

PFCC Decision Report

Report reference number: 005-24

Classification: Official

Title of report: 2024/25 Budget Approval

Area of county / stakeholders affected: Countywide

Report by: Annette Chan – Head of Finance

Chief Officer: DCC Prophet

Date of report: 17th February 2024

Enquiries to: Annette Chan – Head of Finance

1. Executive Summary

- 1.1. The 2024/25 Budget and Medium-Term Financial Strategy (MTFS) were presented to the 1 February meeting of the Police, Fire and Crime Panel at which the 2024/25 council tax precept was approved. The budgets are now presented to the Police, Fire and Crime Commissioner for approval. This decision report sets out:
- The 2024/25 revenue budget by subjective analysis
 - The 2024/25 revenue budget by Police Objective Analysis
 - The MTFS, with a forecast shortfall of £13.4m for 2025/26, rising to £129.9m over the coming five-year period
 - The Capital Programme over the MTFS period, including a forecast of £22.7m in 2024/25 and £17.3m in 2025/26 (inclusive of programmes still subject to individual approvals)
 - Revenue reserves forecast balances, including the General Reserve at 2.9% of net revenue expenditure at 31 March 2024 and 31 March 2025 and then levelling out and being maintained at 3% over the medium term.

2. Recommendations

- 2.1. It is recommended that the Police, Fire and Crime Commissioner approves:
- The 2024/25 Revenue Budget attached at Appendix 1
 - The 2024/25 Original Budget for Police Objective Analysis reporting attached at Appendix 2
 - The Medium-Term Financial Strategy covering the period 2024/25 to 2028/29 attached at Appendix 3

3. Background to the Proposal

- 3.1. 2024/25 Revenue Budget (Subjective Analysis)
The 2024/25 Revenue Budget (Subjective Analysis) provided to the Police, Fire and Crime Panel on 1 February 2024 is attached to this report.
- 3.2. 2024/25 Revenue Budget (Police Objective Analysis)
Production of the budget on a POA basis is a statutory requirement and the presentation follows a prescribed format to enable national benchmarking.
- 3.3. Medium Term Financial Strategy (MTFS)
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 as set out in current and future Police and Crime Plans.

4. Proposal and Associated Benefits

- 4.1. In addition to presenting the 2024/25 Budget for approval in line with statutory requirements, 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

5. Options Analysis

- 5.1. It is a statutory requirement to approve a balanced budget for the year ahead and good financial practice to have a medium-term financial strategy, and therefore no option appraisal has been considered.

6. Consultation and Engagement

- 6.1. Ongoing consultation took place between the Chief Constable's Office and the Police, Fire and Crime Commissioner's Office in constructing the 2024/25 Budget and MTFS and the assumptions contained within.

7. Strategic Links

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

8. Police operational implications

- 8.1. Operational policing requirements are considered throughout the budget setting and MTFS review process.

9. Financial implications

9.1. 2024/25 Revenue Budget (Subjective Analysis)

The 2024/25 Revenue Budget (Subjective Analysis) provided to the Police, Fire and Crime Panel on 1 February 2024 is attached to this report at Appendix 1. The original budget will form the base position for in-year monitoring presented to the PFCC's Performance and Resources Scrutiny Board.

9.2. 2024/25 Revenue Budget (Police Objective Analysis)

Production of the budget on a POA basis is a statutory requirement and the presentation follows a prescribed format to enable national benchmarking. The 2024/25 Original Budget in this format will provide the basis for CIPFA statutory returns, which also provides an element of the source data for the HMICFRS Value for Money Profiles. The Original Budget will also form the base position for the in-year POA monitoring process which is presented to the PFCC's Performance and Resources Scrutiny Board on a quarterly basis. The original budget analysed by POA categories did not form part of the budget papers presented to the Police, Fire and Crime Panel. The analysis is provided at Appendix 2 to this decision report.

9.3. Medium Term Financial Strategy (MTFS)

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 as set out in current and future Police and Crime Plans. At the 1 February 2024 Police, Fire and Crime Panel meeting, the MTFS presented alongside the 2024/25 budget was forecasting a shortfall of £13.4m for 2025/26 and a total shortfall of £129.9m over the four-year period up to 2028/29. The forecast was built on various assumptions including a 2.5% council tax precept increase each year from 2025/26 onwards. Capital expenditure was forecast to be £22.7m in 2024/25 and a further £17.7m in 2025/26 and £24.5m in 2026/27.

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 finance the capital investment programme. The financing will be a combination of internal financing and external borrowing. The CFR is forecast to reach £83.4m by 2028/29 with an annual revenue cost of prudential borrowing (MRP and interest) reaching £6.8m by 2028/29, representing the revenue costs from our capital investment plans over the medium term (this contains investment plans approved and still subject to approval).

Revenue reserves were forecast to be £18.1m (of which £10.4m is within the General Reserve - 2.9% of net revenue expenditure) as at 31st March 2024 and £20.4m by 31st March 2029 (of which £14m is forecast within the General

Reserve - 3% of net revenue expenditure). The MTFS as presented to the 1 February 2024 Police, Fire and Crime Panel meeting alongside the 2024/25 Budget is attached to this report at Appendix 3.

10. Legal implications

- 10.1. Provisions of the Local Government Finance Act 1992 set out what the force has to base its budget calculations upon and require the Police, Fire and Crime Commissioner to set a balanced budget by no later than 11 March for the following financial year.

11. Staffing implications

- 11.1. The staffing implications are included within the budget for 2024/25 as shown in the Subjective Analysis. Staffing implications are also included within the MTFS from 2024/25 to 2028/29. The POA shows more detail of where the staffing is deployed in accordance with the budget.

12. Equality, Diversity and Inclusion implications

- 12.1. There is no expectation that this decision report will have any direct negative or positive impact on equality, diversity and inclusion.

13. Risks and Mitigations

- 13.1. Over recent years the PFCC has maximised the capital resources available through disposal of property surplus to requirements, enabling sound capital investment to be undertaken without having recourse to external borrowing. The timing of both capital receipts and investment in the context of a low level of reserves demands a robust approach to cash flow management, which has been even further developed over the past year. As the Estate Strategy has progressed, there are now fewer capital receipts available to the PFCC. At the same time, there has been a reduction in capital grant received from the Government. The PFCC was previously expecting to borrow externally in 2023/24, which is now looking less likely. However, the forecast shows that external borrowing is highly likely to be required in 2024/25. Prudent measures will continue to be taken to ensure that value for money is achieved for the taxpayer.
- 13.2. The 2024/25 budget proposal is well measured and has been rigorously developed by the PFCC and Chief Constable. The five-year MTFS has built in pay inflation for officers and staff at 2.5%. With inflation running at current levels, it is unlikely that this will be the recommendation of the Police Remuneration Review Body in 2024/25. If the pay award does exceed 2.5%, we will have an additional cost pressure to address.
- 13.3. The PFCC has continued to work with the Treasury and the Home Office to ensure there is a good understanding of the impact on public sector pensions of the cases of McCloud and Sergeant. The additional cost of the employer's rate of pension has been funded in 2024/25.

- 13.4.** The funding formula for policing has been under review and is ready for consultation. Essex, as one of the most tightly funded forces nationally, would benefit from an updated, improved, and fairer Funding Formula. Once the review is complete, there will be a government decision regarding the pace at which allocations are adjusted. The PFCC is taking a leading role in these discussions and will ensure that Essex is in the best position possible as a result of the funding formula review and consultation.
- 13.5.** Based on current levels of reserves and the strict financial controls in place between the PFCC and Chief Constable, it is felt that, should any of the above risks materialise, the PFCC will be able to respond to them in the year.

14. Governance Boards

- 14.1. Scrutinised by the Police, Fire and Crime Panel on 1 February 2024.
- 14.2. To be presented at the Strategic Board on 5 March 2024 and recommended for approval by the PFCC.

15. Links to Future Plans

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

16. Background Papers and Appendices

- 16.1. Appendix 1 – 2024/25 Revenue Budget (Subjective Analysis) as presented to the 1 February 2024 Police, Fire and Crime Panel
- 16.2. Appendix 2 – Police Objective Analysis report to the Strategic Board 5 March 2024
- 16.3. Appendix 3 – 2024/25 to 2028/29 Medium Term Financial Strategy (MTFS) and Capital Programme as presented to the 1 February 2024 Police, Fire and Crime Panel meeting

Report Approval

The report will be signed off by the PFCC's 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: 23 February 2024

Chief Financial Officer

Sign: 

Print: Janet Perry

Date: 1 March 2024

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:

Chief Finance Officer / 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.

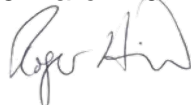
Sign:

Print:

Chief Executive / Chief Finance Officer

Decision and Final Sign Off

I agree the recommendations to this report: The proposal came forward to Essex Police Strategic Board on 5 March 2024 and was recommended for approval

Sign: 

Print: Roger Hirst

PFCC

Date signed: 22/03/2024

I do not agree the recommendations to this report because:

.....
.....
.....

Sign:

Print:

PFCC/Deputy PFCC

Date signed: