

**Police Fire and Crime Commissioner for Essex
Essex Police Strategic Board**

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Chief Officer	DCC Prophet
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1. Recommendations

The Strategic Board is asked to note the current draft 2023/24 Budget and Medium Term Financial Strategy (MTFS). As at the date of writing the Home Office funding announcement has not been received and it is not expected until 14th or 15th December.

Once funding is confirmed the Chief Constable will finalise the draft 2023/24 budget and present a budget letter with his proposals to the Police, Fire and Crime Commissioner accompanied by a decision report.

2. Executive Summary

This report sets out the 2023/24 Draft Provisional Budget, incorporating pay budgets, cost pressures, savings, and new investment along with movements since the position was presented to the PFCC at the 29th November budget engagement meeting.

At the 29th November engagement meeting the 2023/24 budget did not balance with a reported un-funded budget pressure of £5.2m. It was acknowledged that the funding announcement expected in December could change this position and that further work is continuing to identify further opportunities to close the funding gap.

The current position for 2023/24 is a deficit of £5.5m and across the 5 year MTFS a deficit of £24.9m.

3. Background

The budget setting information has been the subject of several reviews by Chief Officers through budget setting workshops held on 19th October and 16th November. The PFCC has been updated on progress through budget engagement meetings held on 19th September, 24th October and 29th November. The information has continued to be reviewed and updated for the latest position on savings, growth, and investment plans.

The latest Budget Summary File supporting the 2023/24 current draft budget is embedded at Appendix A. Within Tab A there is a reconciliation showing how this position has moved from the position presented to the PFCC on 29th November.

Budget Summary - 2023/24 Draft Provisional Budget (Appendix A)

The following paragraphs explain the contents of the Budget Summary.

3.1 Movements in Gap (Appendix A, Tab A)

This tab contains a list of changes showing the movement in the funding gap from a £5.2m deficit, presented to the PFCC on the 29th November, to a deficit of **£5.5m**.

3.2 Budget Overview (Appendix A, Tab D3)

The Budget Overview brings together a high-level view of the 2023/24 revenue budget.

3.3 Budget Summary (Appendix A, Tab D4)

The Budget Summary brings the separate elements of the 2023/24 revenue budget together and provides more detailed information than the Budget Overview. It provides analysis of the components of the budget including unavoidable cost pressures, new investment and service demands, one-off activity, funding from reserves, savings, and sources of funding.

3.4 Pay Summary (Appendix A, Tab D5)

The Pay Summary provides a breakdown of the changes in pay budget requirement for Officers, Staff and PCSOs when compared to the 2022/23 budget. The figures include an assumed 2.5% pay award for officers, staff and PCSOs in 2023/24.

3.5 Revenue Bid Summary (Appendix A, Tab D6)

This is a summary of the revenue bids submitted by commands including an analysis by Chief Officer, by bid type and by priority rating.

3.6 Contractual and Legal Cost Pressures – CLP (Appendix A, Tab D7)

The new 2023/24 Contractual and Legal Cost Pressures are **£0.377m** one-off and **£2.381m** recurring.

3.7 Service Demand Changes – SDC (Appendix A, Tab D8)

The new 2023/24 Service Demand Changes bids are **£0.263m** one-off and **£3.165m** recurring.

3.8 New Revenue Investment – NRI (Appendix A, Tab D9)

The new 2023/24 New Revenue Investment bids are **£0.721m**, one-off and **£0.515m** recurring.

3.9 Savings (Appendix A, Tab D10)

The latest identified cashable savings in 2023/24 are **£9.809m** in year with a full year effect of **£9.115m**. Further work continues to identify a further £0.8m of one-off savings and £1.5m of recurring savings.

3.10 Capital Expenditure and Financing Summary (Appendix A, Tab D11)

The Capital programme is analysed between approved projects, subject to approval schemes and new bids for each command for 2023/24 to 2027/28. The total 2023/24 forecast spend of **£12.540m** (based on month 8 capital forecasts) is financed by capital receipts, grants and contributions, contributions from revenue and borrowing.

3.11 Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) (Appendix A, Tab D12)

This tab presents the impact on revenue of borrowing to part finance the proposed capital programme with MRP and interest costs combined rising from **£1.073m** in 2023/24 to **£3.432m** by 2027/28.

3.12 Capital Resources (Appendix A, Tab D13)

This tab shows the balances of capital resources for the life of the capital programme including capital receipts, grants and contributions, and reserve for future capital funding taking into account planned movements in resources as they are received and then applied to finance the capital programme.

3.13 Approved Capital Projects (Appendix A, Tab D14)

Approved capital projects as at month 7 including capital and revenue consequences of each capital project. This record of bids will be updated following approvals agreed at the December Strategic Board.

3.14 New and Updated Capital Bids (Appendix A, Tab D15)

New and Updated capital projects as at month 7 including capital and revenue consequences of each capital project. This record will be updated following approvals agreed at the December Strategic Board.

3.15 Revenue Consequences of Capital Proposals Summary (Appendix A, Tab 16)

The revenue consequences are shown per project on tabs 14 and 15 and summarised here on tab 16. The total revenue consequences of capital projects for 2023/24 is **£0.811m** for one-off costs (£0.417m of which are for approved projects) and **£1.796m** recurring (£1.058m of which is for approved projects). Historically, the revenue consequences for approved projects are funded 100% and all other projects are funded at 75% to allow for the fact that not all projects will be approved and some may be subject to slippage.

3.16 Officer Recruitment Profile (Appendix A, Tab D17)

The approved establishment for Police Officers is 3,755 and this tab presents the profile for maintaining this establishment across 2023/24, however, this is yet to be finalised with alternative profiles being considered. There is no police officer growth planned for 2023/24.

Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 (Appendix B)

3.17 The current Medium Term Financial Strategy is embedded as Appendix B. A summary is included in the table overleaf:

			Medium Term Financial Strategy 2023/24 - 2027/28 - Precept Increase 2.5% Annually					
2020/21	2021/22	2022/23*	2023/24	2024/25	2025/26	2026/27	2027/28	5 Year Total
£m	£m	£m	£m	£m	£m	£m	£m	£m
312.8	330.5	365.5	386.4	386.1	392.7	400.1	406.3	1,971.6
6.7	2.7	(9.6)	(3.7)	(1.9)	(1.6)	(2.3)	0.0	(9.6)
319.5	333.2	355.9	382.6	384.2	391.1	397.8	406.3	1,962.0
(4.8)	(2.9)	(3.7)	(9.1)	(3.0)	(3.0)	(3.0)	(3.0)	(21.1)
314.7	330.3	352.2	372.0	381.2	388.1	394.8	403.3	1,939.3
(314.7)	(330.3)	(352.2)	(366.5)	(376.5)	(383.3)	(390.4)	(397.8)	(1,914.4)
0.0	0.0	0.0	(5.5)	(4.7)	(4.8)	(4.4)	(5.5)	(24.9)

* Based on month 8 forecast

** The net budget requirement within this table includes expenditure that will be funded from reserves (subject to approval). Assumptions on the usage of reserves for future years is contained within the Reserves table on Tab D of Appendix B.

The detailed explanation for movements between reporting periods is contained within the “C.MTFS Movements” tab in the Appendix B.

The table below captures the key assumptions on which the MTFS has been based since the Police, Fire and Crime Panel in February and at each Strategic Board.

Assumptions at Feb Police, Fire and Crime Panel	Assumptions at June Strategic Board	Assumptions for September Strategic Board	Assumptions for December Strategic Board
Council Tax precept rise of 2.5% in 2023/24 and future years	No Change	Council Tax precept rise of 4.57% (£9.99) returning to 2.5% from 2024/25	No Change
Police officers at 3,755 FTE by 31 st March 2023	No Change	No Change	No Change
2.5% pay increase for officers, staff annually	Police officers 2.5% annually - no change. Staff and PCSO pay award of 2.1% from April 2022, returning to 2.5% annually.	Police officers – each pay point increases by £1,900. Staff and PCSO each pay point increases by £1,900. Returns to 2.5% annually from 2023	No Change
		Increase in South East Allowance from £2,500 to £3,000 (from Sept 22)	No Change

Assumptions at Feb Police, Fire and Crime Panel	Assumptions at June Strategic Board	Assumptions for September Strategic Board	Assumptions for December Strategic Board
Taxbase – 1.75% increase annually	No Change	No Change	1.2% increase in line with provisional estimates from districts and boroughs (may change when final taxbase confirmed in December). It should be noted that on 19 th October that the assumption rose to 1.87%.
Contractual Inflation based on previous years trend	Updated estimate for inflation on utilities and fuel following global rises	Updated estimates for all inflation bids submitted (bids still to be reviewed)	Updated estimates for all inflation bids submitted (reviewed)
One-off budget pressures funded annually by a recurring base budget allocation of £3.3m	No Change	One-off budget pressures to be funded from reserves from 2023/24 onwards.	No Change
Collection Fund – Surplus of £1.8m annually	No Change	No Change	£1.5m surplus in line with provisional estimates from districts and boroughs (may change when final figures confirmed in December)
Savings - £3m annual target	£3m annual target	Target replaced with savings identified at 1.9.22 Efficiency Savings and Growth Board	Current view of savings.

Assumptions at Feb Police, Fire and Crime Panel	Assumptions at June Strategic Board	Assumptions for September Strategic Board	Assumptions for December Strategic Board
Home Office grants will increase in line with 2021 CSR with Essex receiving a share of uplift in line with existing funding share allocations plus the ring fenced element of 2022/23 PUP funding will be rolled up into main police grant.	No Change	In addition to assumptions in the approved strategy an additional £3.2m of grant will be received towards the cost of police officer pay award and this will remain in the core grant annually thereafter.	In line with approved Strategy (Feb Panel) and an additional £3.1m of grant will be received towards the cost of police officer pay award and this will remain in the core grant annually.

Reserves

3.18 The forecast position on reserves is detailed within Appendix B and is summarised in the table below.

Forecast Reserves (Year End Balances)

	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)
Earmarked Revenue Reserves	8.3	7.3	6.9	6.6	6.3	6.4
General Reserve	14.0	10.5	8.6	7.0	4.7	4.7
GR as % of net revenue expenditure	4.0%	2.8%	2.3%	1.8%	1.2%	1.2%
Total - Revenue Reserves	22.4	17.8	15.5	13.6	11.0	11.1

The balance of reserves presented in the table above assumes that no further funding will be received from the Home Office for Operation Hazel over and above the £1.5m received during 2022/23 and that the balance would be funded from the Major Incident Reserve (£1.5m), the Chief Constable's Carry forward reserve (£0.650m) and a reduction in the Restructure Reserve (£0.600m). There is currently no provision in the MTFs for replenishing the earmarked reserves used in this scenario.

The table below shows the forecast reserves position if the additional £4m of Operation Hazel costs were to be funded by the Home Office.

Forecast Reserves (Year End Balances) - If Op Hazel fully refunded

	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)
Earmarked Revenue Reserves	11.1	10.1	9.7	9.3	9.1	9.1
General Reserve	15.3	11.8	9.9	8.3	6.0	6.0
GR as % of net revenue expenditure	4.3%	3.2%	2.6%	2.1%	1.5%	1.5%
Total - Revenue Reserves	26.4	21.9	19.6	17.6	15.1	15.1

3.19 Within the 2023/24 budget summary (Appendix A) there is a planned withdrawal of £0.253m from earmarked reserves and a planned withdrawal of £3.493m from the General Reserve to fund one-off cost pressures.

4. Risks and Mitigations

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.

5. Links to the 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.

6. Financial Implications

The financial implications are covered within sections 3 and 4 of this paper.

7. 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.

8. Staffing Implications

The staffing implications from this draft budget are based around growth in staff numbers included within revenue growth bids which, if approved, would be managed and monitored through the Efficiency, Savings and Growth Board.

9. Equality and Diversity Implications

There are no equality or diversity implications from this report.

10. Police Operational Implications

Operational policing requirements have been considered and form an integral part of the growth and investment proposals in this draft budget. Growth and investment have been considered against strategic priorities as part of the budget setting process.

11. Governance Boards

The MTFS has been presented at earlier stages in the year at the June and September Strategic Boards.

12. Future Plans (long-term strategic direction)

Long term strategic plans are reflected in financial terms within the Medium Term Financial Strategy considered in Section 3.

13. List of background papers and appendices



Appendix%20A%202023.24%20Budget%2C

Appendix A – Budget Summary -



Appendix%20B%20MTFS.xlsx

Appendix B – MTFS and Reserves -
