

PFCC Decision Report

Please ensure all sections below are completed

Report reference number: 137-21
Classification (e.g. Not protectively marked/restricted): Official
Title of report: Medium Term Financial Strategy (MTFS)
Area of county / stakeholders affected: Countywide
Report by: Annette Chan – Chief Accountant Date of report: 3 rd December 2021 Enquiries to: Annette Chan

1. Purpose of the report

The 2021/22 Medium Term Financial Strategy (MTFS) was set on 4th February as part of the 2021/22 budget report to the Police, Fire and Crime Panel and updated at the March and June 2021 Strategic Boards. This decision report sets out the latest position, and movements since the June Strategic Board as well as the latest forecast on the Capital Programme and Reserves as well as presenting additional scenarios for consideration.

2. Recommendations

- i) To consider the assumptions contained within this report and endorse and approve the current 2021/22 MTFS position and movements since the June Strategic Board.

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.

Ensuring the Commissioner and the force can rely on a up-to-date MTFS is important to ensuring our decision making is based on a realistic understanding of our current and projected financial position. In turn using our resources well is critical to delivering an effective and efficient service for the public.

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 set out in the Police and Crime Plan.

At the June 2021 Strategic Board, the MTFS was forecasting a shortfall of £3.8m in 2022/23 and a total shortfall of £45.2m over the five year period up to 2026/27. The forecast was built on various assumptions including a 2.5% council tax precept increase each year.

MTFS position presented to the September Strategic Board

A high level summary of the latest MTFS presented to the September board indicated a widening of the shortfall to £5.9m in 2022/23 with a total £67.4m shortfall over the same five year period up to 2026/27.

Latest MTFS

Actual / Forecast			Medium Term Financial Strategy 2022/23 - 2026/27 - Precept Increase 0% Annually					
2019/20	2020/21	2021/22*	2022/23	2023/24	2024/25	2025/26	2026/27	5 Year Total
£m	£m	£m	£m	£m	£m	£m	£m	£m
300.3	312.8	336.6	344.6	352.8	362.9	372.2	381.7	1,814.2
			Net Budget Requirement - before appropriations to/from reserves					1,814.2
2.0	6.7	1.9	0.0	0.0	0.0	0.0	0.0	0.0
			Net Appropriations to/(from) Reserves **					0.0
302.3	319.5	334.7	344.6	352.8	362.9	372.2	381.7	1,814.2
			Budget Requirement (Inc Appropriations to Reserves) - before Savings & Efficiencies					1,814.2
(4.7)	(4.8)	(4.4)	(2.6)	(1.0)	(1.1)	(0.2)	(0.2)	(5.1)
			Savings & Efficiencies Plan (Cashable)					(5.1)
297.6	314.7	330.3	342.0	351.8	361.8	372.0	381.5	1,809.1
			Net Budget Requirement - after savings applied					1,809.1
(297.6)	(314.7)	(330.3)	(336.1)	(341.9)	(348.3)	(354.8)	(360.6)	(1,741.7)
			Total Funding					(1,741.7)
0.0	0.0	0.0	(5.9)	(9.9)	(13.5)	(17.2)	(20.9)	(67.4)
			Annual (Shortfall)/Surplus					(67.4)

* 2021/22 Month 5 Forecast

** Assumptions on the usage of reserves for future years is contained within the Reserves table at Appendix E. The net budget requirement within this table does not include expenditure relating to the commitments for which the reserves are held.

The overall movement for 2022/23 since the June Strategic Board is an increase in the shortfall of £2.1m reflecting:

- 1) An estimated £2.6m increase in National Insurance Contributions following the government's recent announcement to increase employer contributions by 1.25% from April 2022;
- 2) An increase of £2m for a £500 rise in South East allowance;
- 3) Further increases of £0.4m reflecting the latest forecast revenue implications of the capital investment programme and the additional resourcing costs of the additional bank holiday in 2022 (Queen's Platinum Jubilee);
- 4) Reductions of £1m including the results of a high level review of the anticipated pay budget requirement ahead of the detailed pay budget setting exercise (£0.9m); and
- 5) An increase in identified savings of £1.9m. Work continues to develop the savings plans over the coming months.

Capital expenditure is forecast to be £18.9m in 2021/22 and a further, £32.2m in 2022/23 and £25m 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 £66.6m by 2025/26 with an annual revenue cost of borrowing reaching £4.2m.

Revenue Reserves totalled £25.5m (4.2% of net revenue expenditure) at 31st March 2021 and are forecast to be £21.1m by 31st March 2026 (3.5% of net revenue expenditure).

Additional Scenarios considered

Worst Case Scenario

A 'worst case' scenario is considered taking into account the following assumptions:

- A 0% rise in Council Tax precept for 2022/23 only;
- Inclusion of all revenue bids from commands (referenced in section 2.5) i.e. assuming all are approved;
- 100% of the estimated additional costs for the increase in employer NI contributions will be fully funded by the Home Office.

The MTFS summary based on this 'worst case' is presented in the table overleaf

Worst Case MTFS

Medium Term Financial Strategy 2022/23 - 2026/27 - Precept Increase 0% in 2022/23 and 2.5% Annually Thereafter								
2019/20	2020/21	2021/22*	2022/23	2023/24	2024/25	2025/26	2026/27	5 Year Total
£m	£m	£m	£m	£m	£m	£m	£m	£m
300.3	312.8	336.6	347.5	358.4	368.9	377.8	386.7	1,839.3
			Net Budget Requirement - before appropriations to/from reserves					
2.0	6.7	1.9	0.0	0.0	0.0	0.0	0.0	0.0
			Net Appropriations to/(from) Reserves **					
302.3	319.5	334.7	347.5	358.4	368.9	377.8	386.7	1,839.3
			Budget Requirement (Inc Appropriations to Reserves) - before Savings & Efficiencies					
(4.7)	(4.8)	(4.4)	(2.6)	(1.0)	(1.1)	(0.2)	(0.2)	(5.1)
			Savings & Efficiencies Plan (Cashable)					
297.6	314.7	330.3	344.9	357.4	367.8	377.6	386.5	1,834.2
			Net Budget Requirement - after savings applied					
(297.6)	(314.7)	(330.3)	(335.3)	(341.0)	(347.4)	(353.7)	(359.4)	(1,736.8)
			Total Funding					
0.0	0.0	0.0	(9.6)	(16.4)	(20.4)	(23.9)	(27.1)	(97.4)
			Annual (Shortfall)/Surplus					

* 2021/22 Month 5 Forecast

** Assumptions on the usage of reserves for future years is contained within the Reserves table at Appendix E. The net budget requirement within this table does not include expenditure relating to the commitments for which the reserves are held.

Reasonably Anticipated Scenario

A 'reasonably anticipated' scenario is considered taking into account the following assumptions:

- 100% of the estimated additional costs for the increase in employer NI contributions will be fully funded by the Home Office;
- An additional £2.0m for a £500 increase to the South East allowance from £2,000 to £2,500 is considered and investment of an additional 40 police officers which could be funded by 5% rise in Council Tax (2.5% higher than is currently in the MTFS);
- Savings will increase from £2.6m to £3.7m in 2022/23 and targets set for £4m additional savings each year from 2023/24;
- Incorporating latest information from billing authorities on the Essex Police share of Collection Fund surplus;
- Inclusion of high priority revenue bids from commands;
- Application of revenue reserves to meet pressures.

The MTFS summary based on this 'reasonably anticipated scenario' is presented in the table overleaf

Reasonably Anticipated MTFS

Actual / Forecast			Medium Term Financial Strategy 2022/23 - 2026/27 - Precept Increase 0% in 2022/23 and 2.5% Annually Thereafter						
2019/20	2020/21	2021/22*	2022/23	2023/24	2024/25	2025/26	2026/27	5 Year Total	
£m	£m	£m	£m	£m	£m	£m	£m	£m	
300.3	312.8	336.6	Net Budget Requirement - before appropriations to/from reserves	348.3	358.1	365.6	371.6	376.7	1,820.3
2.0	6.7	1.9	Net Appropriations to/(from) Reserves	(1.8)	(3.3)	(2.9)	(1.7)	(0.5)	(10.2)
302.3	319.5	334.7	Budget Requirement (Inc Appropriations to Reserves) - before Savings & Efficiencies	346.5	354.8	362.7	369.9	376.2	1,810.1
(4.7)	(4.8)	(4.4)	Savings & Efficiencies Plan (Cashable)	(3.7)	(4.0)	(4.0)	(4.0)	(4.0)	(19.7)
297.6	314.7	330.3	Net Budget Requirement - after savings applied	342.8	350.8	358.7	365.9	372.2	1,790.4
(297.6)	(314.7)	(330.3)	Total Funding	(343.4)	(348.8)	(354.6)	(360.9)	(366.7)	(1,774.4)
0.0	0.0	0.0	Annual (Shortfall)/Surplus	0.6	(2.0)	(4.1)	(5.0)	(5.5)	(16.0)

* 2021/22 Month 5 Forecast

5. Alternative options considered and rejected

Alternative options were discussed with the PFCC during the September Strategic Board Meeting as detailed in section 4 above.

6. Police and Crime Plan

This paper concerns the management of the PFCC 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

Provisions of the Local Government Finance Act 1992 set out what the force has to base its budget calculations upon and require the force to set a balanced budget by no later than the 11th March for the following year.

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 27th September 2021.

14. Background papers

Strategic Board Paper 3i) (Medium Term Financial Strategy) from 27th September 2021.

Report Approval

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

Chief Executive / M.O.

Sign: D. Horsman

Print: Darren Horsman - Deputy MO

Date: 8.12.2021

Chief Finance Officer / Treasurer

Sign: Julia Berry

Print: Julia Berry

Date: 06 December 2021

Publication

Is the report for publication? Type text here

YES

NO

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

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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

2. Of Appendix? YES

NO

NO

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

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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.

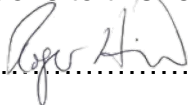
Sign:

Print:

Chief Executive/Treasurer

Decision and Final Sign Off

I agree the recommendations to this report:

Sign: 

Print: Roger Hirst

PFCC

Date signed: 14 December 2021

I do not agree the recommendations to this report because:

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.....
.....

Sign:

Print:

PFCC/Deputy PFCC

Date signed: