

PFCC Decision Report

Report reference number: 049-21
Classification: Official
Title of report: Medium Term Financial Strategy (MTFS)
Area of county / stakeholders affected: Countywide
Report by: Annette Chan – Chief Accountant
Date of report: 17 th March 2021
Enquiries to: Annette Chan – Chief Accountant

1. Purpose of the report

The 2021/22 Medium Term Financial Strategy (MTFS) was set on 4 February 2021 as part of the 2021/22 budget report to the Police, Fire and Crime Panel. This decision report sets out the approved position, and movements since that Panel meeting, as well as the latest forecast on the Capital Programme and Reserves.

2. Recommendations

- i) To endorse and approve the current 2021/22 MTFS position and movements since the 4 February Budget Setting Police, Fire and Crime Panel as presented in this report.
- ii) To endorse and approve the creation of a new earmarked Covid Roadmap Violence Reduction Reserve to support the operational plan in 2021/22 and to approve an appropriation to this reserve in 2020/21 of £1.303m.

3. Benefits of the proposal

This report provides:

- An overview of the Essex Police MTFS;
- Latest forecasts on the capital investment programme over the medium term and how it will be financed, and

- Forecast reserve balances.

4. Background and proposal

The MTFS is a service planning and performance management framework which aims to ensure that resources are directed towards achieving delivery of the vision for the next five years and the Police and Crime Plan.

As at the 4 February 2021 Police Fire and Crime Panel meeting, the MTFS was forecasting a shortfall of £4.6m in 2022/23 and a total shortfall of £34.4m over the four-year period up to 2025/26. The forecast was built on various assumptions including a 2.5% council tax precept increase each year.

A high-level summary of the latest MTFS indicates a slight improvement with a £4.1m shortfall in 2022/23 with a total £31.4m shortfall over the same four-year period up to 2025/26 rising to £45.3m by 2026/27. The reductions in the shortfall reflect movements in the month 10 capital programme since budget setting where reductions in the forecast level of borrowing to finance the capital programme result in a reduction in the Minimum Revenue Provision (MRP) contribution that will be charged to revenue. The MTFS and the assumptions that it is based on are continually reviewed and updated.

There are minimal cashable savings identified for 2022/23 at this time but work is due to commence on developing savings plans over the coming months.

Capital expenditure is forecast to be £33.6m in 2021/22 and a further £21m in 2022/23 and £19.2m in 2023/24. The Capital Financing Requirement (CFR) represents capital expenditure incurred and forecast to be incurred that has not been financed by cash resources and is an indicator of our underlying need to borrow to fund the investment programme. The CFR is forecast to reach £44.3m by 2024/25 with an annual revenue cost of borrowing reaching £1.7m.

Revenue and Capital Reserves are forecast to be £19.7m (3.8% of net revenue expenditure) by 31 March 2021 and £12.4m by 31 March 2026 (3% of net revenue expenditure).

On 11 February 2021 the Home Office confirmed that Police and Crime Commissioners would receive additional funding for managing Covid financial pressures and to maintain enforcement activity. The Essex Police, Fire and Crime Commissioner will receive £1.303m from the national allocation of £58m. The grant is expected to be received in March 2021 which would create an underspend in year. An earmarked reserve will be created for an equivalent amount of £1.303m in order to support the Essex Police Road Map Surge Plan as Covid restrictions relax. This reserve would be referred to as the Covid Roadmap Violence Reduction Reserve.

5. Alternative options considered and rejected

This paper is for endorsement only.

6. Police and Crime Plan

This paper concerns the management of the PFCC's and Chief Constable's revenue and capital resources and therefore underwrites all of the priorities and workstreams identified within the Police and Crime Plan.

7. Police operational implications

As per section 6 of this paper.

8. Financial implications

The financial implications are covered within section 4 of this paper.

9. Legal implications

There are no legal implications.

10. Staffing implications

There are no staffing implications.

11. Equality and Diversity implications

There are no equality or diversity implications of this decision report.

12. Risks

Financial risks that impact on the MTFs and Capital Programme are the availability of future revenue funding and short- and long-term capital financing resources, and both of these are addressed in the report.

13. Governance Boards

Presented and agreed at the Strategic Board on 11 March 2021.

14. Background papers

Strategic Board Paper 3i (Medium Term Financial Strategy) from 11th March 2021.

Report Approval

The report will be signed off by the PFCC Chief Executive and Chief Finance Officer prior to review and sign off by the PFCC / DPFCC.

Chief Executive / M.O.

Sign:



Print: P. Brent-Isherwood

Date: 18 March 2021

Chief Finance Officer / Treasurer Sign: *Julia Berry*
Print: Julia Berry
Date: 18 March 2021

Publication

Is the report for publication? YES
NO

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'None' if applicable)

.....None.....

If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.

Redaction

If the report is for publication, is redaction required:

1. Of Decision Sheet? YES NO 2. Of Appendix? YES NO

If 'YES', please provide details of required redaction:

.....N/A.....

Date redaction carried out:

Treasurer / Chief Executive Sign Off – for Redactions only
If redaction is required, the Treasurer or Chief Executive is to sign off that redaction has been completed.

Sign:
Print:

Chief Executive/Treasurer

Decision and Final Sign Off

I agree the recommendations to this report:

Sign: 

Print: Roger Hirst

PFCC

Date signed: 19 March 2021

I do not agree the recommendations to this report because:

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Sign:

Print:

PFCC/Deputy PFCC

Date signed: