



Essex County Fire and Rescue Service Medium Term Financial Strategy 2024/25

Last updated on 10 February 2024

Contents

| | | |
|-----------|---|-----------|
| 1. | Background..... | 3 |
| 2. | Medium Term Financial Strategy | 5 |
| 3. | Assumptions and Sensitivity Analysis | 6 |
| 4. | Risks | 9 |
| 5. | Governance | 10 |
| 6. | Related Strategies | 10 |

1. Background

The Medium Term Finance Strategy (MTFS) was presented at the 17 January 2024 Strategic Board following the publication of the draft Local Government Finance Settlement which was on 18 December 2023. The was presented alongside the 2024/25 budget proposal.

On 1st February 2024, The Police, Fire and Crime Panel endorsed the PFCC's decision to increase the Fire precept by 2.91% equivalent to an increase of £2.34 a year, from £80.28 to £82.62 for a Band D property, for the 2024/25 financial year. This MTFS alongside the budget for 2024/25 was included within the supporting papers for the precept proposal presented at the Police, Fire and Crime Panel on 1st February 2024.

ECFRS is making 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 2024-2025:

Service Delivery

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

Within the context of closing out the activity required to make the improvements detailed in our current plans the Service is focussed upon the following priority areas.

The Service has over the past 3 years invested heavily in the resources, skills and competencies required to ensure it can meet increases in demand on legislative fire safety. **The Service has a commitment to embed the investment made in Fire Protection** to ensure it has sufficient resources to meet the needs of the Risk Based Inspection Programme, support business and take proportionate enforcement action where required.

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

To respond to a range of emergencies when called upon, requires the Service to actively manage the resources it has available to meet not only the day-to-day demand of incidents, but also the ability to respond to prolonged and sustained periods of high demand as was seen in the summer of 2022. This has resulted in the **Service making better use of the resources it has at its disposal on a risk basis**. This movement of appliances has an increased cost to the Service.

Resourcing this demand is key. The current economic situation alongside planned retirements create a pressure on the Service to be able to recruit ahead of time, and then have sufficient time to develop the skills of new staff to replace those that have been lost.

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

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 Authority is looking to make an investment in Fire Training Facilities at its headquarters in Kelvedon Park which will deliver crucial safety critical, specialist training. This is expected to progress to full business case within 2024-25.

The Authority has updated its Capital Plan to reflect its share of investment it will be making in the creation of a new joint fleet workshop in Boreham with Essex Police. Both organisations currently have separate workshops which are deteriorating and in need of significant investment. This is expecting to progress within 2024-25.

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

The service will **continue the delivery of its Digital and Data Strategy**. This investment in systems and hardware will improve productivity and connectivity. There are some cost pressures arising within the year which resulted from this transformation program, which relate to additional licensing and costs associated with using modern technology. This includes the rollout of a new workforce management system and a new financial system. Following the new control system which went live in 2023-24, an additional capital investment of £0.95m which will form part of the control room phase 2 project. This will see the replacement of critical station end equipment, ensuring that the 999 mobilising infrastructure is modern and able to deliver the increasing data requirements and security protection against cyberattacks.

2. Medium Term Financial Strategy

The latest MTFs is shown in the table below and is compared to the MTFs presented at the December 2023 Strategic Board.

Summary Medium Term Financial Strategy at December 2023

| Actual / Forecast | | | Medium Term Financial Strategy 2024/25 to 2028/29 | | | | | | |
|-------------------|---------|---------|---|---------|---------|---------|---------|--------------|--|
| 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 5 Year Total | |
| £m | £m | £m | £m | £m | £m | £m | £m | £m | |
| 83.3 | 86.3 | 91.1 | 96.8 | 96.7 | 98.9 | 101.2 | 103.4 | 497.1 | |
| (2.9) | (2.0) | (1.6) | (1.3) | 0.0 | 0.0 | 0.0 | 0.0 | (1.3) | |
| 80.4 | 84.4 | 89.5 | 95.6 | 96.7 | 98.9 | 101.2 | 103.4 | 495.8 | |
| (1.1) | (2.2) | (1.1) | (0.8) | (0.5) | (0.5) | (0.5) | (0.5) | (2.8) | |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 79.3 | 82.2 | 88.4 | 94.8 | 96.2 | 98.4 | 100.7 | 102.9 | 493.0 | |
| (79.3) | (82.2) | (88.4) | (93.0) | (95.1) | (97.3) | (99.3) | (101.3) | (486.0) | |
| 0.0 | 0.0 | 0.0 | (1.8) | (1.1) | (1.1) | (1.4) | (1.6) | (7.0) | |

Latest Summary Medium Term Financial Strategy

| Actual / Forecast | | | Medium Term Financial Strategy 2024/25 to 2028/29 | | | | | | |
|-------------------|---------|---------|---|---------|---------|---------|---------|--------------|--|
| 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 5 Year Total | |
| £m | £m | £m | £m | £m | £m | £m | £m | £m | |
| 83.3 | 86.3 | 91.1 | 95.7 | 96.1 | 98.1 | 99.7 | 101.8 | 491.4 | |
| (2.9) | (2.0) | (1.6) | (1.3) | (0.4) | 0.0 | 0.0 | 0.0 | (1.7) | |
| 80.4 | 84.4 | 89.5 | 94.5 | 95.8 | 98.1 | 99.7 | 101.8 | 489.8 | |
| (1.1) | (2.2) | (1.1) | (0.8) | (0.5) | (0.8) | (0.4) | (0.4) | (3.0) | |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 79.3 | 82.2 | 88.4 | 93.7 | 95.3 | 97.3 | 99.3 | 101.4 | 486.9 | |
| (79.3) | (82.2) | (88.4) | (93.7) | (95.3) | (97.3) | (99.3) | (101.4) | (486.9) | |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |

The key movements in the MTFs for 2024-25 since the previous version presented at the December 23 Strategic Board are as follows:

- £0.7m increase in NNDR Baseline funding following the announcement of the provisional local government finance settlement on 18th December 2023.
- £0.7m due to a reduction in the pay assumption for 2024-25 for all staff to 3%.
- £0.2m reduction in the Minimum Revenue Provision, due to re-allocation the use of Capital Receipts Reserves to fund 2024-25 capital investments,
- £0.2m removal of Revenue Staffing bids (4 FTE) that had previously been included.

Savings - £0.8m of core revenue budget savings have been identified in 2024-25 which are shown in table below.

| 2024/25 Savings and efficiencies plan | Full Year Recurring £m |
|---|---------------------------|
| Reduction in overtime, casual staff and temporary staff | (0.1) |
| Reduction in usage of IT consumables | (0.1) |
| Estates underspending recognised in budget | (0.1) |
| Recruitment costs, legal fees, and Council Tax Sharing Agreement | (0.1) |
| Increase in interest received | (0.4) |
| Increase in income from recharging partners in respect of collaboration | (0.1) |
| Total | (0.8) |

The Service savings and efficiencies plan is tracked through its Productivity and Efficiency Board. Since 2020-21, the Service has driven budgetary savings of £5m and has generated £7m of capital receipts from the sale of surplus assets.

The table below shows the latest detail of the MTFs and the impact of the change since December 23.

Detailed Medium-Term Financial Strategy and the changes since December 23.

| Medium Term Financial Strategy 2024/25 to 2028/29 | | | | | | | Changes since the MTFs at Feb 23 | Changes since the MTFs at December 23 |
|---|---------------|---------------|---------------|---------------|----------------|----------------|----------------------------------|---------------------------------------|
| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 5 Year total | 2024/25 | 2024/25 |
| | £m | £m | £m | £m | £m | £m | (reduction) / increase £m | (reduction) / increase £m |
| Opening net budget requirement | 88.4 | 93.7 | 95.3 | 97.2 | 99.3 | 473.8 | 0.0 | 0.0 |
| Pay Pressures | 3.5 | 1.4 | 1.4 | 1.5 | 1.5 | 9.3 | 2.3 | (0.7) |
| Investment in On Call | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 0.6 | 0.0 |
| Investment in New Resources | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | (0.1) |
| Non Pay Pressure - Support Costs | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | 0.2 | 0.0 |
| Non Pay Pressure - Premises & Equipment | 0.8 | 0.2 | 0.2 | 0.2 | 0.3 | 1.8 | 0.8 | 0.0 |
| Non Pay Pressure - Other Costs & Services | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.4 | (0.0) |
| Firefighters' Pension Scheme Pressure | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 | 0.7 | 0.4 | (0.0) |
| Revenue Impact of Capital Programme | 0.0 | 0.3 | 0.9 | 0.2 | 0.2 | 1.6 | (0.1) | (0.3) |
| Finance Costs resulting from Capital Program | 0.0 | 0.0 | 0.1 | 0.5 | 0.5 | 1.1 | 0.0 | 0.0 |
| One Off Investment through Earmarked Reserves | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 1.3 | 1.3 | (0.0) |
| Contributions (from) Earmarked Reserves | (1.3) | 0.0 | 0.0 | 0.0 | 0.0 | (1.3) | (1.3) | 0.0 |
| Net budget requirement (before savings and efficiencies) | 94.5 | 95.8 | 98.1 | 99.7 | 101.8 | 489.8 | 4.9 | (1.0) |
| Savings and efficiencies (cashable - recurring) | (0.8) | (0.5) | (0.9) | (0.4) | (0.4) | (3.0) | (0.8) | (0.0) |
| Savings and efficiencies (cashable - one-off) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net budget requirement (after savings and efficiencies) | 93.7 | 95.3 | 97.2 | 99.3 | 101.4 | 486.8 | 4.1 | (1.1) |
| Opening funding | (88.4) | (93.7) | (95.3) | (97.2) | (99.3) | (473.9) | (0.0) | 0.0 |
| Government funding | 2.2 | 0.9 | 0.1 | 0.0 | 0.0 | 3.1 | 2.2 | 3.7 |
| Revenue Support Grant | (4.2) | (0.3) | (0.3) | (0.3) | (0.3) | (5.3) | (4.2) | (3.6) |
| National Non Domestic Rates | (0.8) | 0.0 | 0.0 | 0.0 | 0.0 | (0.8) | (0.8) | (0.8) |
| Tax base increase | (0.6) | (0.6) | (0.6) | (0.6) | (0.6) | (3.0) | (0.6) | 0.0 |
| Council Tax - Precept increase | (1.5) | (1.6) | (1.1) | (1.2) | (1.2) | (6.7) | (0.1) | (0.0) |
| Collection fund change | (0.3) | 0.0 | 0.0 | 0.0 | 0.0 | (0.3) | (0.3) | 0.0 |
| Total funding | (93.7) | (95.3) | (97.2) | (99.3) | (101.4) | (486.9) | (3.9) | (0.7) |
| Annual (shortfall)/surplus | 0.0 | (0.0) | (0.0) | (0.0) | (0.0) | (0.1) | 0.2 | (1.8) |

Funding

Council Tax – The precept has been increased by £2.34 (2.91%) in 2024/25. The council tax precept is increased by 3% in 2025/26 and then 2% 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 and thereafter. The Pension Grant (£3.5m) was previously included as a S31 Grant and 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 there been applied to this from 2025/26 and each year thereafter.

Specific Government Grants – The total Specific government grants in 2024/25 is £6.1m, which is primarily made up of Business Rates Relief Grant and Compensation from the multiplier freeze (£4m), Urban Search and Rescue Grant (£0.8m), Funding Guarantee (£0.6m) and Firelink (£0.3m), 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 which total £0.7m, are one off 2024/25, and these will no continue beyond this timeline.

The Firelink grant is also phased out of the MTFS by 2026/27, which is inline with the notification given by Home Office in 2022-23.

All other grants 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 these areas to which this grant funding was specifically assigned to ensure that there was no financial impact on the service.

Expenditure

Employment Costs equate to approximately 75% of the Service's core budget, with the numbers 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.

Capital

The revenue impact of the capital programme is charged to the Core revenue budget through the minimum revenue provision. The Minimum Revenue Provision (MRP) is currently set at £4.2m for 2024/25.

The current MTFS has a £1.6m pressure on the MRP Charge between 2025/26 to 2028/29, which is based on the latest Capital Strategy. There is a further £1.1m included which relates to finance charges, due to additional borrowing that is required to fund the capital programme.

The Capital programme and projection is closely monitored and the MRP is modelled and projected regularly throughout the year to take account of changes or updates to the Capital Programme.

Key Sensitivities

The Table below details some of the key sensitivities within the MTFS:

| Funding Category | Impact of a 1% Change |
|-----------------------------|------------------------------|
| Council Tax Precept | £0.55m |
| Council Tax Base | £0.5m |
| Revenue Support Grant | £0.13m |
| National Non-Domestic Rates | £0.17m |

| Expenditure Category | Impact of a 1% Change |
|-----------------------------|------------------------------|
| Grey Book Pay Award | £0.5m |
| Green Book Pay Award | £0.2m |
| Total Pay Award | £0.7m |
| Non-Pay Costs | £0.25m |

4. Risks

The main risk areas associated with the MTFS are:

- **National Pay Settlements** – Pay cost for 2024-25 are budgeted based on a 3% pay award. Negotiations on the pay settlement will take place at the 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 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 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 (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. No details have yet been provided on what the increase in employers contributions will be, but it is expected that the increase will be fully funded through an additional grant.

- **Local Government Finance Settlement** – The latest provisional 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 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. Regular communication and meetings are held with the Districts, so should any key collections issues arise then 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 inline with the 2022/23 Home Office communication.

All other grants 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 these areas to which this grant funding was specifically assigned to, to ensure that there was no financial impact on the service.

- **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.
- **Exceptional Cost 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 is outlined in the Reserve Strategy.
In the event that there are any unexpected exceptional costs arise, then 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.

5. Governance

The MTFS is regularly projected through the year and reported through the quarterly Strategic Boards. This means that the MTFS is updated to take account any new / emerging financial items and ensures that the Service has a good oversight and understanding of its financial position.

This also means that any funding or cost pressures can be promptly identified, and appropriate savings and efficiency plans can be developed through the Productivity and Efficiency Group Board.

6. Related Strategies

The Medium term Financial Strategy sits alongside the following Service Strategies:

- Capital Strategy and MRP Policy
- Reserves Strategy
- Treasury Management Strategy