

<b>Report title:</b> The 2023/24 Budget – Update of Progress on setting the 2023/24 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> 08 December 2022	<b>For:</b> Noting and comment
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<b>County Divisions affected:</b> All Essex	

## 1. Purpose of Report

This report provides an update of the progress on setting the 2023/24 budgets for both Essex Police and Essex County Fire and Rescue Service, including the background issues and latest assumptions being used in drafting the 2023/24 budgets.

## 2. Recommendations

To note the background issues, the latest assumptions, and the progress in setting the 2023/24 budgets for Essex Police and Essex County Fire and Rescue Service.

## 3. Context

- 3.1. The 2023/24 budgets for Essex Police and Essex County Fire and Rescue Service are being set against the backdrop of a challenging economic environment, with CPI annual inflation already having reached 10.1 per cent in September 2022, and 11.1 per cent by October 2022, interest rates rising and the likelihood of a recession increasing.

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

- 4.1. The Essex Police Baseline Challenge MTFS that was presented to the Police, Fire and Crime Panel in September 2022 showed the following position as laid out in figure 1:

Figure 1 Essex Police MTFS at September 2022

			Medium Term Financial Strategy 2023/24 - 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	357.9	Net Budget Requirement - before appropriations to/from reserves	384.4	386.0	393.3	400.2	405.2	1,969.1
6.7	2.7	(2.0)	Net Appropriations to/(from) Reserves	(3.1)	(2.6)	(2.4)	(1.4)	0.0	(9.5)
319.5	333.2	355.9	Budget Requirement (Inc Appropriations to Reserves) - before Savings & Efficiencies	381.3	383.4	390.9	398.8	405.2	1,959.6
(4.8)	(2.9)	(3.7)	Savings & Efficiencies Plan (Cashable)	(7.8)	(3.0)	(3.0)	(3.0)	(3.0)	(19.8)
314.7	330.3	352.2	Net Budget Requirement - after savings applied	373.5	380.4	387.9	395.8	402.2	1,939.8
(314.7)	(330.3)	(352.2)	Total Funding	(369.4)	(379.5)	(386.3)	(393.4)	(400.8)	(1,929.4)
0.0	0.0	0.0	Annual (Shortfall)/Surplus	(4.1)	(0.9)	(1.6)	(2.4)	(1.4)	(10.4)

4.2. At this time the baseline challenge deficit in 2023/24 was £4.1m, based on the following key assumptions:

- A council tax precept increase, of 4.57% and 2.5% each year from 2024/25.
- A 1.75% increase in the tax base.
- Police officer FTEs at 3,755 from the start of the year.
- A £1,900 pay award for officers and staff in 2022/23 and 2.5% annually thereafter
- A £1.8m surplus on the Collection Fund (this includes a share of the 2021/22 deficit which local authorities have been able to spread over three years).
- £7.8m identified efficiency savings for 2023/24 and £3m planned annually thereafter.
- The Home Office police grants 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.

4.3. These assumptions have been reviewed and updated. The MTFS at November 2022 shows the position as laid out in figure 2, which demonstrates the progress in setting the 2023/24 budget.

Figure 2 Essex Police November 2022 MTFS

			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	364.4	Net Budget Requirement - before appropriations to/from reserves	390.3	391.2	398.4	405.9	412.4	1,998.2
6.7	2.7	(8.5)	Net Appropriations to/(from) Reserves **	(3.6)	(2.0)	(1.6)	(2.4)	(2.8)	(12.4)
319.5	333.2	355.9	Budget Requirement (Inc Appropriations to Reserves) - before Savings & Efficiencies	386.7	389.2	396.8	403.5	409.6	1,985.8
(4.8)	(2.9)	(3.7)	Savings & Efficiencies Plan (Cashable)	(8.9)	(3.0)	(3.0)	(3.0)	(3.0)	(20.9)
314.7	330.3	352.2	Net Budget Requirement - after savings applied	374.8	386.2	393.8	400.5	406.6	1,961.9
(314.7)	(330.3)	(352.2)	Total Funding	(369.6)	(379.7)	(386.6)	(393.7)	(401.1)	(1,930.7)
0.0	0.0	0.0	Annual (Shortfall)/Surplus	(5.2)	(6.5)	(7.2)	(6.8)	(5.5)	(31.2)

4.4. The position in figure 2 for 2023/24 shows a deficit of £5.2m, compared to the £4.1m deficit in figure 1 at September 2022. This movement is made up of a number of updates and additional assumptions that have arisen since September 2022.

4.5. The main changes and additions to the latest MTFS for the year 2023/24 are detailed below:

- There has been a detailed review of pay as part of budget setting which has reduced the pay budget by £1m.
- Service demand and budget growth, including the South-East Allowance, which increased by £500 in 2022/23, has increased by £3.9m to £7.4m. This includes revenue costs associated with delivery of the Estates Strategy.
- Updates to the Capital Programme have reduced the revenue consequences from £2.5m to £2.1m.
- There has been a tri-annual actuarial review of the Local Government Pension Scheme (LGPS) resulting in an overall cost of £1.6m.
- Revenue cost pressures for contractual and legal matters increased by £2.3m.
- Allowance for an additional Bank Holiday in 2023/24, increasing costs by £0.3m
- There are £12.2m identified efficiency savings for 2023/24 (which continues to include removal of £3.3m of recurrent budget for one off expenditure).

4.6. The table at figure 3 shows the detail of the MTFS at November 2022, whilst the table at figure 4 shows the impact that the current MTFS has on the General Reserve. In 2023/24 the General Reserve falls below the 3% target, and in the following years it progressively falls until it reaches 0.7%, which is not a viable position. Therefore, in the final iteration of the MTFS and the 2023/24 budget, options will be developed to build the General Reserve back to 3% in future years.

Figure 3 Essex Police detail of the November 2022 MTFS

Actual / Forecast			Medium Term Financial Strategy - 2022/23 to 2026/27						
2020/21 Actual £m	2021/22 Actual £m	2022/23 Forecast £m		2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	5 Year Total £m
312.8	333.8	330.3	Opening Budget Requirement	352.2	374.8	386.2	393.8	400.5	1,907.5
(1.9)	(1.4)	0.9	Prior year activity agreed at Budget Setting	0.5	3.7	0.0	0.0	0.0	4.2
		2.8	Pay Award	12.3	5.0	5.2	5.2	5.4	33.1
		2.3	Pay Progression	2.4	2.4	2.4	2.4	2.4	12.0
		3.7	Pay - Other	(1.7)	0.3	0.3	0.3	0.3	(0.5)
		0.0	LGPS Pension Shortfall & Auto Enrolment	1.7	0.0	0.0	0.5	0.0	2.2
		0.9	Contractual Inflation	3.5	2.0	1.0	1.0	1.0	8.5
		3.4	Contractual & Legal	3.4	0.4	0.5	1.2	0.0	5.5
		0.0	COG Approved Investment	0.0	0.0	0.0	0.0	0.0	0.0
		5.9	Committed Change (Includes FYE of PUP)	6.8	0.0	0.0	0.0	0.0	6.8
		2.1	Revenue Impact of Investment	2.1	1.7	2.4	1.0	2.8	10.0
		8.9	New Demand & Budget Growth	7.4	0.9	0.4	0.5	0.0	9.2
		(3.3)	Use of One-off Recurring Budget	0.0	0.0	0.0	0.0	0.0	0.0
6.7	2.7	(2.0)	Appropriations to/(from) Reserves	(3.6)	(2.0)	(1.6)	(2.4)	(2.8)	(12.4)
317.6	335.1	355.9	Net Budget Requirement - before savings	387.0	389.2	396.8	403.5	409.6	1,986.1
(2.9)	(4.8)	(3.7)	Savings & Efficiencies Cashable - Recurring	(12.2)	(3.0)	(3.0)	(3.0)	(3.0)	(24.2)
314.7	330.3	352.2	Net Budget Requirement - after savings	374.8	386.2	393.8	400.5	406.6	1,961.9
(314.7)	(330.3)	(330.3)	Opening Funding	(352.2)	(369.6)	(379.7)	(386.6)	(393.7)	(1,881.8)
		(10.9)	Government Funding	(8.5)	(3.5)	0.0	0.0	0.0	(12.0)
		0.0	Council Tax - Base	0.0	0.0	0.0	0.0	0.0	0.0
		(2.3)	Council Tax - Taxbase change	(2.7)	(2.7)	(2.8)	(2.9)	(3.0)	(14.1)
		(6.6)	Council Tax - Precept increase	(6.7)	(3.9)	(4.1)	(4.2)	(4.4)	(23.3)
		(2.1)	Collection Fund	0.5	0.0	0.0	0.0	0.0	0.5
(314.7)	(330.3)	(352.2)	Total Funding	(369.6)	(379.7)	(386.6)	(393.7)	(401.1)	(1,930.7)
0.0	0.0	0.0	Adjusted Annual (Shortfall)/Surplus	(5.2)	(6.5)	(7.2)	(6.8)	(5.5)	(31.2)

Figure 4 Essex Police detail of the November 2022 MTFS on the General Reserve

Forecast Reserves (Year End Balances)					
	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Earmarked Revenue Reserves	10.2	9.8	9.4	9.1	8.8
General Reserve	8.9	6.9	5.3	2.9	2.9
Total - Revenue Reserves	19.1	16.7	14.7	12.0	9.0
General Reserve as % of net revenue expenditure	2.4%	1.8%	1.3%	0.7%	0.7%

4.7. The table at figure 5 shows the assumptions at each stage of developing the MTFS since February 2022 and demonstrates the financial impact in 2023/24.

Figure 5 Police MTFS summary of November 2022 MTFS 2023/24 movements

Impact of Assumptions on 2023/24 Budget							
	Assumptions in the February 2022 MTFS	Brought Forward to February 2022 MTFS	Additional Assumptions in the September 2022 MTFS	Brought Forward to September 2022 MTFS	Additional Assumptions in the November 2022 MTFS	Brought Forward to November 2022 MTFS	Opening to November 2022 MTFS
		£m Surplus/ Favourable (Deficit /Adverse)		£m Surplus/ Favourable (Deficit /Adverse)		£m Surplus/ Favourable (Deficit /Adverse)	£m Surplus/ Favourable (Deficit /Adverse)
	Opening	0.0	Brought Forward	(2.8)	Brought Forward	(4.1)	0.0
Prior Year agreed at budget setting	Initial Prior Year	(0.9)	Reduction in Prior Year	0.4			(0.5)
Police Officers 31 March 2023	3,755 FTEs	(5.7)	3,755 FTEs	(1.1)	3,755 FTEs		(6.8)
Pay Award	2.5% each year (officers & staff)	(4.8)	2022/23 £1,900 increase (officers & staff) 2.5% each year thereafter (officers & staff)	(7.5)	2022/23 £1,900 increase (officers & staff) 2.5% each year thereafter (officers & staff)		(12.3)
Pay progression and other pay	Pay progression at £3.1m per annum	(3.1)	Pay progression at £2.4m per annum and Budget estimate Review	1.4	Pay progression at £2.4m per annum Budget Setting Review of Pay	1.0	(0.7)
New Demand and Budget Growth	Initial Budget Growth	(1.0)	Service Demand and budget growth increased to £3.5m (including SE Allowance increased by £500 in 2022/23 £2.1m)	(0.4)	Service demand and budget growth increased to £7.4m (including SE Allowance increased by £500 in 2022/23 £2.1m and Estates Services restructure	(3.9)	(7.4)
Revenue Impact of Investment	Revenue Consequences of Capital Investment £0.5m	(0.5)	Initial Revenue Consequences of the Capital Programme £2.5m	(2.0)	Updates to Capital Programme reduces revenue consequences from £2.5m to £2.1m	0.4	(2.1)
LGPS Pension Shortfall & Auto Enrolment		(0.6)			LGPS Pension tri-annual actuarial review has increased by £1.1m and is now £1.6m	(1.1)	(1.7)
Contractual and Legal	Initial Contractual and Legal	(0.4)	Contractual and Legal increased to £0.8m	(0.4)	Revenue cost pressures for contractual and legal and Extra Bank holiday is £0.5m 2023/24 increase of £0.3m	(2.3)	(3.4)
Inflation	Contractual inflation on previous year's trend	(0.5)	Contractual inflation on previous year's trend Utilities & fuel updated following global rises Contractual inflation updated based on bids	(3.0)	Contractual inflation on previous year's trend Utilities & fuel updated following global rises Contractual inflation updated based on bids		(3.5)
One off Budget pressures	Funded from recurring budget of £3.3m		Funded from reserves 2023/24 onwards.		Funded from reserves 2023/24 onwards.		
Appropriations (to) / from Reserves		0.8	Increase in appropriations from Reserves for one off expenditure	2.3	Increase in appropriations from Reserves for one off expenditure	0.5	3.6
Savings		3.0	2023/24 £7.8m identified by Efficiency Savings and Growth Board, £3m annually thereafter	4.8	2023/24 £12.2m identified by Efficiency Savings and Growth Board, £3m annually thereafter	4.4	12.2
Home Office Grants	Increase in line with 2021 CSR Share of uplift in line with Essex share of existing allocations Ring fenced element of 2022/23 PUP funding rolled up into main grant	5.3	Increase in line with 2021 CSR Share of uplift in line with Essex share of existing allocations Ring fenced element of 2022/23 PUP funding rolled up into main grant. Additional £3.2m of grant towards cost of police officer pay award and remains in core grant annually thereafter	3.2	Increase in line with 2021 CSR Share of uplift in line with Essex share of existing allocations Ring fenced element of 2022/23 PUP funding rolled up into main grant. Additional £3.2m of grant towards cost of police officer pay award and remains in core grant annually thereafter		8.5
Precept and tax base change	2.5% each year from 2023/24	6.1	4.57% (£9.99) in 2023/24 2.5% each year from 2024/25	3.1	4.57% (£9.99) in 2023/24 2.5% each year from 2024/25	0.2	9.4
Collection Fund	Reduction in Collection Fund Surplus from £2.3m to £1.8m	(0.5)	Reduction in Collection Fund Surplus from £2.3m to £1.8m		Reduction in Collection Fund Surplus from £2.3m to £1.8m		(0.5)
	Total Movement	(2.8)	Total Movement	(1.3)	Total Movement	(1.1)	(5.2)
	Carry Forward	(2.8)	Carry Forward	(4.1)	Carry Forward	(5.2)	(5.2)



- 4.8. Sensitivities relating to the assumptions have also been considered. The possible impact of changes to inflation and pay award assumptions are reflected in figure 6 below:

Figure 6 Essex Police inflation and pay award assumptions sensitivities

Inflation and Pay Award Assumption Sensitivities	2023/24 £m	2024/25 £m
<b>Inflation</b>		
The impact of fuel costs increasing by a further <b>10%</b>	(0.2)	(0.2)
The impact of Gas and Electricity cost increasing by a further <b>10%</b>	(0.3)	(0.3)
<b>Pay Award</b>		
The Impact of the Officer and Staff Pay Award being 5% in September 2023 with no further funding	(4.1)	(6.3)

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

- 5.1. The ECFRS Baseline Challenge MTFS that was presented to the Police, Fire and Crime Panel in September 2022 showed the following position as laid out in figure 7:

Figure 7 Essex County Fire and Rescue Service MTFS at September 2022

Actuals			Medium Term Financial Strategy 2022/23-2025/26				
2019/20 £m	2020/21 £m	2021/22** £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
		80.6	85.3	88.1	90.3	92.6	356.3
		(0.6)					
			(2.2)	(2.4)	(2.4)	(2.4)	(9.4)
		(0.6)	(2.2)	(2.4)	(2.4)	(2.4)	(9.4)
78.0	80.9	80.0	83.1	85.7	87.9	90.2	346.9
0.0	0.1	1.7	1.9	0.4	0.0	0.0	2.3
(77.9)	(81.7)	(80.5)	(82.2)	(83.6)	(85.3)	(87.0)	(338.1)
0.1	(0.7)	1.2	2.8	2.5	2.6	3.2	11.1
0.0	(0.1)	(1.7)	(1.9)	(0.4)	0.0	0.0	(2.3)
(0.1)	0.8	0.5	(0.9)	(2.1)	(2.6)	(3.2)	(8.8)

- 5.2. At this time the baseline challenge deficit in 2023/24 was £2.1m, based on the following key assumptions:
- A Council Tax precept increase of 2% in 2023/24 and annually thereafter.
  - A 1.1% increase in the tax base annually.
  - Green Book (support staff) pay pressure of £0.5m (above 2%) in 2022/23 and Grey Book (firefighters) pay award still at 2% in 2022/23, and 2% annually thereafter.
  - £2.4m identified efficiency savings for 2023/24 and £2.4m annually thereafter.
  - Utilities and fuel pressure of £0.4m in 2022/23.
  - 2% non-pay inflation in 2023/24 and a further 40% increase in utilities and fuel costs for 2023/24.

- 5.3. These assumptions have been reviewed and updated. The MTFS at November 2022 shows the position as laid out in figure 8, which demonstrates the progress in setting the 2023/24 budget. The movements in the deficit for each year are shown in figure 9.

**Figure 8 Essex County Fire and Rescue Service MTFS at November 2022**

Actuals			Medium Term Financial Strategy 2022/23-2025/26					
2019/20 £m	2020/21 £m	2021/22** £m		2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
		80.6	Budget before Savings & Efficiencies	87.9	88.8	90.6	92.4	359.7
	(0.6)		Identified Savings & Efficiencies	(2.0)	(2.6)	(2.4)	(2.4)	(9.4)
			Unidentified Savings & Efficiencies					0.0
			Total Savings & Efficiencies Planned	(2.0)	(2.6)	(2.4)	(2.4)	(9.4)
78.0	80.9	80.0	Core Budget after Savings & Efficiencies	85.6	86.2	88.2	90.0	350.0
0.0	0.1	1.7	Specific Costs funded by Earmarked Reserves	1.9	0.0	0.0	0.0	1.9
(77.9)	(81.7)	(80.5)	Core Funding	(82.9)	(82.1)	(83.8)	(85.5)	(334.3)
0.1	(0.7)	1.2	Total Annual Shortfall/(Surplus)	4.6	4.1	4.4	4.5	17.6
0.0	(0.1)	(1.7)	Annual (Shortfall)/Surplus - Funded From Earmarked Reserves	(1.9)	0.0	0.0	0.0	(1.9)
0.1	0.8	0.5	Annual (Shortfall)/Surplus - Funded From General Fund	(2.7)	(4.1)	(4.4)	(4.5)	(15.7)

**Figure 9 Essex County Fire and Rescue Services movement in each year's deficit between September 2022 and November 2022**

MTFS Key Movements Since September 2022					
	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
General Fund (shortfall) in September 22 MTFS	(0.9)	(2.1)	(2.6)	(3.2)	(8.8)
Favourable / (Adverse) movement in General Fund Balance	(1.8)	(2.0)	(1.8)	(1.3)	(6.9)
General Fund (shortfall) per Latest MTFS Projection	(2.7)	(4.1)	(4.4)	(4.5)	(15.7)

- 5.4. The position in figure 8 for 2023/24 shows a deficit of £4.1m, compared to the £2.1m deficit in figure 7, at September 2022. This movement is made up of a number of updates and additional assumptions that have arisen since September 2022.
- 5.5. The main changes and additions to the latest MTFS for the year 2023/24 are detailed below:
- A £1.2m Grey Book pay pressure (above 2%) in 2022/23, based on the latest pay offer of 5%. This Grey Book Offer has now been rejected and there is now a ballot for industrial action.
  - £0.4m for the transitional costs of the day crew conversion.
  - £0.3m for On Call Liaison Officers.
  - £0.2m for Breathing Apparatus Instructors.

## 6. Next steps

- 6.1. The budget for 2023/24 and the MTFS for both Essex Police and Essex County Fire and Rescue Service will be presented to the respective December Strategic Boards. The work on the MTFS and budgets is progressing and will be updated following the Financial Settlement announcement expected mid-December, and following the budget letter on 13 January 2023, from the Chief Constable, in respect of Essex Police. The PFCC will also continue to work with the Panel Budget Setting Working Group. We have already had two very helpful meetings and a further one is planned in January.
- 6.2. The 2023/24 budget, the MTFS and the proposed 2023/24 precept for Essex Police and Essex County Fire and Rescue Service will then be presented to the Panel in February.