

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

Title of Report / Agenda Item	2024/25 Draft Budget and Medium-Term Financial Strategy (MTFS)
Document Classification	Official Sensitive (Report for publication, appendices not for publication)
Date of PFCC's Strategic Board meeting	18 th December 2023
Agenda Number	
Chief Officer	DCC Prophet
Author on behalf of Chief Officer	Annette Chan
Date paper was written	8th December 2021
Version Number	V2.0
Date of approval at COG (or other named meeting or person authorising)	13 th December 2023
Date Approved by Essex Police Finance Department	8 th December 2023

1 Recommendations

The Strategic Board is asked to note the current draft 2024/25 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 13th December.

Once funding is confirmed the Chief Constable will finalise the draft 2024/25 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 2024/25 Draft Provisional Budget, incorporating pay budgets, cost pressures, savings, and new investment along with an explanation of movements since the position was presented to the 26th September Strategic Board.

At the September Strategic Board the 2024/25 budget did not balance with a reported unfunded budget pressure of £9.6m. It was acknowledged that the funding announcement expected in December could change this position and that further work was continuing to identify further opportunities to close the funding gap.

The current position for 2024/25 is a deficit of £1.9m and across the 5 year MTFS a deficit of £147m.

3 Background

The budget setting information has been the subject of several reviews by Chief Officers through budget setting workshops held on 18th October and 15th November. The PFCC has been updated on progress through budget engagement meetings held on 25th September, 26th October and 5th December. 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 2024/25 current draft budget is embedded at Appendix A. Within Tab A there is a reconciliation showing how the 2024/25 position has moved through various key stages of the budget setting process.

3.1 Tracking of Assumptions

Table 2 overleaf captures the key assumptions on which the 2024/25 and future years budgets have been based on and details the changes since the Police, Fire and Crime Panel in February and through each Strategic Board.

Table 2 – Tracking of Assumptions

Assumptions at Feb Police, Fire and Crime Panel	Assumptions at June Update	Assumptions at September Strategic Board	Assumptions for December Strategic Board
Council Tax precept rise of 2.5% in 2024/25 and future years	No Change	No Change	£13 Increase in Council Tax (5.55%)
Police officer establishment maintained at 3,755 FTE.	No Change	No Change	No Change to establishment. Forecast strength at 3740 31st March 25
2.0% pay increase for officers, staff in September 2023 and 2.5% annually thereafter.	No Change	Following national pay award confirmation, 7% increase to pay and removal of pay point zero for officers (Sept 23).	No Change
Contractual Inflation of £2m	Contractual Inflation of £1.9m (based on early canvas of budget holders)	No Change	Contractual Inflation at £1.2m
Taxbase – 1.75% increase annually	No Change	No Change	Taxbase increase 1.1%
Collection Fund – Surplus of £1.5m annually	No Change	No Change	Collection Fund Surplus £1.3m
Savings – New recurring £3m savings to be identified each year. One-off Savings of £2.7m to fund one-off budget pressures	Savings – New recurring £3m savings to be identified each year. One-off Savings of £2.1m to fund one-off budget pressures	Savings – New recurring £3m savings to be identified each year. One-off Savings of £1.9m to fund one-off budget pressures	2024/25 One-off Savings £2.8m Recurring Savings £10.2m Recurring savings target of £3m 2025/26 onwards
Home Office grants will increase in line with 2021 Comprehensive Spending Review (CSR) with Essex receiving a 2.3% share of £150m in the third and final year of the CSR.	No Change	No change to assumption regarding share of £150m announced in 2021 CSR. Additional 2.25% share of the £515m pay award grant.	No Change

3.2 The overall movement for 2024/25 since the September Strategic Board is a reduction in the shortfall of £7.7m. Table 3 below summarises the reasons for the movement.

Table 3 – Movement in 2024/25 shortfall

Tracking of Movements in Budget Gap	Reported to PFCC
Shortfall reported in Sept 23	9.6
Updates to Inflation estimates	(0.7)
Contractual and Legal Pressures	1.7
Updates to Pay following Pay Budget Setting	1.1
New Demand and Budget Growth	1.8
Updated Revenue Impact of Capital Investment	0.2
Updated Savings Programme	(8.1)
Appropriation to / (from) Reserves	(0.2)
Council Taxbase - Provisional Estimates	1.0
Council Tax Precept - Increased to £13	(4.8)
Collection Fund - Provisional Estimates	0.2
Shortfall reported in Dec 23	1.9

Once the funding announcement is received (anticipated 13th December) and the final taxbase and collection fund estimates are received from billing authorities (expected over December and January) the gap may be a different value. Options that are currently being considered to achieve a balanced budget are:

- Further Non-Pay Savings
- Review of Growth Bids and implementation dates
- A one-off reduction to the revenue contribution funding capital investment
- A one-off increase in the staff vacancy factor from 13% to 13.5%

Budget Summary - 2024/25 Draft Provisional Budget (Appendix A)

The detail to support the draft 2024/25 budget is contained within a 'Budget Summary' Model which is included at Appendix A. The following paragraphs explain the contents of the Budget Summary model.

3.3 Budget Overview (Appendix A, Tab A)

The Budget Overview brings together a high-level view of the 2024/25 revenue budget.

3.4 Budget Summary (Appendix A, Tab B)

The Budget Summary brings the separate elements of the 2024/25 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.

3.5 Pay Summary (Appendix A, Tab C)

The Pay Summary provides a breakdown of the changes in pay budget requirement for Officers, Staff and PCSOs when compared to the 2023/24 budget. The figures include an assumed 2.5% pay award for officers, staff and PCSOs in 2024/25.

3.6 Revenue Bid Summary (Appendix A, Tab D)

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

3.7 Contractual and Legal Cost Pressures – CLP (Appendix A, Tab E)

The new 2024/25 Contractual and Legal Cost Pressures are **£0.216m** one-off and **£2.339m** recurring.

3.8 Service Demand Changes – SDC (Appendix A, Tab F)

The new 2024/25 Service Demand Changes bids are **£0.300m** one-off and **£2.792m** recurring.

3.9 New Revenue Investment – NRI (Appendix A, Tab G)

The new 2024/25 New Revenue Investment bids are **£0.653m**, one-off and **£0.597m** recurring.

3.10 Savings (Appendix A, Tab H)

The latest identified cashable savings in 2024/25 are **£2.838m** one-off and **£10.190m** recurring. Further work continues to identify a further £1.9m of savings or reduction in growth bids to be able to balance the 2024/25 budget.

3.11 Capital Expenditure and Financing Summary (Appendix A, Tab I)

The Capital programme is analysed between approved projects, subject to approval schemes and new bids for each command for 2024/25 to 2028/29. The total 2024/25 forecast spend of **£20.730m** (based on month 7 capital forecasts) is financed by capital receipts, grants and contributions, contributions from revenue and borrowing. Next year's budget and the future year's forecasts will be updated with month 8 forecasts and decisions taken at the 18th December Strategic Board in time for the 5th January engagement meeting.

3.12 Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) (Appendix A, Tab J)

This tab presents the impact on revenue of borrowing to part finance the proposed capital programme with MRP and interest costs combined rising from **£1.777m** per annum in 2024/25 to **£6.304m** by 2028/29.

3.13 Capital Resources (Appendix A, Tab K)

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.

3.14 Approved Capital Projects (Appendix A, Tab L)

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.

3.15 New and Updated Capital Bids (Appendix A, Tab M)

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.

3.16 Revenue Consequences of Capital Proposals Summary (Appendix A, Tab N)

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 2024/25 is **£0.325m** for one-off costs (£0.093m of which are for approved projects) and **£0.805m** recurring (£0.325m 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.

The position contained in this report does include an estimated impact of expected changes to the revenue consequences of capital following the December Strategic Board but the full impact cannot be finalised until after decisions are taken at the meeting.

3.17 Officer Recruitment Profile (Appendix A, Tab O)

The approved establishment for Police Officers is 3,755 and this tab presents the profile for maintaining this establishment across 2024/25, however the current profile is based on reaching 3,740 officers by 31st March 2025. There is no police officer growth planned for 2024/25. The position reported in this paper assumes that the police officer establishment remains at 3,755 FTE with a strength at 31st March 2025 of 3,740 FTE which equates to a headcount of 3,810 at that date which is inclusive of 45 officers over the original Police Uplift Programme target.

3.18 **Medium Term Financial Strategy (MTFS) 2024/25 to 2028/29 (Appendix B)**

The current Medium Term Financial Strategy is embedded as Appendix B. A summary is included in Table 4 overleaf.

Table 4 – MTFS Summary

			Medium Term Financial Strategy 2023/24 - 2027/28 - Precept Increase 2.5% Annually						
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	
312.8	330.5	386.7	409.2	421.3	440.5	461.1	477.4	2,209.6	
Net Budget Requirement - before appropriations to/from reserves									
6.7	2.7	(10.8)	0.8	1.4	0.9	0.8	1.1	4.9	
Net Appropriations to/(from) Reserves **									
319.5	333.2	374.6	407.2	420.4	439.1	460.1	476.9	2,203.6	
Budget Requirement (Inc Appropriations to Reserves) - before Savings & Efficiencies									
(4.8)	(2.9)	(10.9)	(10.2)	(3.0)	(3.0)	(3.0)	(3.0)	(22.2)	
Savings & Efficiencies Plan (Cashable)									
314.7	330.3	363.7	397.0	417.4	436.1	457.1	473.9	2,181.4	
Net Budget Requirement - after savings applied									
(314.7)	(330.3)	(363.7)	(395.1)	(400.6)	(406.6)	(412.9)	(419.3)	(2,034.5)	
Total Funding									
0.0	0.0	0.0	(1.9)	(16.8)	(29.5)	(44.3)	(54.5)	(147.0)	
Annual (Shortfall)/Surplus									

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

3.19 Reserves

The forecast position on reserves is detailed within Appendix B and is summarised in Table 3 below.

Table 5 – Forecast Reserve (Year End Balances)

	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	2028/29 (£m)
Earmarked Revenue Reserves	7.7	6.9	6.4	6.4	6.4	6.5
General Reserve	10.4	11.3	12.4	13.0	13.5	14.4
GR as % of net revenue expenditure	2.9%	2.8%	3.0%	3.0%	3.0%	3.0%
Total - Revenue Reserves	18.1	18.2	18.8	19.4	19.9	20.9

Within the 2024/25 budget summary (Appendix A) there is a planned withdrawal of £0.100m from earmarked reserves and a planned contribution of £0.850m to the General Reserve as a stepped approach to building the reserve back to 3% of Net Revenue Expenditure (NRE). The General Reserve is not being used to fund one-off cost

pressures; these are being funded from one-off savings in 2024/25 and this assumption continues into future years.

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 section 3 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.

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 has 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 September Strategic Board and PFCC engagement meetings in line with the budget setting timetable.

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.xlsx

Appendix A – Budget Summary -



Appendix%20B.xlsx

Appendix B – MTFS and Reserves –