



Essex County  
Fire & Rescue Service

# **Budget Setting Paper 2025/26**

## CONTENTS

1. Background .....	3
2. Risks .....	5
3. Savings Plan Update.....	7
4. Budget Pressures .....	8
5. 2024/25 Budget Assumptions.....	9
6. Medium Term Financial Strategy.....	11
7. 2023/24 Budget Sensitivity Analysis .....	<b>Error! Bookmark not defined.</b>
8. Capital Expenditure and Financing .....	13
9. Appendix A – 2023/24 Budget Investment Updates .....	<b>Error! Bookmark not defined.</b>
10. Appendix B – 2024/25 Budget Timetable .....	<b>Error! Bookmark not defined.</b>

## 1. Background

This report sets out the key assumptions for the preparation of the 2025/26 budget.

The Authority has continued to face financial pressure due to the recent economic and cost of living pressures.

The latest quarterly [Bank of England Monetary Policy Report](#) was published on 1<sup>st</sup> August 2024. The report sets out the economic analysis and inflation projects that the Monetary Policy Committee uses to make its interest rate decisions. The key points from the report are:

- Inflation in the UK has fallen to its lowest level since September 2021, from a peak of 11% in 2022 to 3.2% in March.
- Inflation is still above the 2% target.
- The interest rates are at 5% to help inflation return to the 2% target.
- CPI inflation is expected to increase to around 2.75% in the second half of this year.

The Authority produced a balanced budget for 2024/25, which includes the following the following pay assumptions:

- 3% Pay Award for 2024/25 for Operational Staff (Grey Book).
- 3% Pay Award for 2024/25 for Support Staff (Green Book).

At the time of finalising the 2024/25 budget, no pay offer had been made by the National Joint Council (NJC) to Operational Staff (Grey Book) or Non-Operational Staff (Green Book).

On 24th April 2024, a pay offer was made to Operational Staff (Grey Book), which included:

- A 4.0 per cent increase on all basic pay rates and Continual Professional Development payments with effect from 1 July 2024.
- A proposal to restructuring to the Grey Book retainer fee for those on the Retained Duty System (On-Call) effective from 1 January 2025.

The annual retainer for an employee providing full cover (which is defined as cover of at least 120 hours per week) is 15% of the appropriate annual basic pay.

Where an employee provides cover for less than 120 hours per week the following bands may be applied:

- Up to and including 30 hours per week 5%
- from 31 hours per week and up to and including 60 hours per week 7.5%
- from 61 hours per week and up to and including 90 hours per week 10%
- from 91 hours per week and up to and including 119 hours 12.5%

A proposal to improve occupational maternity pay to 26 weeks at full pay (inclusive of all allowances and CPD) followed by 13 weeks at SMP. Our current maternity policy in is in line with this so there would be no further impact.

On 16<sup>th</sup> May 2024, the National Joint Council (NJC) made a pay offer to the non-operational staff (Green Book) of:

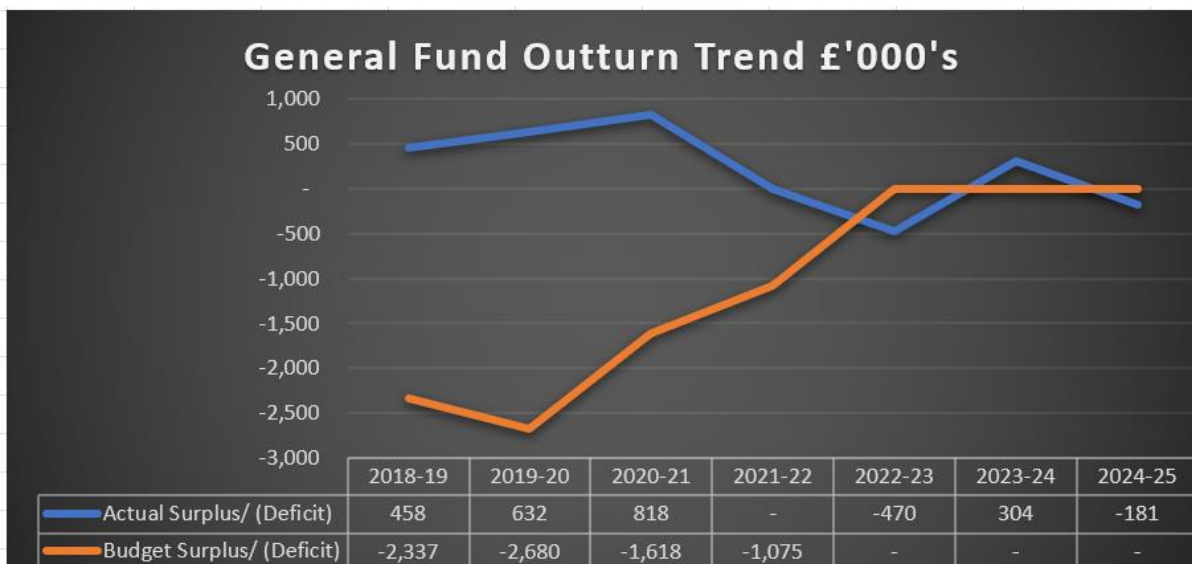
- £1,290 (pro rata for part-time employees) on NJC Scale pay points 2 to 43 inclusive.
- An increase of 2.50% on NJC Scale pay points above 43.

This pay offer was accepted by GMB members, however both Unite’s and Unison’s members rejected this offer and have now decided to proceed to industrial action ballots.

The Unison ballot will open on 4 September and close on 16 October, with Unites ballot expected to run to a similar timeframe.

The Authority will continue to produce a balanced budget with no use of General Reserves in 2025/26 to ensure good financial sustainability.

The table below shows the trend in the financial outturn, along with the budgeted position.



\*2022-23 Based on Current Unaudited Accounts

\*\*2023-24 Is reflective of the current projected Outturn Position.

## 2. Risks

A summary of the key risks identified as part of the budget setting process are mentioned below:

- **National Pay Settlements – National Pay Settlements** – There has been no agreement reached with Green Book Staff in respect of the 2024/25 pay award. Any pay settlement agreed in excess of 3% would result in an additional unfunded year on year financial pressure.  
From 2025/26 if any national pay settlement is reached in excess of 2%, then this would create an unfunded year on year financial pressure.
- **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. If our funding does not increase in line with the inflationary pressures, then savings and efficiencies will need to be found to ensure that there is no budgetary gap.
- **Firefighters Pension Schemes (Funding)** - The employer contribution rates for firefighters' pension schemes increased by 8.5% to 37.6% of pensionable pay with effect from 1st April 2024. This is expected to create an in year financial pressure of £3.1m. A pension grant of £2.6m has been awarded to fund the increase in Employer Contributions. The Home Office have advised that there may be an opportunity to get additional funding as a Sector to cover gaps the shortfall in the Pension Grant. Any further grant funding would be distributed in line with the previous distribution formula. There is currently no commitment that this funding will continue into 2025-26. However, it is our working assumption that given the magnitude of the grant required, funding will be continued to at least this rate.  
These employer contribution rates are expected to be set for the period 1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2027.
- **Local Government Finance Settlement** – The latest local government 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. Under the new Labour Government, the Chancellor has announced there will be a multi-year spending review, which will conclude in Spring 2025. This will therefore likely lead to a one-year finance settlement for 2025-26, whilst this spending review is undertaken. Further spending reviews will then be conducted every two years.

- **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 beings 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; this is currently removed from the 2025/26 Budget. In addition, the Firelink Grant has been phased out in line with the 2022/23 Home Office communication.

Despite, the local government finance settlement being for 2 years, there was a lack of information given of funding in 2024/25 in relation to the business Rates Support Relief Grant (£2.9m) and the Services Grant (£0.6m).

Other S31 Grants have been included on a flat-cash basis, which include:

- £0.8m Urban Search and Rescue Capability - In the year the Service has received confirmation that this will continue for financial years 2023/24 and 2024/25. A further decision around the continuation of funding will be made in the current year and we await this decision. There has been no indication at this time that our USAR is no longer required.
  - £0.3m Firelink - A letter from the Home Office in 2022/23 confirmed that this is being phased out by 2026/27. This is being phased out by equal instalment each year.
- **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.

### 3. Savings Plan Update

The 2024/25 budget included £0.8m of cashable efficiencies which will be tracked through the Productivity and Efficiency Board.

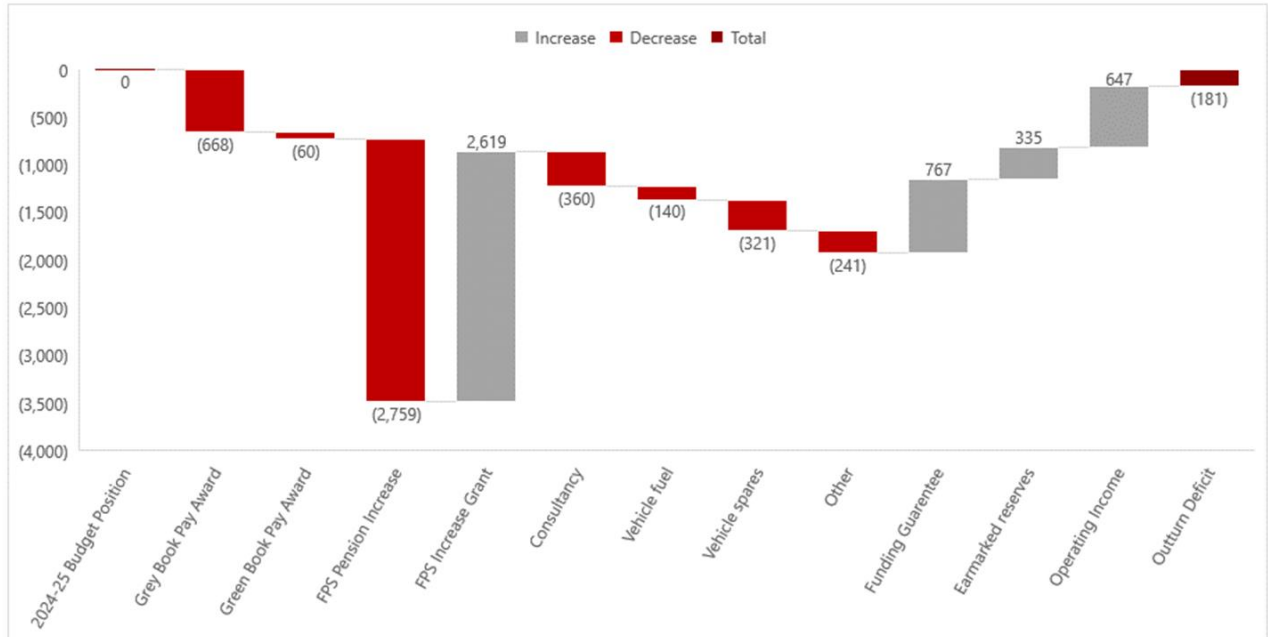
As at July 24, it is expected that £0.27m of these cashable efficiencies would have come to fruition and currently the Authority have realised £0.2m (74%).

Area of Saving	Financial Year	YTD Savings Achieved	Saving April - July 24	Variance
Whole Time Overtime	Budget 2024-25	£0	£19,833	(£19,833)
Casual and Temporary Staff	Budget 2024-25	£0	£3,000	(£3,000)
Financial strain	Budget 2024-25	£0	£8,333	(£8,333)
Laundry	Budget 2024-25	£2,333	£2,333	£0
Int Decs/Alts & Improvements	Budget 2024-25	£13,333	£13,333	£0
Planned Works	Budget 2024-25	£165	£165	£0
Cleaning products	Budget 2024-25	£0	£1,001	(£1,001)
Office/Admin Equipment (incl copiers)	Budget 2024-25	£834	£834	£0
Canteen Equipment	Budget 2024-25	£0	£2,149	(£2,149)
Cleaning Equipment	Budget 2024-25	£2,500	£2,500	£0
Bedding, Linen, Towels etc.	Budget 2024-25	£2,003	£2,003	£0
First Aid	Budget 2024-25	£1,249	£2,381	(£1,132)
IT Consumables	Budget 2024-25	£19,289	£20,000	(£711)
Petrol and Diesel	Budget 2024-25	£0	£1,667	(£1,667)
Driving Licences	Budget 2024-25	£667	£667	£0
Recruitment	Budget 2024-25	£6,667	£6,667	£0
Events	Budget 2024-25	£0	£667	(£667)
Miscellaneous Expenses	Budget 2024-25	£1,967	£1,967	£0
Legal Expenses	Budget 2024-25	£0	£5,200	(£5,200)
Other Local Authority Services	Budget 2024-25	£0	£6,101	(£6,101)
Leasing Charges	Budget 2024-25	£0	£1,603	(£1,603)
Canteen Income	Budget 2024-25	£4,100	£13,737	(£9,637)
Sale of Vehicle Spares	Budget 2024-25	£1,667	£1,667	£0
Aerial Sites	Budget 2024-25	£3,992	£3,992	£0
Hydrant Tests	Budget 2024-25	£0	£5,333	(£5,333)
Labour Credit	Budget 2024-25	£7,409	£10,000	(£2,591)
Section 13/16	Budget 2024-25	£16,188	£16,957	(£769)
Interest Received Short Term Investments	Budget 2024-25	£116,667	£116,667	£0
		£201,029	£270,756	(£69,727)

The Directors have also developed an in year savings plan, which currently total £0.3m. Further details on the in year plan will be reported on at the next Strategic Board.

## 4. Budget Pressures

The current projection for 2024/25 shows a deficit of £0.18m and is shown in the waterfall chart below.



The year-to-date (YTD) position at July 2024 is £0.9m surplus; the below points show the YTD projected position to the expected outturn:

- (£2.8m) - The employer contribution rates for Firefighters' Pension Schemes (FPS) increased by 8.5% from 29.1% to 37.6%, effective from 1<sup>st</sup> April 2024; this £2.8m impact covers Wholetime, On-Call & Control Staff.
- £2.8m\* - Pension Grant from the Home Office has been awarded to fund the increase in Employer Contributions to the Firefighter Pension Scheme (FPS).
- (£0.7m) - The budgeted Grey Book Pay Award is 3% vs an actual award of 4%, creating a cost pressure of 1%; £0.5m relates to Wholetime Firefighters & £0.2m relates to On-Call.
- (£0.07m) - The budgeted Green Book Pay Award is 3% vs an actual award of £1,290 (pro rata for part-time employees) on NJC Scale pay points 2 to 43 inclusive & an increase of 2.50% on NJC Scale pay points above 43, creating a £68k impact.
- £0.5m - Additional funding driven by Additional Funding Guarantee, Revenue Support Grant, National Non-Domestic Rates (NNDR), NNDR Surplus, Council Tax Collection Account (as per the Final Precept Schedules) & Council Tax Precept.
- (£0.11m) - Revenue resource required to fund the Control Phase 2 (i.e. Control Optimisation) Project.
- (£0.36m) - Cost of Response Model at £60k for a 6-month period before returning to budget; costs associated with On-Call Firefighters.
- (£0.09m) - Structure of Fleet Workshop; 50% of total costs are related to ECFRS.
- £0.3m - In Year Directors Efficiency Plan developed (see breakdown in Section 3 above).
- £0.5m – Estimated impact of the interest received income.



\*The Home Office have advised that there may be an opportunity to get additional funding as a Sector to cover gaps shortfalls in the Pension Grant. This consideration will be given upon receipt of the sector's forecast submission in August. Any further grant funding would be distributed in line with the previous distribution formula.

## 5. 2025/26 Budget Assumptions

### Headcount

The below shows the 2024/25 staff establishment that is initially being included within the budget setting process.

Staff Establishment (Full Time Equivalent)

	2024/25 Budget
Wholetime Firefighters	632
On-Call Firefighters	461
Control Staff	43
Support Staff-Employees	329
<b>Total</b>	<b>1,465</b>

Since the 2024/25 budget approval, there has been an increase of 3.0 FTE in establishment for Protection, which are all being funded by the Protection Uplift Grant. There is however a risk that if the Protection Uplift Grant is reduced, these additional roles will need to be funded as business as usual (BAU).

Budget holders are in the process of completing their initial budget submissions for 2025/26. As part of this process, it is expected that there will be a number of budget bids that will be submitted to the Service Leadership Team to consider.

During the budget setting process, staff establishments will be reviewed with Budget Holders and Directors. These resources will also be reviewed alongside the preparation of the CRMP.

### Non-Pay Costs

The service will continue its successful approach to the budgeting of non-pay costs, which it changed in the 2022/23 budget setting process. Budget holders will be provided with their historic spend trends for non-pay costs & their current year budget allocation. They are asked to provide rationale behind the proposed budget figures. Overtime, Agency & Secondary Contracts are incorporated in the non-pay templates. There is also an opportunity for departments to provide ideas for savings & efficiencies. Budget holders are required to also complete their training requests, after liaising with the Learning & Development Department.

Although the service has not adopted a full zero-based budget approach, budget holders are expected to provide a breakdown/justification of the activity for all the key nominal cost lines within their budget proposals.

Throughout the budget process, the Finance Business Partners will be working with the budget holders to identify further areas of savings and efficiencies that could be made.

### **Funding – Council Tax**

The budget setting for 2025/26 includes an increase in Council Tax Precept of 2.94%. This will result in the precept of a Band D property increasing by £2.43 a year, from £82.62 to £85.05 and will raise £1.63m in additional council tax receipts.

An estimated 1.0% growth in the tax base will also be built into the budget setting for 2025/2026 which will generate an additional £0.55m in council tax receipts.

The setting of the precept is in line with the Statutory referendum limits announced within the 2022 Chancellors Autumn Statement. The Autumn Statement increased the precept limit to 3% and this assumption has been included in 2024/25 and 2025/26 and then reverts back to 2% in 2026/27.

The districts provide information relating to the number of Band D properties and this is reviewed and updated accordingly throughout the budget process. It is expected that the final assumptions will be available in December 2024.

### **Funding – Local Government Finance Settlement**

In 2024/25, a historic S31 Pension Grant of £3.5m was built into base funding through the revenue support grant. No inflationary increase was applied to this element of the Revenue Support Grant in 2024/25.

The 2025/26 budget includes a 2% increase in the Revenue Support Grant, which includes this Pension Grant that was built into base funding.

It is assumed that all other areas of the local government finance settlement will be on a flat cash basis. This is reflected in the table below.

Local Government Finance Settlement

	<b>2025/26 Budget £'000</b>	<b>2024/25 Budget £'000</b>
Revenue Support Grant	14,112	13,835
National Non-Domestic Rates	17,921	17,921
<b>Total</b>	<b>32,032</b>	<b>31,756</b>

The provisional settlement is expected in December 24, and the budget will be updated accordingly as further information becomes available. The final settlement is expected to be announced in February 25.

## 6. Medium Term Financial Strategy

The latest Medium Term Financial Strategy is shown below and also shows the key movements since that presented in the June 2024 Strategic Board.

Per June 24 Strategic Board					Medium Term Financial Strategy 2025/26 to 2028/29						
Actual / Forecast											
2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	5 Year Total		
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
83.3	86.3	91.1	95.7	100.1	100.7	102.4	104.5	106.3	513.9		
(2.9)	(2.0)	(1.6)	(1.3)	0.0	0.0	0.0	0.0	0.0	0.0		
80.4	84.4	89.5	94.5	100.1	100.7	102.4	104.5	106.3	513.9		
(1.1)	(2.2)	(1.1)	(0.8)	(2.2)	(0.8)	(0.5)	(0.5)	0.0	(3.9)		
0.0	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	97.9	99.9	101.9	104.0	106.3	510.0		
(79.3)	(82.2)	(88.4)	(93.7)	(97.9)	(99.9)	(101.9)	(104.0)	(106.3)	(510.0)		
0.0	0.0	0.0	0.0	(0.0)	(0.0)	0.0	0.0	(0.0)	0.0		

Per Sept 24 Strategic Board					Medium Term Financial Strategy 2025/26 to 2028/29						
Actual / Forecast											
2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	5 Year Total		
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
83.3	86.3	91.1	95.7	100.1	100.7	102.4	104.5	106.3	513.9		
(2.9)	(2.0)	(1.6)	(1.3)	0.0	0.0	0.0	0.0	0.0	0.0		
80.4	84.4	89.5	94.5	100.1	100.7	102.4	104.5	106.3	513.9		
(1.1)	(2.2)	(1.1)	(0.8)	(2.2)	(0.8)	(0.5)	(0.5)	0.0	(3.9)		
0.0	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	97.9	99.9	101.9	104.0	106.3	510.0		
(79.3)	(82.2)	(88.4)	(93.7)	(97.9)	(99.9)	(101.9)	(104.0)	(106.3)	(510.0)		
0.0	0.0	0.0	0.0	(0.0)	(0.0)	0.0	0.0	(0.0)	0.0		

The expected use of Earmarked and Capital Receipts Reserves will be prepared in the budget cycle. It continues to the Authority's objective not to use General Reserves to fund its Core Budget activities.

## 7. MTFs Assumptions

The following assumptions has been included in the setting of the 2025/26 budget and the MTFs. Throughout the budget setting process, various budget assumptions / scenarios will be considered.

Category	Description	2025/26	2026/27	2027/28	2028/29	2029/30
Funding	Council Tax Precept % Change	2.94%	2%	2%	2%	2%
Funding	Council Tax Precept - Per Band Property	£85.05	£86.75	£88.48	£90.25	£92.06
Funding	Council Tax Base % Change	1.00%	1.00%	1.00%	1.00%	1.00%
Funding	Council Tax Base Per Band D Property	677,225	683,997	690,837	697,746	704,723
Funding	Revenue Support Grant	2%	2%	2%	2%	2%
Funding	Non-Domestic Rates & Government Grants	0%	0%	0%	0%	0%
Expenditure	Pay Inflation	2%	2%	2%	2%	2%
Expenditure	Non - Pay Inflation	2%	2%	2%	2%	2%
Expenditure	Non - Pay - Minimum Revenue Provision	As Per the 2024/25 Capital Strategy and MRP Policy <a href="#">Capital Strategy and MRP Policy 2024-25.pdf (essex-fire.gov.uk)</a>				

### Service Grant & Minimum Funding Guarantee

The 2024/25 budget included £0.6m relating to the Funding Guarantee and £0.1m for the Services Grant. There has not been any commitment to continue this funding and therefore this has not been included within the 2025/26 budget.

The final local government finance settlement was announced after the Authority's budget was finalised. The government included additional financial support relating to the funding guarantee, which amounted to an additional £0.7m. This has not been included within the 2025/26 budget setting.

## 8. Capital Expenditure and Financing

A summary of the latest capital expenditure forecast for 2024/25 is shown below. Budget holders have also submitted some initial estimates for 2025/26 to 2027/28 which are also reflected in the table below.

Summary Capital Programme	Forecast 2024-25	Forecast 2025-26	Forecast 2026-27	Forecast 2027-28
	£'000s	£'000s	£'000s	£'000s
<b>New Premises</b>				
Fleet Workshops Relocation	247	1,319	6,603	665
<b>Existing Premises</b>				
Asset Protection	1,736	2,595	2,825	2,885
<b>Asset Improvement Works</b>				
Live Fire Training Replacement	250	4,250	5,500	-
<b>Total Property</b>	<b>2,233</b>	<b>8,164</b>	<b>14,928</b>	<b>3,550</b>
<b>Equipment</b>	<b>1,087</b>	<b>2,395</b>	<b>1,620</b>	<b>840</b>
<b>Information Technology</b>				
Device Refresh	1,120	1,145	481	460
Control Project	841	133	-	20
<b>Total Information Technology</b>	<b>1,961</b>	<b>1,278</b>	<b>481</b>	<b>480</b>
<b>Vehicles</b>				
New Appliances	3,674	1,890	2,100	2,065
Other Vehicles	746	2,475	3,313	1,845
<b>Total Vehicles</b>	<b>4,420</b>	<b>4,365</b>	<b>5,413</b>	<b>3,910</b>
<b>Total Capital Expenditure</b>	<b>9,701</b>	<b>16,202</b>	<b>22,442</b>	<b>8,780</b>

A longer term capital programme is being prepared and movement in this plan is will occur in the budget cycle due to affordability.