

2021/22 Budget Scene Setting

Agenda Item 4

Reference number: EPFCP/24/20

Report title: 2021/22 Budget Scene Setting	
Report to: Essex Police, Fire and Crime Panel	
Report author: Police, Fire and Crime Commissioner for Essex	
Date: 22 October 2020	For: Noting and comment
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County Divisions affected: All Essex	

1. Purpose of Report

This report lays out the background issues on setting the 2021/22 budget.

2. Recommendations

Note the background issues on setting the 2021/22 budget.

3. Context

- 3.1. The 2021/22 budget is being set against the difficult backdrop of the COVID-19 pandemic. The impact of a period of lockdown and resultant increase in unemployment across the county means that the pressure to balance the budget is particularly challenging in light of the impact on the Council taxbase.
- 3.2. The Comprehensive Spending Review (CSR) is anticipated in the Autumn. While it is not known whether this will be a further one-year review, the current assumption is that it will be a multi-year offer.
- 3.3. It is anticipated that the funding settlement and level of government grant will not be known until January 2021.

4. Council Tax

- 4.1. Throughout the financial year, an adverse impact has been seen on council tax collection rates across the county (in line with those seen nationally), these include:
 - i. Increasing number of claims for Local Council Tax Support (LCTS), primarily arising from unemployment whereby the household becomes entitled to significant reduction (circa 75%) to their council tax bill;
 - ii. Cancellation of existing payment methods, e.g. direct debits where households are uncertain of their current or future income levels; and
 - iii. A pause on recovery action, with reminder notices being issued later in the year than would otherwise have been sent.
- 4.2. The billing authorities across Essex have been submitting monthly estimates to the Ministry of Housing, Communities and Local Government (MHCLG) estimating their loss of 2020/21 council tax income arising from the COVID-19 pandemic. These

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have been shared with the PFCC and are being used to inform the medium-term financial strategy (MTFS).

- 4.3. Each year, billing authorities are required to provide the preceptors with an estimate of the taxbase for the coming year. Then once the precepts have been agreed, the billing authority must pay over that value as determined by that taxbase.
- 4.4. All council tax received is processed through the Collection Fund, which is where the payments to the preceptors are made. Dependent on levels of collection, this fund may be in surplus or deficit.
- 4.5. Historically, the trend in Essex has been for the billing authorities to have a surplus on this account, which is then paid over to the preceptors in the following financial year. As such, the PFCC have previously forecast to receive a surplus each financial year in the MTFS.
- 4.6. As a result of the above, the current MTFS assumes no growth in the taxbase (previously growth was in excess of 1% due to additional housing developments across the county). Further, a collection fund deficit is forecast, although following MHCLG guidance, this has been budgeted over three financial years.
- 4.7. The MTFS assumes a 2% precept increase in 2021/22.
- 4.8. Billing authorities will provide an estimate of the 2021/22 taxbase in December, with the position confirmed by the statutory deadline of 31st January 2021. With the Coronavirus Job Retention Scheme (furlough scheme) ending at on 31st October, there is a risk that unemployment will rise after that point, thus reducing the taxbase between current estimates and the December returns.

5. Medium Term Financial Strategy (MTFS)

Essex Police

- 5.1. The Essex Police MTFS that was presented to the PFCC Panel in February 2020, showed the following position as laid out in figure 1 below:

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Annual growth/ (savings) required	(4.7)	(2.8)	(3.5)	(4.5)	(3.1)
Cumulative savings	(4.7)	(7.5)	(11)	(15.5)	(18.6)

Figure 1 Essex Police MTFS February 2020

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5.2. The MTFS that was presented to the September 2020 Strategic Board showed the position as laid out in figure 2 below

Medium Term Financial Strategy 2021/22 - 2025/26 - Precept Increase 2.0% 2021/22 and 2.5% Annually Thereafter						
	2021/22	2022/23	2023/24	2024/25	2025/26	5 Year Total
	£m	£m	£m	£m	£m	£m
Budget Requirement - before Savings & Efficiencies	322.6	327.4	333.2	338.1	343.0	1,664.3
Strategic Change Savings & Efficiencies Plan (S&EP) - <u>cashable</u>	(2.3)	(1.3)	(0.8)	(1.1)	0.0	(5.5)
Net Budget Requirement	320.3	326.1	332.4	337.0	343.0	1,658.8
Total Funding	(315.5)	(319.2)	(324.9)	(331.3)	(337.6)	(1,628.5)
Annual (Shortfall)/Surplus	(4.8)	(6.9)	(7.5)	(5.7)	(5.4)	(30.3)

Figure 2 Essex Police MTFS September 2020

5.3. The movement between the February and September MTFS, is mainly due to the adverse impact of council tax related to COVID-19. This has been mitigated by the identification of further savings, which are spread across a number of efficiency and productive plans.

5.4. Other issues which are being factored into the MTFS are:

- i. The pay settlement
- ii. Cost pressures and investments (1% to 2%)
- iii. Invest to save (up to 2%)
- iv. Technology
- v. Force growth
- vi. Increase in service demand
- vii. Expectation of further cash and non-cash savings
- viii. Affordability of capital over the medium term

5.5. During 2020/21 Police Officer growth, as can be seen in figure 3 below, was above target until August, then the position went below target but will return to nearly on target once the next cohort of Officers complete their training in November. The Police Officer numbers will be on target by the end of the financial year, which will feed into the 2021/22 budget.

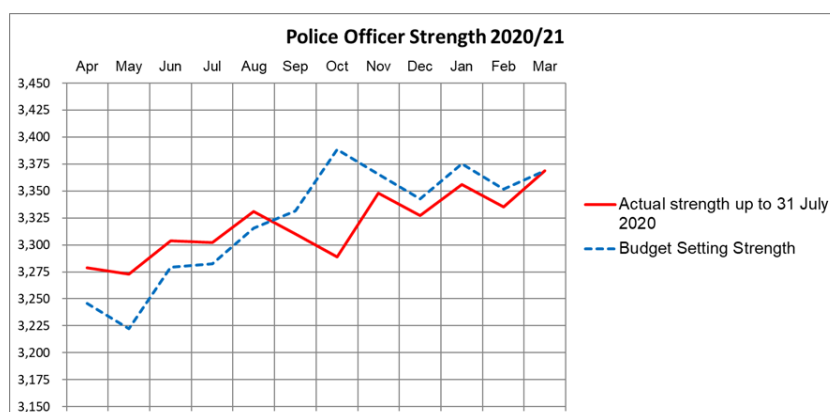


Figure 3 Essex Police Officer Growth 2020/21

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Essex Fire and Rescue Services

5.6. The Essex Fire and Rescue Services MTFS presented to the PFCC Panel in February 2020 showed the following position as laid out in figure 4 below

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Net expenditure	73,797	74,973	76,423	77,820	79,140
Total resources	73,797	74,853	73,637	74,198	74,785
Savings Required		120	2,666	836	733
Cumulative Savings Required		120	2,787	3,623	4,355

Figure 4 Essex Fire and Rescue Services MTFS February 2020

5.7. The Essex Fire and Rescue Services MTFS in September 2020 showed the position as laid out in figure 5 below

Medium Term Financial Strategy 2020/21-2023/24					
	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Budget Requirement - before Savings & Efficiencies	74.9	76.4	77.8	79.1	308.2
Strategic Change Savings & Efficiencies Plan (S&EP) - cashable	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)
Net Budget Requirement	74.1	75.6	77.0	78.3	305.0
Total Funding	(74.8)	(73.6)	(74.1)	(74.8)	(297.3)
Annual (Shortfall)/Surplus	0.7	(2.0)	(2.9)	(3.5)	(7.7)

Figure 5 Essex Fire and Rescue Services MTFS September 2020

5.8. Again, the adverse movement from the February position to September is due to the adverse impact of council tax relates to COVID-19.

5.9. Other issues which are being factored into the MTFS are:

- i. The pay settlement
- ii. Day crew conversion
- iii. Cost pressures and investments (1% to 2%)
- iv. Expectation of further cash and non-cash savings
- v. Productivity and broadening the role
- vi. Affordability of capital over medium term
- vii. Impact of business rates on funding position

6. Next steps

6.1. Further iterations of the MTFS for both Essex Police and Essex Fire and Rescue Services continue to be developed as savings plans are agreed and further information on the taxbase is known. An update on the MTFS will be shared with the Panel in December.

6.2. As, the funding settlement is anticipated in early January, which will confirm the level of government grant to be included in the budget, therefore flexibility may be needed around the PFCC Panel meeting date to confirm the precept.