are a result of removing higher paid open vacancies, and converting these into lower paid roles, which have had a negligible cost impact.

3.13 In addition to the numbers of staff employed, several other elements influence the overall employment costs. This includes pension costs which are mentioned below:

- **Firefighter Pension Schemes** - The budget for firefighters' pension costs is based on the current run rates of contribution. These average at 27.20% for whole-time firefighters and 25.5% for On-Call firefighters.
- **Local Government Pension Scheme (LGPS)** - There is a continuing deficit in the LGPS pension scheme and throughout the last 3 years annual lump sum payment has been made of approximately £0.38m which has been funded from Reserves.

The LGPS have advised that an annual lump sum payment is still required of £0.4m, and this has been included within the Support Staff Core Budget.

In addition, the LGPS Pension contribution rate has also been uplifted to 20.6%, an increase from 18.94% in the prior year. This increase in contribution rate has created a financial pressure of £0.2m.

**3.14 Non pay costs** – The proposed budgeted baseline non-pay costs for 2023-24 are £23.78m. The prior year budgeted baseline non pay cost budget were £23.17m, and therefore there is an increase of £0.61m. 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 (£0.7m), and an increase in ICT Costs.
- £0.45m in 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.

## 4. Medium Term Financial Strategy (MTFS)

4.1 The latest Medium Term Financial Strategy is laid out in Figure 10 and shows the key MTFS movements since that presented at the December 2022 Strategic Board.

**Figure 10 – Summary MTFS Movements since December 2022 Strategic Board**

MTFS as at December 2022 Strategic Board

Actuals			Medium Term Financial Strategy 2022/23-2025/26				
2019/20 £m	2020/21 £m	2021/22** £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
78.0	82.1	81.8	89.5	91.0	93.0	94.8	368.3
	(1.2)	(0.6)	(2.4)	(1.1)			(3.5)
		(1.2)	(1.8)	(4.2)	(5.3)	(5.3)	(16.6)
	(1.2)	(1.8)	(4.2)	(5.3)	(5.3)	(5.3)	(20.1)
<b>78.0</b>	<b>80.9</b>	<b>80.0</b>	<b>85.3</b>	<b>85.7</b>	<b>87.7</b>	<b>89.5</b>	<b>348.2</b>
0.0	0.1	1.7	2.0	1.8	1.0	0.2	5.0
(77.9)	(81.7)	(80.5)	(84.0)	(82.9)	(85.1)	(86.8)	(338.8)
<b>0.1</b>	<b>(0.7)</b>	<b>1.2</b>	<b>3.3</b>	<b>4.6</b>	<b>3.6</b>	<b>2.9</b>	<b>14.4</b>
0.0	(0.1)	(1.7)	(2.0)	(2.2)	(1.0)	(0.2)	(5.4)
<b>0.1</b>	<b>0.8</b>	<b>0.5</b>	<b>(1.3)</b>	<b>(2.4)</b>	<b>(2.6)</b>	<b>(2.7)</b>	<b>(9.0)</b>

MTFS as at January 2023 Extraordinary Strategic Board

Actuals			Medium Term Financial Strategy 2022/23-2025/26				
2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
0.0	1.2	81.8	89.5	93.7	95.4	97.2	375.8
	(1.2)	(0.6)	(2.4)	(1.1)			(3.5)
		(1.2)	(1.8)	(4.2)	(5.3)	(5.3)	(16.6)
	(1.2)	(1.8)	(4.2)	(5.3)	(0.6)	(0.7)	(1.3)
	(1.2)	(1.8)	(4.2)	(5.3)	(5.9)	(6.0)	(21.4)
<b>0.0</b>	<b>0.0</b>	<b>80.0</b>	<b>85.3</b>	<b>88.4</b>	<b>89.5</b>	<b>91.2</b>	<b>354.4</b>
0.0	0.1	1.7	2.0	1.6	1.0	0.4	4.9
0.0	0.0	(80.5)	(84.0)	(88.4)	(89.5)	(91.2)	(353.1)
<b>0.0</b>	<b>0.1</b>	<b>1.2</b>	<b>3.3</b>	<b>1.6</b>	<b>1.0</b>	<b>0.3</b>	<b>6.2</b>
0.0	(0.1)	(1.7)	(2.0)	(1.6)	(1.0)	(0.4)	(4.9)
<b>0.0</b>	<b>0.8</b>	<b>0.5</b>	<b>(1.3)</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.3)</b>

MTFS Key Movements Since December 2022

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
General Fund (shortfall) in December 22 MTFS	(1.3)	(2.4)	(2.6)	(2.7)	(9.0)
Favourable / (Adverse) movement in General Fund Balance	<b>0.0</b>	<b>2.4</b>	<b>2.6</b>	<b>2.7</b>	<b>7.7</b>
General Fund (shortfall) per latest MTFS Projection	(1.3)	0.0	0.0	0.0	(1.3)

\*\* Unaudited Financial Statements

4.2 The key movements in the MTFS for 2023-24 are as a result of the following movements.

- £5.3m increase in funding following the announcement of the provisional local government finance settlement on 19<sup>th</sup> December 2022, which includes:
  - £2.3m increase in council tax funding resulting from the precept flexibility increasing to £5.
  - £1.5m increase in the Settlement Funding Assessment which includes an inflationary increase in the Revenue Support Grant £0.9m and an increase in the Baseline NNDR Funding £0.6m
  - £0.9m increase in the S31 Business Rates Support Grant as compensation for freezing the business rates multiplier.
  - £0.6m Inclusion of the Services grant.



- (£1.9m) Additional Pay Pressures resulting from a change in the 2023-24 pay award assumption to 4% and the creation of a local cost of living allowance.
- (£0.8m) Investment in additional roles which include On Call Liaison Offices, BA and Driving Trainers, Support for the Resource Management Unit and Resilience in the Performance and Data Team.

4.3 **Savings** - £1.1m of core revenue budget savings have been identified for 2023-24 which are:

- £0.5m Pay Costs which consists of £0.2m reduction in secondary contracts, £0.15m On Call Conversion and £0.1m due to a reduction in Pension Costs.
- £0.6m Non-Pay Costs - due to a reduction of £0.4m in the minimum revenue provision and a further £0.2m, a result of an increase in Interest Receivable due to more effective Treasury Management and an improvement in market rates.

The savings that have arisen as result of the reduction in employers' national insurance contributions have not been included within this schedule, as this was funded from the Services Grant which has been reduced as a result of this.

## 5. Capital Expenditure Budget

5.1 The proposed capital budget for 2023-24 is set out in Figure 11.

**Figure 11 - Capital Expenditure Budget and Programme**

	2022-23 Total £'000s	2023-24 Total £'000s	2024-25 Total £'000s	2025-26 Total £'000s	Total £'000s
<b>New Premises</b>					
Fleet Workshops	-	500	1,500	3,000	5,000
<b>Existing Premises</b>					
Asset Protection	1,103	1,000	1,000	1,000	4,103
OCAT Project	-	150	-	-	150
<b>Asset Improvement Works</b>					
Shoeburyness	1,172	-	-	-	1,172
Training works/BA Chambers	1,136	822	-	-	1,958
Fire Training Facilities	-	500	4,750	4,750	10,000
<b>Total Property</b>	<b>3,411</b>	<b>2,972</b>	<b>7,250</b>	<b>8,750</b>	<b>22,383</b>
<b>Equipment</b>	<b>442</b>	<b>939</b>	<b>379</b>	<b>2,785</b>	<b>4,545</b>
<b>Information Technology</b>					-
Digital & Data Strategy	914	225	225	225	1,589
Control Project	1,179	738	-	-	1,918
Other Projects	-	450	-	-	450
<b>Total Information Technology</b>	<b>2,093</b>	<b>1,413</b>	<b>225</b>	<b>225</b>	<b>3,957</b>
<b>Vehicles</b>					-
New Appliances	941	-	2,000	2,000	4,941
Other Vehicles	175	720	500	500	1,895
<b>Total Vehicles</b>	<b>1,116</b>	<b>720</b>	<b>2,500</b>	<b>2,500</b>	<b>6,836</b>
<b>Total Capital Expenditure</b>	<b>7,062</b>	<b>6,044</b>	<b>10,354</b>	<b>14,260</b>	<b>37,721</b>

Funding	2022-23 Total £'000s	2023-24 Total £'000s	2024-25 Total £'000s	2025-26 Total £'000s	Total £'000s
Capital Receipts	2,998	1,838	4,750	4,750	14,337
Revenue Funding	4,063	4,206	5,604	9,510	23,384
<b>Investments and Excess Cash</b>	<b>7,062</b>	<b>6,044</b>	<b>10,354</b>	<b>14,260</b>	<b>37,721</b>

5.2 The proposed **Capital Budget for 2023-24** is set out in Figure 11, the most significant capital projects are:

- £1.0m investment in asset protection works. This includes investment in Wholetime Station Modernisation works and an essential maintenance programme of the estate.
- £0.8m investment in BA Chambers refurbishments across key stations to facilitate local training requirements. This project is entering the final stage of the works and is expected to be completed in the first quarter of the year.
- £0.7m investment in a new Control Room System. This project started in 2022-23 and has a total capital cost of £1.9m to complete in Quarter One of 2023/24.

- £0.5m investment in Fire Training Facilities. A business case is being undertaken and the costs in the Capital Program is based on internal estimates. This project is expected to start in 2023-24 and will span three years with a projected capital budget of £10m.
- A full business case is in development for the progression of a collaborative fleet workshop with Essex Police. It is planned that the FBC will be complete in Q3 of 2023/24 and initial capital spend has been allocated within 2023/24.

5.3 In order to fund the capital programme, the Service will utilise its Capital Receipts Reserve to fund a number of key capital projects. This is a more progressive stance for the Service and ensures that the Minimum Revenue Provision (MRP) can be set at £4.2m, which is a reduction of £0.4m in 2023-24 compared to the prior year budget.

## 6. Reserves

6.1 Useable Reserves are those that the Service have set aside to provide services. The Service has the following useable reserves:

**General Reserves** - These are held by the Service and managed to balance funding and spending priorities and to manage risks. These are established as part of the medium-term financial planning process.

The Service needs to hold an adequate level of general reserves to provide:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events.
- A means of smoothing out large fluctuations in spending requirements and/or funding available.

The current level of general reserves usage is shown in Figure 12 and is reflective of the MTF5 positions shown in Figure 10.

**Figure 12 - Movements in General Reserves**

	Actual Balance at 31 March 2022 £'000s	Projected Balance at 31 March 2023 £'000s	Projected Balance at 31 March 2024 £'000s	Projected Balance at 31 March 2025 £'000s	Projected Balance at 31 March 2026 £'000s
General Reserves - Opening Year Balance	4,351	4,341	3,056	3,056	3,056
Surplus / (Deficit) In Year	790	(1,285)	-	-	-
Transfer from / (to) Earmarked Reserves	(800)	-	-	-	-
<b>General Reserves - Closing Year End Balance</b>	<b>4,341</b>	<b>3,056</b>	<b>3,056</b>	<b>3,056</b>	<b>3,056</b>
<b>General Reserve Closing Balance as a % of Total Budget</b>	<b>5.40%</b>	<b>3.63%</b>	<b>3.39%</b>	<b>3.38%</b>	<b>3.34%</b>

6.2 **Earmarked Reserves** - The Service has established specific reserves to manage key financial risks and to support the transformation of the Service to ensure it is fit for the future and will deliver on the priorities in the Fire and Rescue Plan. Figure 13 shows the current and future planned level of each Earmarked reserve:

**Figure 13 - Movements in Earmarked Reserves**

	Published Balance at 31 March 2022 £000's	Forecast Addition / (Use) £000's	Projected Balance at 31 March 2023 £000's	Forecast Addition / (Use) £000's	Projected Balance at 31 March 2024 £000's	Forecast Addition / (Use) £000's	Projected Balance at 31 March 2025 £000's	Forecast Addition / (Use) £000's	Projected Balance at 31 March 2026 £000's
<b><u>Earmarked Contingency Reserves</u></b>									
Demand Pressures	600	0	600	0	600	0	600	0	600
Taxbase & Collection Account Reserve	200	0	200	0	200	0	200	0	200
National Non Domestic Rates Collection Reserve	1,695	(1,695)	0	0	0	0	0	0	0
Rolling Budgets Reserve	0	0	0	0	0	0	0	0	0
Risk Protection	285	0	285	0	285	0	285	0	285
Business Continuity	0	0	0	0	0	0	0	0	0
	<b>2,780</b>	<b>(1,695)</b>	<b>1,085</b>	<b>0</b>	<b>1,085</b>	<b>0</b>	<b>1,085</b>	<b>0</b>	<b>1,085</b>
<b><u>Earmarked Reserve - Productivity</u></b>									
On Call - Support	463	(48)	415	0	415	0	415	0	415
Invest to Save	523	0	523	(100)	423	0	423	0	423
Innovation & Transformation	3,799	(1,390)	2,409	(1,100)	1,309	(400)	909	0	909
	<b>4,785</b>	<b>(1,437)</b>	<b>3,348</b>	<b>(1,200)</b>	<b>2,148</b>	<b>(400)</b>	<b>1,748</b>	<b>0</b>	<b>1,748</b>
<b><u>Earmarked Reserve - Specific Purpose</u></b>									
Unspent Government Grant - Covid 19	525	(80)	445	(110)	335	(70)	265	0	265
Unspent Government Grant - Pension	102	(102)	0	0	0	0	0	0	0
Operational Training Reserve	837	(215)	622	(150)	472	(150)	322	0	322
Learning & Development Programme	1,230	(300)	930	(150)	780	(350)	430	(350)	80
Community Safety Programme - Sprinkler Support	472	0	472	0	472	0	472	0	472
LGPS Deficit	304	(304)	0	0	0	0	0	0	0
	<b>3,470</b>	<b>(1,001)</b>	<b>2,469</b>	<b>(410)</b>	<b>2,059</b>	<b>(570)</b>	<b>1,489</b>	<b>(350)</b>	<b>1,139</b>
<b>Total Earmarked Reserves</b>	<b>11,035</b>	<b>(4,133)</b>	<b>6,902</b>	<b>(1,610)</b>	<b>5,292</b>	<b>(970)</b>	<b>4,322</b>	<b>(350)</b>	<b>3,972</b>

£1.6m of Earmarked Reserves are planned to be utilised in 2023-24.

This includes investment of £1.1m from the innovation and transformation reserve which includes:

- £0.5m investment in ICT modernisation projects.
- £0.45m relating to the final year of Transitional Support required on the day crew station conversions.
- £0.1m in relation to Consultancy costs for Property transformation projects.

Other investments from Earmarked Reserves include:

- £0.15m a digital upgrade to the Service's OCAT suite.
- £0.15m investment in continued Learning and Development

**6.3 Capital Receipts Reserve** - Capital Receipts are generated from the sale of surplus assets.

The use of the Capital Receipts Reserve is governed by regulations, and they can only be spent on certain expenditure, which includes:

- Capital Financing of new expenditure.
- Repayment of Debt
- Funding the costs of disposals

Figure 14 shows the current and future planned level of the Capital Receipts Reserve, which takes into account the funding of the Capital programme per Figure 11.

The projected sale of assets relates to the remaining housing sales which are part of the draw crew conversion project.

**Figure 14 - Movements in Capital Receipts Reserves**

	Actual Balance at 31 March 2022 £'000s	Projected Balance at 31 March 2023 £'000s	Projected Balance at 31 March 2024 £'000s	Projected Balance at 31 March 2025 £'000s	Projected Balance at 31 March 2025 £'000s
Capital Receipts Reserve - Opening Year Balance	9,669	13,152	13,254	11,415	6,665
Projected Sale of Assets	3,530	3,100	0	0	0
Utilised in Year	(47)	(2,998)	(1,838)	(4,750)	(4,750)
<b>Capital Receipts Reserve - Closing Year End Balance</b>	<b>13,152</b>	<b>13,254</b>	<b>11,415</b>	<b>6,665</b>	<b>1,915</b>

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