

**ESSEX POLICE, FIRE AND CRIME COMMISSIONER**  
**FIRE & RESCUE AUTHORITY**  
 Essex County Fire & Rescue Service



Meeting	<b>Police Fire and Crime Panel</b>	Agenda Item	<b>5</b>
Meeting Date	24 <sup>th</sup> January 2019	Report Number	<b>EPFCP/02/19</b>
Report Author:	Glenn McGuinness – Acting Chief Finance Officer.		
Presented By	Glenn McGuinness		
Subject	<b>Proposed ECFRS Precept for 2019-20</b>		
Type of Report:	Discussion / Decision		

**RECOMMENDATIONS**

1 a. The Police, Fire and Crime Commissioner proposes a precept increase of 2.94% equivalent to an increase of £2.07 a year from £70.38 to £72.45 for a band D council tax property raising £1,321k of additional council tax receipts. Total council tax funding has increased by £1,992k with the remaining £671k resulting from tax base growth.

1 b. The budget for 2019-20 is drawn up on the basis that existing reserves of £2.4m are utilised in the year.

1 c. To note the impact of the relaxation of public sector pay restraint on the budget and precept of the Authority. In this context, the Authority has provided for 2% across the board pay inflation at a cost of c. £1,035k in 2019-20.

1 d. It is recommended that the Commissioner instruct the Chief Executive/Chief Fire Officer to prepare a medium term financial plan to achieve a balanced budget without using reserves by the 2021-22 financial year.

**BACKGROUND**

2. This budget has been prepared taking into account the work previously undertaken to develop an efficiency plan that would deliver a balanced budget by 2020. The budget below shows that reserves will need to be utilised in 2019-20 to meet the resource needs of the Service. The main reasons for this are:
  - a. Increased pay inflation following a relaxation of public sector pay policy, the 2019-20 budget includes 2% pay inflation, this is 1% (c.£518k) higher than the efficiency plan.
  - b. The conversion of 4 day crewed appliances and 1 whole time appliance to crewing using an on-call shift pattern has been subject to some delays. We now expect to complete the conversion process by 2021. The main reason for the delay relates to an insufficient number

of candidates responding to our recruitment drives in each area and subsequently demonstrating the relevant standards to join ECFRS. The Service is also finding the retention of on-call firefighters a challenge; plans are being prepared to improve this situation.

The impact of this is that anticipated savings of £820k for 18 firefighters have not been realised in the budget for 2019-20. Additional whole-time officers and drivers are necessary to supplement the available on-call crew at the affected locations to ensure that each appliance has sufficient opportunity to meet availability targets.

- c. The previous budget setting methodology was to include a 3% vacancy factor as firefighter numbers were historically lower than establishment. This vacancy factor (3%) has been removed in 2019-20. This results in an increase to the firefighter pay budget of £840k. Vacancies across the Service will continue to be managed and monitored on a quarterly basis and savings/underspend returned to reserves where appropriate.

Because of the forgoing, it will be necessary to utilise reserves to meet the resource needs of the service in 2019-20. On this basis the budget will need to be approved on condition that the new efficiency plan covering the period 2020-21 to 2023-24 contains robust financial measures to ensure that a balanced budget is achieved, without the need to use reserves, by no later than the 2021-22 financial year

3. Following the approval of the efficiency plan by the Home Office in 2016, the Authority has certainty in the level of government funding through to March 2020. Some 97% of relevant authorities followed this approach, including all fire and rescue authorities. As a result, government funding for 2018-19 and 2019-20 will be in line with the previous year's projections. As government grant funding is already known flexibility in funding is therefore through the council tax precept and the use of reserves.
4. The 2019-20 budget process for the Authority commenced with two service leadership team (SLT) workshops in July. The output from these workshops was a budget shaping paper considered by the SLT on 21<sup>st</sup> August and then the Strategic Board on 18<sup>th</sup> September. Both these papers compared initial budget projections for 2019-20 against the efficiency plan and this demonstrated that the Authority would need to use reserves in 2019-20.

Following the budget shaping exercise the budget process has involved departmental managers working with finance colleagues to determine the staffing and resource requirements for 2019-20.

5. In particular, there is a close relationship between the planning assumptions for the 2019-20 programme and the agreements around crewing levels in the Dispute Resolution Agreement (2017) with the FBU. Any move away from the agreed crewing levels would be seen as a breach of that agreement and could potentially lead to a new dispute being raised by the FBU.
6. The Chief Finance Officers report on the budget as required under section 25 of the Local Government Act 2003 is attached at Appendix 1.

## **RISK IMPLICATIONS**

7. The main risk areas associated with the budget are summarised below:

## **NATIONAL PAY SETTLEMENTS**

The representatives for the employers and employees on the National Joint Council are currently negotiating the Fire Services Pay Rates. In this context the FBU have recently lodged a pay claim of 17%.

It seems likely that public sector pay increases will continue as we move into 2020, but for Essex this is not currently an affordable position.

This budget has been prepared including an across the board 2% provision for pay increases. The cost of this is c. £1,035k per annum.

## **FIREFIGHTERS PENSION SCHEMES**

As part of the 2016 Pension Valuation Her Majesty's Treasury announced Public Sector Pension Valuations 'Directions' which intends to increase the Employer Contribution rate from 2019-20. This will affect the Firefighter Pension Schemes.

The main change is in the discount rate from 3% to 2.4%, which converts future pension payments into present day value. For 2019-20, the cost to Fire nationally is anticipated to be c. £107m per annum.

The full expected ongoing cost impact of this for Essex is c. £3.3m per annum. However, we expect government funding to support 88% of this cost in 2019-20 the residual burden on the Authority is estimated at £0.3m. This amount has been included in the firefighter pay cost budget for the year.

From 2020-21, this additional cost burden will be dealt with as part of the comprehensive spending review. Further details on this have not yet been confirmed.

## **FUNDING**

The position for funding post March 2020 is uncertain at this stage. The Authority will be preparing a new medium term financial plan 2020 to 2024 in 2019 to deal with the financial challenges ahead and to ensure financial sustainability.

The Authority plans to exercise prudence and use precept flexibility to increase council tax by 2.94% in 2019-20.

## **FUNDING RISKS**

8. The risks around funding include actual levels of government grants and collection rates for council tax and national non-domestic rates. The risk was considered very low for any change from the certainty levels of government funding in 2019-20. Such a move would have significantly affected all of local government with some 97% of authorities having funding certainty following the submission of efficiency plans in 2016. The provisional local government funding settlement was announced on 13<sup>th</sup> December as is reflected in this budget.
9. Factors influencing council tax collection rates will be changes in the underlying economy, perhaps resulting from Brexit. These may impact in 2019-20, as each billing authority will determine their collection rates based on their current experience any shortfall will impact on the collection account in 2020-21. In addition, the Authority has established earmarked reserves of £200k to mitigate the impact of any shortfall.

10. These timescales mean that the budget for 2019-20 can be agreed knowing that funding changes are unlikely to be a material factor.

## FINANCIAL IMPLICATIONS

11. The following sections provide the analysis of the key income and expenditure headings for the Authority's budget:

## LOCAL GOVERNMENT FINANCE SETTLEMENT

12. In September 2016, the Authority approved an efficiency plan for the period to 2019-20 and this was submitted to the Government. The provisional settlement figures for 2019-20 were announced on 13th December 2018 and reflect those expected in the efficiency plan.
13. The profile of Revenue Support Grant and National Non-Domestic Rates (NNDR) including an estimate for 2020-21 is set out in the table below:

Local Government Finance Settlement	2018-19 £'m	2019-20 £'m	Estimated 2020-21 £'m	Assumptions supporting 2020-21 estimate
Revenue Support Grant	9.3	8.3	6.9	Adjusted to reflect overall 5% in grant funding.
Share of NDR	6.2	6.3	6.4	1.5 % growth in line with past trends
Tariff/Top-Up	9.6	9.9	9.9	Flat - as revised funding formula under consultation
<b>Total</b>	<b>25.1</b>	<b>24.5</b>	<b>23.2</b>	

14. For 2019-20, the level of revenue support grant will be £8.3m some £1.0m lower than the current year, this is a reduction of 11%. In addition, the Authority will retain 1% of national non-domestic rates (business rates) worth an estimated £6.3m and receive a top-up grant of £9.9m. In total, these amounts for business rates are £0.5m higher than the current year. In 2020-21 we expect a further reduction the revenue support grant, estimates with assumptions are included in the table above.

## NATIONAL NON DOMESTIC RATES

15. Within the overall amount of funding there is an element funded by the Authority's share (1%) of national non-domestic rates. For 2019-20, decisions by the government to extend relief for small businesses and other policy changes mean that £819k (£819k for 2018-19) of the business rates expected will be funded by a government grant.
16. In addition, the government assumes that the Authority's share of national non-domestic rates from the billing authorities will be £6.3m for 2019-20. The exact amount may vary from this level, the Authority holds an earmarked reserve of £200k to manage this uncertainty, and it is proposed that any shortfall in the final level of billing authority sourced funding is managed through this reserve.
17. To help maximise the local share of national non-domestic rates the Authority has supported pooling arrangements with the County Council, Southend Borough Council and all 12 District Councils. In addition, the pooling authorities submitted a bid to be a pilot

area for business rates retention in both 2018-19 and 2019-20, these bids were not successful.

18. Under the current pooling arrangements, a larger share of any gains in the level of these rates will be retained locally and apportioned within the pool. Because of this, it is estimated that the Authority will gain c. £300k in additional business rates in 2019-20. As this initial estimate is uncertain, this amount is not included in the budget.

## **COUNCIL TAX**

19. From 2018-19, the government announced 3% as the threshold for the increase in council tax that will require a referendum.  
This paper recommends that the Authority use this increased flexibility to increase council tax by 2.94%.
20. An increase in council tax by an additional 2.94% will add £1,992k to the Authority's income. This is made up of precept increase (£1,321k) and tax base growth (£671k)
21. The position regarding the tax base of the Authority remains strong with increases through better collection arrangements and growth. The council tax sharing arrangements are supported by in-year monitoring of the progress in collection and an early assessment of the impact of changes to the billing authorities Council Tax support schemes.
22. The Authority has aligned itself with the County Council and the Essex Police and agreed with the billing authorities to share the precepting authorities' gains from technical changes in Council Tax with the billing authority.
23. The rate of growth in the council tax base is 1.5% for 2019-20. This is slightly lower than the anticipated growth of 1.75% based on the four years average to March 2018.

## **COLLECTION ACCOUNT**

24. With the continued growth in the tax base, the council tax collection account is expected to show a positive balance of £643k in 2019-20 (£688k for 2018-19). The Authority has an earmarked reserve to absorb any negative movement on the collection account fund, but it is not expected there will be a call on this reserve in 2019-20.

## **PRECEPT AND IMPLICATIONS FOR COUNCIL TAX**

25. The table below sets out the calculations of the proposed council tax precept and shows the changes from the 2018-19 budget.

<b>FUNDING 2018-19 &amp; 2019-20</b>	<b>2018-19 Budget</b>	<b>2019-20 Budget</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	
Rate of Council Tax increase	2.00%	3.00%	
<b>Gross Expenditure</b>	<b>76,297</b>	<b>77,585</b>	<b>1,288</b>
<b>Operational Income</b>			
Urban Search and Rescue	(867)	(857)	10
Firelink	(587)	(608)	(21)
Business Rates Relief Support	(488)	(819)	(331)
Maintenance Dim Vehicle	(157)	-	157
Other	-	(118)	(118)
<b>Grant Income</b>	<b>(2,099)</b>	<b>(2,402)</b>	<b>(303)</b>
Other Operational Income (as para 55)	(1,633)	(1,387)	247
<b>Total Operational Income</b>	<b>(3,732)</b>	<b>(3,788)</b>	<b>(56)</b>
<b>Net Expenditure</b>	<b>72,565</b>	<b>73,797</b>	<b>1,232</b>
<b>Sources of Finance</b>			
Revenue Support Grant	9,347	8,337	(1,010)
National Non-Domestic Rates	15,720	16,196	476
<b>Total Grant</b>	<b>25,067</b>	<b>24,533</b>	<b>(534)</b>
Collection Fund Surplus	688	643	(45)
Council Tax Precept	44,241	46,233	1,992
<b>Total Council Tax</b>	<b>44,929</b>	<b>46,876</b>	<b>1,947</b>
<b>Use of Reserves</b>	<b>2,569</b>	<b>2,388</b>	<b>(181)</b>
<b>Total Sources of Finance</b>	<b>72,565</b>	<b>73,797</b>	<b>1,232</b>
Tax Base	628,600	638,134	9,534
<b>Council Tax (Band D)</b>	<b>£70.38</b>	<b>£72.45</b>	<b>£2.07</b>

26. The funding changes from 2018-19 are a reduction in the total government grant of £534k (2.1%) and an increase in the council tax precept of £1,992k.

## 2018-19 FORECAST REVENUE BUDGET POSITION

27. The forecast outturn has been reviewed to reflect the position at the end of September 2018, this forecast is summarised below and this position is reflected in the comparative figures used in this report.

Description	2018-19	2018-19	2018-19	2018-19
	Budget £'000s	Forecast £'000s	Forecast Var £'000s	Forecast Var %
Firefighters	29,842	30,121	280	0.9%
Firefighters - On-Call Duty System	6,401	5,812	(589)	(9.2%)
Control	1,436	1,385	(51)	(3.5%)
Support Staff	12,959	13,276	317	2.4%
<b>Total Employment Costs</b>	<b>50,638</b>	<b>50,594</b>	<b>(43)</b>	<b>(0.1%)</b>
Support Costs	1,803	2,273	470	26.1%
Premises & Equipment	10,698	10,256	(442)	(4.1%)
Other Costs & Services	3,583	3,449	(134)	(3.7%)
Firefighters' Pension Scheme	2,200	2,230	30	1.4%
Lease and Interest charges	1,551	1,441	(110)	(7.1%)
Statutory Provision for Capital Financing	5,492	4,800	(692)	(12.6%)
Inflation provision not required	332	-	(332)	(100.0%)
<b>Total Other Costs</b>	<b>25,660</b>	<b>24,450</b>	<b>(1,210)</b>	<b>(4.7%)</b>
<b>Gross Expenditure</b>	<b>76,297</b>	<b>75,044</b>	<b>(1,253)</b>	<b>(1.6%)</b>
<b>Total Operational Income (As para 55)</b>	<b>(3,732)</b>	<b>(3,950)</b>	<b>(217)</b>	<b>5.8%</b>
<b>Net Expenditure</b>	<b>72,565</b>	<b>71,095</b>	<b>(1,470)</b>	<b>(2.0%)</b>
<b>Funding</b>				
Revenue Support Grant	(9,347)	(9,347)	-	0.0%
National Non-Domestic Rates	(15,890)	(15,890)	-	0.0%
Council Tax Collection Account	(688)	(688)	-	0.0%
Council Tax Precepts	(44,241)	(44,241)	-	0.0%
NNDR surplus/deficit	171	58	(112)	(65.7%)
Contribution from Reserves	(2,569)	(987)	1,582	(61.6%)
<b>Total Funding</b>	<b>(72,565)</b>	<b>(71,095)</b>	<b>1,470</b>	<b>(2.0%)</b>

28. The forecast shows that we expect to use reserves of £987k in the year, this is better than the original planned use of reserves of £2,569k in the year, as presented to the Panel on 22<sup>nd</sup> January 2018.

This improvement is as a result of robust financial controls and will reduce the planned draw on reserves in 2018-19 by £1,582k. The main reasons for the improved position overall are:

- The overspend on support costs includes, additional costs arising from a settlement with day crewed firefighters regarding accommodation (£176k) and additional operational training (£200k). Both these expenditure items are included under support costs above.
- A combination of both lower headcount and activity levels for on-call firefighters will account for an underspend of (£589k)
- An underspend in capital financing charges (£692k) arising from the review in capital expenditure for both 2018-19 and 2019-20. This follows an extensive review and challenge process on capital expenditure carried out by the finance team in conjunction with budget holders in September 2018.
- ICT projects are expected to be £500k underspent this year.

## RESERVES

29. At 31 March 2018, the Authority had £20.4m of usable reserves. These is made up of:

- Earmarked reserves of £5.8m, these are specific reserves set aside to manage key financial risks and to provide funding for future expenditure plans.
- Capital receipts reserve of £7.8m, these can only be used to fund capital expenditure including reducing capital financing charges on past capital expenditure.
- General reserves of £6.8m. These provide a working balance to help cushion the impact of unexpected events and as a means of smoothing out large fluctuations in spending requirements and/or funding available.

An analysis of the reserves is shown in the table below:

Useable Reserves Summary	Comment & Review	March 2018 Balance £'000s	Change in 2018/19 £'000s	March 2019 Projected Balance £'000s
Emergency Planning	To hold savings on the costs of Emergency Planning. Balance to be transferred to Essex County Council after 31st March 2018	469	(469)	0
On-Call Demand Pressures	Main area of risk is retained pay budget. Need to provide £0.6m in case of in-year pressure	600	0	600
On-Call - Support	To support one off costs associated with on-call recruitment and retention initiatives	0	400	400
Operational Training Reserve	To support one off costs associated with new operational training initiatives in 2019-20	0	600	600
Spend to Save Reserve	March 2019 - Balance of Funding for Sprinklers £372K, and Innovation 560k.	932	0	932
Taxbase and Collection Account Reserve	Last shortfall in 2012/13. Since then average of over £500k favourable balance. Review scheduled 2020-21	200	0	200
National Non-Domestic Rates Collection Reserve	Risk remains through pooling arrangements, but considered low. Managed in-year. Review Scheduled 2020-21	200	0	200
Innovation and Transformation	To support service transformation in line with new Integrated Risk Management Plan requirements	2,400	(440)	1,960
Rolling Budgets Reserve	To hold balances of expenditure carried forward into the next financial year.	410	(410)	0
Business Continuity Reserve	To provide funds for any business interruption event not covered through risk protection funding. Reduced to reflect participation in FRIC	300	(150)	150
Risk Protection	Expected limit of calls from FRIC. Review scheduled 2020-21	250		250
<b>Total Earmarked Reserves</b>		<b>5,761</b>	<b>(469)</b>	<b>5,292</b>
<b>General Reserve</b>		<b>6,823</b>	<b>0</b>	<b>6,823</b>
<b>Capital Receipts Reserve</b>	<b>Receipts from the sale of capital assets (property and vehicles). £2,569k used to balance 2018/19 budget.</b>	<b>7,790</b>	<b>(987)</b>	<b>6,803</b>
<b>Total Usuable Reserves</b>	<b>Balance per Year End Accounts</b>	<b>20,374</b>	<b>(1,456)</b>	<b>18,918</b>

Although useable reserves were £20.4m at 31<sup>st</sup> March 2018 the cash balances of the Authority were £10.1m at that date. The main reason for this is that cash balances have been used to fund capital expenditure in order to reduce the borrowing costs of the Authority.

- The Chief Finance Officers report on the 2019-20 budget at appendix 1 deals with detailed proposals for reserves. This includes a review of existing earmarked reserves, in particular, new reserves have been set aside for operational training (£600k) and on-call firefighter support (£400K). These new reserves have been offset against existing reserves no longer required.



31. The development of the Fire and Rescue Plan and new IRMP for the period 2020 to 2024 will be designed to ensure that the Authority moves towards a balanced budget, without the need to use reserves by the 2021-22 financial year.

## 2019-20 BUDGET

32. The budget for 2019-20 has been drawn up by the Service Leadership Team and with department managers to determine the staffing and resource requirements for 2019-20.

33. The budget for 2019-20 is summarised below and compared to the budget and most recent forecast for 2018-19

Description	2018-19	2018-19	2019-20	Variance	Variance
	Budget	Forecast	Budget	from	from
	£'000s	£'000s	£'000s	2018-19	2018-19
				Forecast	Forecast
				£'000s	%
Firefighters	29,842	30,121	31,348	1,226	4.1%
Firefighters - On-Call Duty System	6,401	5,812	6,079	267	4.6%
Control	1,436	1,385	1,438	53	3.8%
Support Staff	12,959	13,276	13,950	674	5.1%
<b>Total Employment Costs</b>	<b>50,638</b>	<b>50,594</b>	<b>52,815</b>	<b>2,220</b>	<b>4.4%</b>
Support Costs	1,803	2,273	2,196	(77)	(3.4%)
Premises & Equipment	10,698	10,256	10,464	208	2.0%
Other Costs & Services	3,583	3,449	3,367	(82)	(2.4%)
Firefighters' Pension Scheme	2,200	2,230	2,250	20	0.9%
Lease and Interest charges	1,551	1,441	1,393	(48)	(3.3%)
Statutory Provision for Capital Financing	5,492	4,800	5,100	300	6.3%
Inflation provision not required	332	-	-	-	0.0%
<b>Total Other Costs</b>	<b>25,660</b>	<b>24,450</b>	<b>24,771</b>	<b>321</b>	<b>1.3%</b>
<b>Gross Expenditure</b>	<b>76,297</b>	<b>75,044</b>	<b>77,585</b>	<b>2,541</b>	<b>3.4%</b>
<b>Total Operational Income</b>	<b>(3,732)</b>	<b>(3,950)</b>	<b>(3,788)</b>	<b>161</b>	<b>(4.1%)</b>
<b>Net Expenditure</b>	<b>72,565</b>	<b>71,095</b>	<b>73,797</b>	<b>2,702</b>	<b>3.8%</b>
<b>Funding</b>					
Revenue Support Grant	(9,347)	(9,347)	(8,337)	1,010	(10.8%)
National Non-Domestic Rates	(15,890)	(15,890)	(16,254)	(364)	2.3%
Council Tax Collection Account	(688)	(688)	(643)	45	(6.6%)
Council Tax Precepts	(44,241)	(44,241)	(46,233)	(1,992)	4.5%
NNDR surplus/deficit	171	58	58	-	0.0%
Contribution from Reserves	(2,569)	(987)	(2,388)	(1,401)	142.0%
<b>Total Funding</b>	<b>(72,565)</b>	<b>(71,095)</b>	<b>(73,797)</b>	<b>(2,702)</b>	<b>3.8%</b>

34. The budget for 2019-20 shows the need to utilise reserves of £2,388k in order to balance the budget.

35. Provision for across the board inflation of 2% (c. £1m) is included in pay budgets. In most other cases budget managers absorb non-pay inflationary pressures within department budgets.

36. The budget shows an increase in net expenditure of £2.7m the main reasons for this increase are:

- a. Increase in employment costs of £2.2m, this includes, pay inflation c. £1.0m, increased costs for firefighters pensions (£0.3m) and headcount increases as shown in the tables below.

- b. Increases in other costs included premises and equipment (£0.2m) and capital financing charges (£0.3m) arising from capital expenditure plans in 2019-20.

## STAFF NUMBERS

37. Employment costs equate to c.72 % of the Authority's total revenue budget, with the numbers of firefighters employed the most significant element. The budget reflects further recruitment of firefighters in the year. The budget also takes account the need to replace firefighters retiring in the year. In 2018-19 a budget for additional shift working of £615k was included, as the budget is now based on full establishment this is no longer required.
38. Overall staff numbers are summarised below:

Staff Budget (Average)	2018-19 Budget	Changes	2019-20 Budget
Wholetime Firefighters	648.0	18.0	666.0
On-Call (Retained) Firefighters	471.8	-18.0	453.8
Control Staff	34.0	-0.5	33.5
Support Staff - Employees	288.3	8.2	296.5
<b>Total</b>	<b>1442.1</b>	<b>7.7</b>	<b>1449.8</b>

## WHOLETIME FIREFIGHTERS

39. The average numbers of whole-time firefighters in 2018-19 and 2019-20 by role are set out below:

Firefighter Budget	2018-19 Budget	Changes	2019-20 Budget
Chief, Deputy Chief & Assistant Chief Fire Officers (Brigade Managers)	2	0	2
Area Manager B	3	0	3
Group Manager B	12	1	13
Station Manager B	40	3	43
Station Manager A	0	0	0
Watch Manager B	78	50	128
Watch Manager A	56	-56	0
Crew Manager	84	-2	82
Firefighter (including additional shift working)	373	22	395
<b>Total</b>	<b>648</b>	<b>18</b>	<b>666</b>

The previous budget setting methodology was to include a 3% vacancy factor as firefighter numbers were historically lower than establishment. This vacancy factor (3%) has been removed in 2019-20. This results in an increase to the firefighter pay budget of £840k. Vacancies across the Service will continue to be managed and monitored on a quarterly basis and savings/underspend returned to reserves where appropriate

## **ON-CALL (RETAINED) FIREFIGHTERS**

40. The numbers of on-call firefighters has been budgeted on an FTE basis. The Service has established an On-call Development Programme, sponsored by the CFO/CEO, which, along with other things, will be looking to improve the recruitment and the retention of On-call firefighters, review their current terms and conditions and identify areas where additional support would be most effective.
41. The recruitment and retention of on-call firefighters' project is a key element of the changes agreed for 2020 and through 2024. The Authority is not currently meeting recruitment and retention targets for on-call firefighters; a reserve of £400K has therefore been set aside for support to improve on-call recruitment.
42. The on-call pay budget reflects expected levels of activity and makes no allowance for any abnormal activity levels such as flooding, prolonged summer drought or strikes. An earmarked reserve of £600k exists should significant unforeseen activity be undertaken.

## **SUPPORT STAFF CHANGES**

43. The support staff budget for 2019-20 includes provision for 7.0 additional staff for collaboration with Essex Police. The additional costs are covered by funding from government grants for collaboration.

## **STAFF COSTS**

44. In addition to the numbers of staff employed, a number of other elements influence the overall employment costs. These are discussed in the sections below.

## **PAY**

45. The budget for firefighter pay includes additional expenditure on overtime where out duties are worked; including the payment of allowances for pre-arranged out-duties.
46. The budget for firefighters pay is based on the latest pay rates agreed in July 2018; in addition, provision is included in the budget for a further 2% increase from July 2019.

## **PENSION SCHEMES**

### **FIREFIGHTER PENSION SCHEMES**

47. There were significant changes in the pension schemes for firefighters in 2017. Changes in contribution rates for firefighters pension schemes are due to come into effect from April 2019. Following a revaluation of firefighters' pension schemes the national average increase is material at 12.6% of pensionable pay. This equates to an additional gross cost burden of c. £3.3m and is not allowed for in the draft budget. Government has indicated that for 2019-20, 88% of this additional cost burden will be funded by a separate grant. The residual cost burden falling on the authority of £0.3m is included in the firefighters pay budget.

From 2020-21 it is expected this will be allowed for in the funding settlement although the methodology and transparency of this is has not been announced.

The Authority is required to budget for lump sum charges arising from the ill-health retirement of firefighters. These costs can be spread over three years, starting in the year in which the ill-health retirement occurs. In addition, the Authority has to fund the cost of the residual amount of injury scheme payments previously included in the pension budget. The pension injury payments increase in line with inflation and represent a considerable burden for the Authority. The budget for 2019-20 is £2.2m. The level of ill-health retirements has fallen considerably in recent years and provision has been made for one such retirement in 2019-20.

## **LOCAL GOVERNMENT PENSION SCHEME**

48. There was an actuarial review of the local government pension scheme as at 31 March 2016 and this resulted in an increase in the employers' contribution rate from 13.9% to 16.2%. The next review is due in March 2020.

49. The budget makes provision for the rates of employers National Insurance contributions and the new apprenticeship levy introduced from 1 April 2017. The budget includes £200k for this levy in 2019-20.

## **INFLATION**

50. Some specific allowances are included within the budget bids for expected inflationary increases in business rates, utilities and fuel. Budget holders have absorbed other inflationary pressures. Pay inflation of 2% is included in pay budgets.

## **NON-STAFF COSTS & COLLABORATION SAVINGS**

51. For non-staffing costs, the budget is derived from the outturn expenditure for 2018-19 "normalised" to exclude the impact of any non-recurring expenditure. This base figure has then been adjusted for efficiency gains and to reflect the impact of specific changes planned for the next year.

## **SPRINKLER FUNDING**

52. The budget makes no specific provision for additional sprinkler funding as the planned expenditure in 2019-20 will be from the existing agreed spend to save reserve with £372k remaining for projects to be completed. The Authority is currently working with local authorities to help fund projects in vulnerable areas.

## **RISK PROTECTION**

53. The Authority's risk protection arrangements are provided through the Fire and Rescue Indemnity Company Ltd (FRIC) in a risk sharing arrangement with eight other Fire and Rescue Authorities. Contributions to FRIC are in line with the insurance premiums paid in the previous year.

## REVENUE BUDGET PROVISION FOR CAPITAL FINANCING

54. The Authority is required to make a statutory provision to fund capital expenditure from council tax. This provision is based on the historic cost depreciation charge for the assets that are purchased.

55. The Commissioner is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement) through a revenue charge (the minimum revenue provision for capital financing - MRP).

The Authority uses the depreciation method for any increase in the capital-financing requirement based on the average annual depreciation charge for assets purchased.

The capital financing charge for 2019-20 is £5.1m, should the Authority choose to use the capital receipts reserve to balance the budget this will be achieved by offset against this charge.

## INCOME

56. The budget reflects a realistic assessment of income from a range of sources including aerial sites for telephony, re-charges to EFA trading etc. These are analysed in the table below;

	2018-19 Budget £'000s	2018-19 Forecast £'000s	2019-20 Budget £'000s	Variance from 2018-19 Forecast £'000s	Variance from 2018-19 Forecast %
<b>Operational Income</b>					
<b>Grant income</b>					
Urban Search and Rescue	(867)	(857)	(857)	(0)	0.0%
Firelink	(587)	(608)	(608)	0	(0.0%)
Business Rates Relief	(488)	(819)	(819)	-	0.0%
Maintenance Dim Vehicle	(157)	-	-	-	0.0%
Other	-	(80)	(118)	(37)	46.7%
<b>Total Grant income</b>	<b>(2,099)</b>	<b>(2,364)</b>	<b>(2,402)</b>	<b>(38)</b>	<b>1.6%</b>
<b>Other Operational Income</b>					
Cycle to Work Scheme	(25)	(22)	(20)	2	(9.1%)
Childcare Vouchers	(65)	(65)	(69)	(4)	6.2%
Canteen Income	(68)	(82)	(68)	14	(16.7%)
Sale of Vehicle Spares	(20)	(20)	(20)	-	0.0%
Aerial Sites	(140)	(140)	(140)	-	0.0%
Solar Panel Income	(50)	(50)	(50)	-	0.0%
Hydrant Tests	(90)	(90)	(90)	-	0.0%
Service Charges	(1)	(3)	(1)	2	(72.0%)
Secondments	(94)	(77)	(58)	19	(25.1%)
Community Safety general	-	(75)	-	75	(100.0%)
Labour Credit	(50)	(50)	(50)	-	0.0%
Section 13/16	(45)	(45)	(45)	-	0.0%
Provision of Hire Vehicles & Equipment	(2)	(10)	(2)	8	(80.7%)
Interest on short term lending	(20)	(70)	(40)	30	(42.9%)
Community Fire Safety	(320)	(160)	(320)	(160)	100.0%
Shared Services Income	(486)	(486)	(242)	244	(50.2%)
Reimbursements from EFA(T)	(97)	(80)	(108)	(28)	35.0%
Other Miscellaneous Income	(60)	(62)	(64)	(2)	3.1%
<b>Other Operational Income</b>	<b>(1,633)</b>	<b>(1,587)</b>	<b>(1,387)</b>	<b>200</b>	<b>(12.6%)</b>
<b>Total Operational Income</b>	<b>(3,732)</b>	<b>(3,950)</b>	<b>(3,788)</b>	<b>162</b>	<b>(4.1%)</b>

57. Government Grant income includes Urban Search and Rescue (£857K), Fire link (£608K) and Business Rates Support (£819K).

## CAPITAL BUDGET 2019-20

58. The affordability of the overall capital programme remains a key factor for the Authority in the next few years. Only if the overall capital programme can deliver financial benefits to offset the additional revenue burden of its financing costs will the projects outlined in this section be initiated.

59. Most significant projects already require PFCC approval before they can be initiated. All projects coming forward for approval will be required to demonstrate how the financing costs will be met and whether this will be from efficiencies generated by the project or from other areas.

60. The proposed budget is set out below. The most significant projects are on property asset protection and renovation of Shoeburyness station. ICT includes ICCS and CAD replacement for Control. Vehicle spend includes planned replacements for light vehicles and vans. The budget is summarised in the table below:

61. An extensive review of all capital expenditure was carried out by the Finance team in conjunction with budget holders in September and October 2018. Because of this, a number of projects were either rescheduled or cancelled. The budget has been reduced from £12m in 2018-19 to £5m in 2019-20 following this exercise. A further review of capital expenditure will be carried out based on the Fire and Rescue Plan and Integrated Risk Management Plan (IRMP) to assess requirements from 2020 to 2024. The replacement of further service fire appliances has been deferred until future service requirements have been properly determined.

The largest potential capital project is likely to be the replacement of the Service workshops in Lexden. Opportunities to collaborate with Essex Police on this project are being evaluated.

62.

	Revised Capital Budget 2018/19	Forecast 2018/19	Budget 2019/20
<b>CAPITAL BUDGET 2019/20</b>			
New Premises			
Service Workshops	3,000	-	100
Existing Premises			
Asset Protection	2,000	2,000	2,000
Asset Improvement Works	-	200	500
<b>Total Property</b>	<b>5,000</b>	<b>2,200</b>	<b>2,600</b>
<b>Equipment</b>	<b>778</b>	<b>287</b>	<b>360</b>
<b>Information Technology</b>			
Projects	1,970	990	1,425
<b>Total Information Technology</b>	<b>1,970</b>	<b>990</b>	<b>1,425</b>
<b>Vehicles</b>			
New Appliances	2,060	100	-
Other Vehicles	2,228	1,531	940
<b>Total Vehicles</b>	<b>4,288</b>	<b>1,631</b>	<b>940</b>
<b>Total Capital Expenditure</b>	<b>12,036</b>	<b>5,108</b>	<b>5,325</b>

## **63. CAPITAL RECEIPTS AND CAPITAL GRANTS**

**64.** The Authority is required to dispose of surplus assets, it is expected that as a result of the project for conversion of four day crewed stations to the on-call crewing system a number of houses previously required to support the day crewing system will be disposed of in the year. Proposal to be considered in summer 2019.

## **FUNDING CAPITAL EXPENDITURE**

65. The cash generated from the proposed income and expenditure budget is £5.1m. This will be used towards financing capital expenditure in the year.

## **EQUALITY AND DIVERSITY IMPLICATIONS**

66. None

## **WORKFORCE ENGAGEMENT**

67. Representative bodies will be involved and engaged, as plans are developed to move to a balanced budget position by 2021-22.

## **LEGAL IMPLICATIONS**

68. The Commissioner must agree a budget and set a precept by the end of February 2019.

## **HEALTH & SAFETY IMPLICATIONS**

69. None.