

## 2024/25 Budget

### Agenda Item 7

Reference number: EPFCP/25/23

<b>Report title:</b> 2024/25 Budget	
<b>Report to:</b> Essex Police, Fire and Crime Panel	
<b>Report author:</b> Police, Fire and Crime Commissioner for Essex	
<b>Date:</b> 28 September 2023	<b>For:</b> Noting and comment
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<b>County Divisions affected:</b> All Essex	

#### 1. Purpose of Report

This report lays out the background issues, the current assumptions, and the challenges in setting the 2024/25 budgets for both Essex Police and Essex Fire and Rescue Service.

#### 2. Recommendations

To note the background issues, the current assumptions, and challenges, in setting the 2024/25 budgets for Essex Police and Essex Fire and Rescue Service

#### 3. Context

- 3.1. The 2024/25 budgets for Essex Police and Essex Fire and Rescue Service are being set against the backdrop of a challenging economic environment, with the continuation of high inflation, rising interest rates, and the likelihood of a recession increasing.

#### 4. Essex Police - Medium Term Financial Strategy (MTFS)

- 4.1. The Essex Police MTFS that was presented to the Police, Fire and Crime Panel in February 2023 showed the following position as laid out in figure 1 below:

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Figure 1 Essex Police MTFs at February 2023

Actual / Forecast			Medium Term Financial Strategy 2023/24 to 2027/28						
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	365.7	Net budget requirement (before appropriations to/from reserves)	377.9	382.9	392.3	400.9	409.0	1,963.1
6.7	2.7	(9.8)	Net appropriations to/(from) reserves	(3.3)	0.0	0.0	0.0	0.0	(3.3)
319.5	333.2	355.9	Net budget requirement (after appropriations to/from reserves and before savings and efficiencies)	374.6	382.9	392.3	400.9	409.0	1,959.7
(4.8)	(2.9)	(3.7)	Savings and efficiencies (cashable)	(10.9)	(3.0)	(3.0)	(3.0)	(3.0)	(22.9)
314.7	330.3	352.2	Net budget requirement (after appropriations to/from reserves and savings and efficiencies)	363.6	379.9	389.3	397.9	406.0	1,936.8
(314.7)	(330.3)	(352.2)	Total funding	(363.7)	(380.0)	(386.9)	(394.1)	(401.7)	(1,926.3)
0.0	0.0	0.0	Annual (shortfall)/surplus	0.0	0.0	(2.4)	(3.8)	(4.3)	(10.5)

4.2. At this time, the break-even position in 2024/25 was based on the following key assumptions:

- A 2.5% council tax precept increase.
- Police officers remaining at 3,755 FTEs.
- A 2.0% pay increase for Officers and Staff in September 2023 and 2.5% in September 2024.
- A 1.75% increase in taxbase compared to a 1.15% increase in 2023/24.
- A £1.5m surplus on the Collection Fund.
- New recurring cashable savings of £3.0m in each year of the MTFs and all one-off pressures to be funded by further one-off savings. One-off savings of £2.7m were included in 2024/25 netted off against the net budget requirement. From this report and onwards one-off savings are separated out to improve transparency; and
- The Home Office police grants will increase in line with the most recent Comprehensive Spending Review (CSR) with Essex receiving a share of the grant uplift in line with existing funding share allocations council tax precept increase of 2.5%.

4.3. These assumptions have been reviewed and updated and the MTFs at June 2023 shows the position as laid out in figure 2 below.

Figure 2 Essex Police MTFs at June 2023

Actual / Forecast			Medium Term Financial Strategy 2023/24 to 2027/28						
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
332.0	359.8	378.8	Net budget requirement (before appropriations to/from reserves)	391.2	400.7	408.7	417.6	421.9	2,040.1
2.7	(3.0)	(2.9)	Net appropriations to/(from) reserves	0.7	0.8	0.5	0.0	0.0	2.0
334.7	356.8	375.9	Net budget requirement (after appropriations to/from reserves and before savings and efficiencies)	391.9	401.5	409.2	417.6	421.9	2,042.1
(2.9)	(3.7)	(10.9)	Savings and Efficiencies Plan- Recurring	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(15.0)
(1.5)	(0.9)	(1.3)	Savings and Efficiencies Plan- One off	(2.1)	(2.6)	(3.0)	(4.3)	(1.4)	(13.4)
330.3	352.2	363.7	Net budget requirement (after appropriations to/from reserves and savings and efficiencies)	386.8	395.9	403.2	410.3	417.5	2,013.7
(330.3)	(352.2)	(363.7)	Total funding	(380.0)	(386.9)	(394.1)	(401.7)	(409.5)	(1,972.2)
0.0	0.0	0.0	Annual (shortfall)/surplus	(6.8)	(9.0)	(9.1)	(8.6)	(8.0)	(41.5)

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- 4.4. The movement in the MTFS is an adverse change of £6.8m, from the balanced position that was reported at February 2023.
- 4.5. The table at figure 3 shows the detail of the MTFS for each year, and the financial impact of the changes to the calculations and revised assumptions, for 2024/25 and for the overall MTFS since the MTFS at February 2023.

Figure 3 Essex Police detail of the MTFS at June 2023 changes since the MTFS at February 2023

Medium Term Financial Strategy 2024/25 to 2028/29							Changes since the MTFS at February 2023	
	2024/25	2025/26	2026/27	2027/28	2028/29	5 Year Total	2024/25	5 Year Total
	£m	£m	£m	£m	£m	£m	Change (reduction) / increase £m	Change (reduction) / increase £m
<b>Opening net budget requirement</b>	<b>363.7</b>	<b>386.8</b>	<b>395.9</b>	<b>403.2</b>	<b>410.3</b>	<b>1,959.9</b>	<b>0.0</b>	<b>76.8</b>
Prior year activity agreed at budget setting	2.1	(0.8)	(0.8)	(0.5)	0.0	0.1	0.1	(2.4)
Pay award	4.7	5.2	5.4	5.6	5.8	26.6	0.7	(3.6)
Pay progression	2.0	2.0	2.0	2.0	2.0	10.0	(0.4)	(2.4)
Pay other	4.7	0.8	0.3	0.3	0.3	6.5	2.9	(1.0)
LGPS pension shortfall and auto enrolment	0.0	0.0	0.6	0.0	0.0	0.6	0.0	(0.8)
Contractual inflation	1.9	1.0	1.0	1.0	1.0	5.9	(0.1)	(2.5)
Contractual and legal	0.8	1.5	2.2	1.5	1.5	7.6	0.4	2.0
COG approved investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Committed change (includes FYE of PUP)	6.2	0.0	0.0	0.0	0.0	6.2	0.0	0.3
Revenue impact of investment - recurring	1.5	1.9	0.1	2.5	(0.9)	5.0	0.6	0.8
Revenue impact of investment - one-off	0.9	0.9	0.9	0.9	0.9	4.5	0.0	(1.5)
New demand and budget growth - recurring	1.7	0.4	0.2	0.1	0.1	2.5	1.1	(2.7)
New demand and budget growth - one-off	0.9	0.9	0.9	0.9	0.9	4.5	0.0	0.4
Use of one-off recurring budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations to/(from) reserves	0.8	0.8	0.5	0.0	0.0	2.0	0.8	5.3
<b>Net budget requirement (before savings and efficiencies)</b>	<b>391.9</b>	<b>401.4</b>	<b>409.2</b>	<b>417.5</b>	<b>421.9</b>	<b>2,042.0</b>	<b>6.2</b>	<b>68.8</b>
Savings and efficiencies (cashable - recurring)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(15.0)	0.0	0.0
Savings and efficiencies (cashable - one-off)	(2.1)	(2.6)	(3.0)	(4.3)	(1.4)	(13.3)	0.6	8.0
<b>Net budget requirement (after savings and efficiencies)</b>	<b>386.8</b>	<b>395.9</b>	<b>403.2</b>	<b>410.3</b>	<b>417.5</b>	<b>2,013.7</b>	<b>6.8</b>	<b>76.9</b>
<b>Opening funding</b>	<b>(363.7)</b>	<b>(380.0)</b>	<b>(386.9)</b>	<b>(394.1)</b>	<b>(401.7)</b>	<b>(1,926.3)</b>	<b>0.0</b>	<b>(49.5)</b>
Government funding	(9.6)	0.0	0.0	0.0	0.0	(9.6)	0.0	0.7
Council Tax - Base	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)
Council Tax - Taxbase change	(2.7)	(2.8)	(2.9)	(3.1)	(3.2)	(14.8)	0.0	(1.6)
Council Tax - Precept increase	(3.9)	(4.1)	(4.3)	(4.5)	(4.7)	(21.5)	0.0	5.2
Collection fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.8)
<b>Total funding</b>	<b>(380.0)</b>	<b>(386.9)</b>	<b>(394.1)</b>	<b>(401.7)</b>	<b>(409.5)</b>	<b>(1,972.2)</b>	<b>0.0</b>	<b>(45.8)</b>
<b>Annual (shortfall)/surplus</b>	<b>(6.8)</b>	<b>(9.0)</b>	<b>(9.1)</b>	<b>(8.6)</b>	<b>(8.0)</b>	<b>(41.5)</b>	<b>(6.8)</b>	<b>(31.0)</b>

- 4.1. These changes are related to more detailed calculations, a review of the assumptions, as well as known changes that have taken place since February 2023. Figure 4 below shows the detailed changes to the assumptions and how they relate to the 2024/25 adverse movement of £6.8m, since the MTFS at February 2023. In addition, the table at figure 5 shows the impact that the MTFS at June 2023 has on the General Reserve. Whilst in 2024/25 will be below the 3% target requirement, however in the following years the plan is to build the General Reserve back to 3%

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Figure 4 Essex Police MTFS at June 2023 changes to 2024/25 since the MTFS at February 2023

	Assumptions in the MTFS at February 2023	Brought Forward to MTFS at February 2023	Assumptions in the MTFS at June 2023	Brought Forward to MTFS at June 2023	MTFS at June 2023
		£m Surplus/ Favourable (Deficit /Adverse)		£m Surplus/ Favourable (Deficit /Adverse)	£m Surplus/ Favourable (Deficit /Adverse)
	Opening	0.0	Brought Forward	0.0	0.0
Prior Year agreed at budget setting	Initial Prior Year	(2.0)	Initial Prior Year and late changes at 2023/24 budget setting	(0.1)	(2.1)
Police Officers 31 March 2024	3,755 FTEs	(6.2)	3,755 FTEs		(6.2)
Pay Award	2.0% pay increase September 2023 and 2.5% September 2024 (officers & staff)	(4.0)	2.0% pay increase September 2023 and 2.5% September 2024 (officers & staff) and more detailed calculation of the 2022/23 payaward	(0.7)	(4.7)
Pay progression and other pay	Pay progression at £2.4m and other pay at £1.8m	(4.2)	Pay progression at £2.4m and other pay at £1.8m and adjustment for initial budget calculation	(2.5)	(6.7)
New Demand and Budget Growth	Initial Budget Growth	(0.6)	Initial Budget Growth and early capture of pressures from commands	(1.1)	(1.7)
Revenue Impact of Investment	Revenue Consequences of Capital Investment	(0.9)	Revenue Consequences of Capital Investment updated for revenue costs of borrowing to fund the capital programme (MRP and Interest)	(0.6)	(1.5)
Contractual and Legal	Initial Contractual and Legal	(0.4)	Initial Contractual and Legal and further budget holder	(0.4)	(0.8)
Inflation	Contractual inflation based on current levels of higher inflation	(2.0)	Contractual inflation based on current levels of higher inflation adjusted for known changes	0.1	(1.9)
One off Budget pressures	One off budget pressures	(1.8)	One off budget pressures		(1.8)
One off savings		2.7	Reduction required for one off savings	(0.6)	2.1
Appropriations (to) / from Reserves		0.0	Adjustment to reserve balance at March 2024 to	(0.8)	(0.8)
Savings	£3m annually	3.0	£3m annually		3.0
Home Office Grants	Home Office police grants increase in line with the most recent CSR with Essex receiving a share of the grant uplift in line with existing funding share allocations.	9.6	Home Office police grants increase in line with the most recent CSR with Essex receiving a share of the grant uplift in line with existing funding share allocations.		9.6
Precept, tax base change and collection fund	Precept at 2.5% each year from 2024/25	6.6	Precept at 2.5% each year from 2024/25		6.6
Balance	Roundings	0.2	Roundings adjusted	(0.1)	0.1
	Total Movement	0.0	Total Movement	(6.8)	(6.8)
	Carry Forward	0.0	Carry Forward	(6.8)	(6.8)

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Figure 5 Essex Police detail of the updated June 2023 MTFS on the General Reserve

2023/24 £m		2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
15.7	Earmarked revenue reserves	15.9	16.1	16.3	16.5
10.2	General reserve	11.0	11.7	12.2	12.2
22.2	Total - revenue reserves	18.1	18.3	19.2	18.2
2.8%	General reserve as a % of net revenue expenditure	2.8%	3.0%	3.0%	3.0%

- 4.2. Further work continues to assess the full impact of all cost pressures. This will include the pay award of 7% in September 2023, which is funded by the Home Office based on 2.5% being in the budget. This together with the allocation method will leave a further shortfall of nearly £4m.
- 4.3. Alongside this work to consider budget pressures, there is much work ongoing regarding identifying savings and efficiencies. The intention is to identify sufficient savings to fund priority budget pressures, although at the same time there will be difficult decisions to be made regarding the budget pressures identified.

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### 5. Essex County Fire and Rescue Service (ECFRS) - Medium Term Financial Strategy (MTFS)

5.1. The table at figure 6 below shows the changes in core budget in each financial year up to 2026/27, along with a breakdown of core funding sources.

5.2. The assumptions in this projection have been adjusted since the MTFS that was presented to the Police Fire and Crime Panel in February 2023. The main changes, include moving the 2024/25 and 2025/26 precept to 3%, adding 2% per annum to the Revenue Support Grant and incorporating the savings and cost pressures identified so far in 2023/24.

*Figure 6 Essex Fire and Rescue Service core budget and core funding sources*

	Published Budget 2023/24 £m	MTFS 2024/25 £m	MTFS 2025/26 £m	MTFS 2026/27 £m	Assumptions
<b>Core Budget From Prior Year</b>	<b>82.16</b>	<b>88.40</b>	<b>91.45</b>	<b>93.71</b>	
Pay Inflation and Cost Pressures	4.94	2.63	1.82	1.44	2% Annual Pay Inflation. 2024/25 includes 2023/24 Pay Pressure .
Non Pay Inflation and Cost Pressures	1.10	0.43	0.44	0.44	2% Non Pay Inflation
New Investment and Service Demands	1.30	0.43	0.00	0.00	24/25 - ICT Pressures & Increase in Audit Fees
Additional Pressures	0.00	0.30	0.00	0.00	Investment in On Call (Activity)
<b>Core Budget plus Growth</b>	<b>89.50</b>	<b>92.19</b>	<b>93.71</b>	<b>95.58</b>	
<b>Savings (One-Off)</b>					
Cashable Efficiencies (Savings)	(1.10)	(0.74)	0.00	0.00	£0.3m Interest Rec'd / £0.3m Council Tax Surplus / £0.14m Canteen/Ambulance Response Posts
<b>Net Budget Requirement</b>	<b>88.40</b>	<b>91.45</b>	<b>93.71</b>	<b>95.58</b>	
<b>Total Funding Summary</b>	<b>Published Budget 2023/24 £m</b>	<b>MTFS 2024/25 £m</b>	<b>MTFS 2025/26 £m</b>	<b>MTFS 2026/27 £m</b>	<b>Assumptions</b>
Revenue Support Grants	9.67	9.86	10.06	10.26	2% Increase per annum
National Non Domestic Rates	17.13	17.14	17.14	17.14	Flat Cash Basis
Local Government Funding Settlement	26.80	27.00	27.20	27.40	
Council Tax Precept	53.26	55.42	57.71	59.51	3% Council Tax Precept in 2024/25 and 2025/26 2% in 2026/27 1.1% Annual Growth in Council Tax Base
<b>Total General Funding</b>	<b>80.06</b>	<b>82.42</b>	<b>84.91</b>	<b>86.91</b>	
Government Grants	8.34	9.04	8.64	8.84	2024/25 - £0.5m Additional Business Rates Relief Grant from 2023/24 & 2% per annum increase in Business Rates Relief per annum 2025/26 Remove £0.6m Service Grant
<b>Total Funding</b>	<b>88.40</b>	<b>91.46</b>	<b>93.55</b>	<b>95.76</b>	
Unidentified Cashable Efficiencies (Savings)	0.00	0.02	- 0.15	0.17	
<b>Net Budget Position (surplus) / deficit</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	

5.3. ECFRS produced a balanced budget for 2023/24, which included the following pay assumptions:

- 5% Pay Award for 2022/23 for Operational Staff.
- 4% Pay Award for 2023/24 for all staff.
- £0.4m was allocated for the creation of a local cost of living allowance (subject to affordability of the pay award settlements).

5.4. The 2022/23 pay award for non-operational staff (Green Book) was accepted in November 2022. In March 2023, the NJC reached agreement on the pay award for

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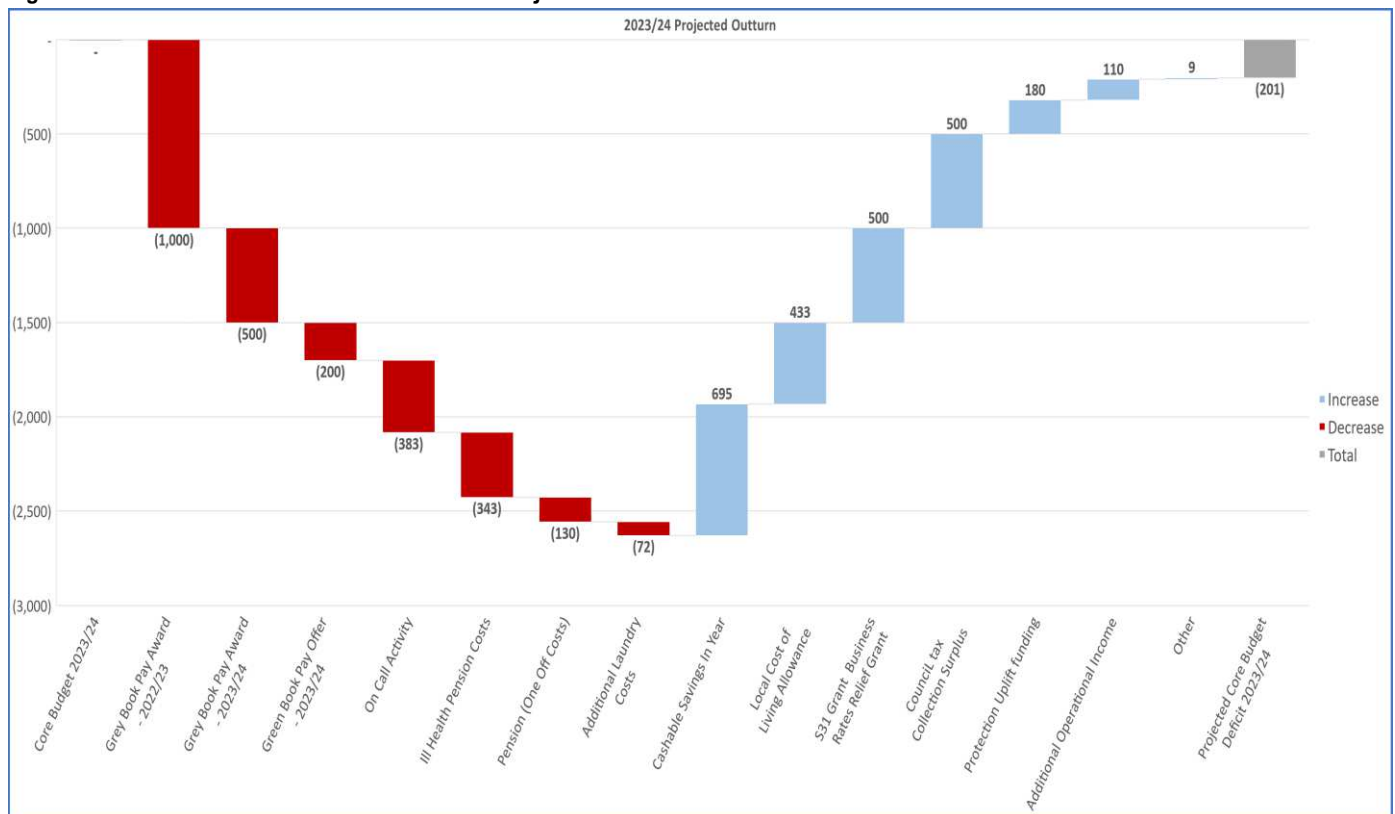
the operational staff which was for a 7% pay award for 2022/23 (backdated to 1st July 22) and a 5% pay award for 2023/24.

5.5. The 2023/24 pay award for non-operational staff has still to be settled, at this stage the offer has been included in the table at figure 6.

### 6. 2023/24 forecast outturn.

6.1. The current 2023/24 forecast outturn is shown in the waterfall chart below at figure 7.

Figure 7 Essex Fire and Rescue Service 2023/24 Projected Outturn



6.2. This projection for 2023/24 shows a financial deficit of £0.2m. The key financial movements are:

- (£1.5m) cost pressure from pay award for operational staff in 2022/23 and 2023/24
- (£0.3m) additional on call activity in year
- (£0.3m) unplanned Ill health pension costs.
- (£0.2m) cost pressure from potential pay award for non-operational staff in 2023/24 (based on rejected offer)
- (£0.2m) year to date pay cost variances.
- £0.5m unplanned Council Tax Collection Surplus
- £0.5m unplanned S31 Business Rates Relief Grant Funding
- £0.4m Re-allocation of cost-of-living allowance to fund pay award pressure

6.3. In setting the 2024/25 budget, various budget assumptions are being considered, the current financial position has been discussed at the Productivity and Efficiency Board, and the cashable savings so far identified have been included in the table at figure 6.

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### **7. Next steps**

- 7.1. Further iterations of the MTFS and the 2024/25 budget for both Essex Police and Essex Fire and Rescue Service will continue to be developed as savings plans are agreed and further information on the assumptions within the MTFS become clearer. The PFCC will work with the Panel Budget Setting Working Group, which has proven to be extremely beneficial in previous years.
- 7.2. Following the Panel Budget Setting Working Group meetings an update on the 2024/25 budget and MTFS for Essex Police and Essex Fire and Rescue Service will be shared with the Panel in December.