

## 2022/23 Budget Scene setting

Agenda Item 10

Reference number: EPFCP/24/21

<b>Report title: 2022/23 Budget Scene Setting</b>	
<b>Report to:</b> Essex Police, Fire and Crime Panel	
<b>Report author:</b> Police, Fire and Crime Commissioner for Essex	
<b>Date:</b> 21 October 2021	<b>For:</b> Noting and comment
<b>Enquiries to:</b> Janet Perry Strategic Head of Performance and Resources, Essex PFCC E-mail: <a href="mailto:janet.perry@essex.police.uk">janet.perry@essex.police.uk</a>	
<b>County Divisions affected:</b> All Essex	

### 1. Purpose of Report

This report lays out the background issues and current assumptions in setting the 2022/23 budget.

### 2. Recommendations

To note the background issues and the current assumptions in setting the 2022/23 budget.

### 3. Context

- 3.1. The 2022/23 budget is being set as periods of lockdown and furloughs come to an end with a resulting increase in unemployment across the county, together with inflation rising.
- 3.2. The three-year Comprehensive Spending Review (CSR), will be announced on 27 October 2021.
- 3.3. It is anticipated that the funding settlement and level of government grant will not be known until the middle of December 2021.

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

- 4.1. The Essex Police MTFS that was presented to the PFCC Panel in February 2021, showed the following position as laid out in figure 1 below:

*Figure 1 Essex Police MTFS at February 2021*

Medium Term Financial Strategy - 2021/22 to 2025/26						
	2021/22	2022/23	2023/24	2024/25	2025/26	5 Year Total
	£m	£m	£m	£m	£m	£m
<b>Budget Requirement - before Savings &amp; Efficiencies</b>	333.8	341.4	351.0	358.9	366.8	1,751.9
<b>Savings &amp; Efficiencies Plan (Cashable)</b>	(3.5)	(0.7)	(0.8)	(1.1)	0.0	(6.1)
<b>Net Budget Requirement</b>	330.3	340.7	350.2	357.8	366.8	1,745.8
<b>Total Funding</b>	(330.3)	(336.1)	(341.9)	(348.3)	(354.8)	(1,711.4)
<b>Annual (Shortfall)/Surplus</b>	0.0	(4.6)	(8.3)	(9.5)	(12.0)	(34.4)

## 2022/23 Budget Scene setting

4.2. The latest MTFS at October 2021, shows the position as laid out in figure 2 below

**Figure 2 Essex Police Base Case MTFS at October 2021**

Essex Police Base Case								
Actual / Forecast			Base Case Medium Term Financial Strategy 2022/23 to 2026/27					
2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	5 Year Total
£m	£m	£m	£m	£m	£m	£m	£m	£m
300.3	312.8	333.8	<b>Opening</b>					
<b>Budget Requirement</b>			328.4	337.3	343.7	350.8	357.1	1,717.3
0.0			<b>In year pressures and other Adjustments</b>					
0.0			12.6	10.4	11.1	10.3	9.6	54.0
300.3			<b>Budget Requirement before savings applied</b>					
312.8			341.0	347.7	354.8	361.1	366.7	1,771.3
(4.7)			<b>Enhanced Savings and Efficiencies (Cashable)</b>					
(4.8)			(3.7)	(4.0)	(4.0)	(4.0)	(4.0)	(19.7)
295.6			<b>Budget Requirement after savings applied</b>					
308.0			337.3	343.7	350.8	357.1	362.7	1,751.6
(297.6)			<b>Funding with adjusted collection rate increase and NI 100% funded</b>					
(314.7)			(336.5)	(341.8)	(347.5)	(353.6)	(359.3)	(1,738.7)
2.0			<b>Base Case Annual (Shortfall)/Surplus</b>					
6.7			(0.8)	(1.9)	(3.3)	(3.5)	(3.4)	(12.9)
1.9								

4.3. The improvement between the February 2021 MTFS and the October 2021 Base Case MTFS, is mainly due to an enhanced level of savings.

4.4. The Base Case MTFS, includes the following budget assumptions:

- a) The Pay Award will be at 2.5% per annum starting from September 2022 onwards;
- b) There will be contractual Inflation of £0.5m each year;
- c) The cost of Police Officers and Staff moving up the pay scales, will result in an Incremental pay increase of £4m each year, this is mainly due to the increasing number of new recruits, who commence at the bottom of the pay scale;
- d) The Employers National Insurance contributions increase will be a recurring cost of £2.6m in 2022/23;
- e) An enhanced level of savings are assumed with annual savings of approximately £4m included each year.

4.5. The following Funding assumptions have been included in the Base Case MTFS;

- a) The Employers increased National Insurance contribution of £2.6m in 2022/23, will be fully funded recurrently;
- b) The Police Uplift Programme (PUP) will provide funding of £2.6m in 2022/23 for the 52 Officers, being recruited during 2021/22;
- c) There will be growth in the Tax Base of £1m in 2022/23, rising to £1.9m by 2026/27.

4.6. The table at figure 3 shows the detail in each year of the MTFS of the assumptions in paragraph 4.4 and 4.5

## 2022/23 Budget Scene setting

Figure 3 Essex Police detail of the Base Case MTFS at October 2021

Essex Police Detail of Base Case								
Actual / Forecast			Base Case Medium Term Financial Strategy 2022/23 to 2026/27					
2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	5 Year Total £m
300.3	312.8	333.8	<b>Opening Budget Requirement</b>					<b>1,717.3</b>
		(1.0)	Adjustment from prior year	1.9	(0.5)			
			Contractual Inflation	0.5	0.5	0.5	0.5	2.5
			2.5% annual pay rise from Sept 2022	2.7	4.7	4.7	4.9	22.1
			Incremental pay increase	4.0	4.0	4.0	4.0	20.0
			Pension Shortfall and auto enrol		0.9			0.9
			Policing Qualifications (PEQF)		0.4			0.4
			Investments since budget setting	0.3				0.3
			1.25% Increase in employers' NI	2.6				2.6
			Revenue consequences of Capital	0.6	0.4	1.9	0.9	3.8
300.3	312.8	332.8	<b>Budget Requirement before savings applied</b>					<b>1,771.3</b>
(4.7)	(4.8)	(4.4)	<b>Enhanced Savings and Efficiencies (Cashable)</b>					<b>(19.7)</b>
295.6	308.0	328.4	<b>Net Budget Requirement - after savings applied</b>					<b>1,751.6</b>
(297.6)	(314.7)	(330.3)	<b>Opening Funding</b>					<b>(1,709.7)</b>
			HO Police Uplift 2022/23 (52 Officers)	(2.6)				(2.6)
			Council Tax - Taxbase change	(1.0)	(1.7)	(1.8)	(1.9)	(8.3)
			Council Tax collection (Surplus)/Deficit		(0.2)	(0.4)	(0.6)	(1.2)
			Employers NI contributions	(2.6)				(2.6)
			Impact of previous years' Council Tax		(3.4)	(3.5)	(3.6)	(14.3)
(297.6)	(314.7)	(330.3)	<b>Funding with adjusted collection rate increase and NI 100% funded</b>					<b>(1,738.7)</b>
2.0	6.7	1.9	<b>Base Case Annual (Shortfall)/Surplus</b>					<b>(12.9)</b>

4.7. The MTFS at figure 4 builds on the Base Case MTFS and includes a 2.5% council tax increase each year, together with the funding of key capital (revenue consequences) and revenue proposals, that are still pending approval in 2021/22 and the use of reserves as appropriate.

Figure 4 Essex Police Adjusted Base Case MTFS at October 2021

Essex Police Adjusted Base Case								
Actual / Forecast			Adjusted Base Case Medium Term Financial Strategy 2022/23 to 2026/27					
2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	5 Year Total £m
2.0	6.7	1.9	<b>Base Case Annual (Shortfall)/Surplus</b>					<b>(12.9)</b>
			<b>Revenue and capital bids pending approval</b>					<b>31.5</b>
			<b>Funded by Council Tax @2.5%</b>					<b>(18.2)</b>
2.0	6.7	1.9	<b>Net Appropriations to/(from) Reserves</b>					<b>(10.2)</b>
0.0	0.0	0.0	<b>Adjusted Base Case Annual (Shortfall)/Surplus</b>					<b>(16.0)</b>

## 2022/23 Budget Scene setting

4.8. The MTFs at figure 5 then builds further on the Adjusted Base Case MTFs and includes a 5% council tax increase in 2022/23 (2.5% more than in figure 4) and £1.5m of additional Police Officers, to be recruited in 2022/23. This will allow the recruitment of 30 to 40 Police Officers depending on rank during 2022/23.

Figure 5 Essex Police Reasonably Adjusted Case MTFs October 2021

Essex Police Reasonably Adjusted Case								
Actual / Forecast			Reasonably Adjusted Case Medium Term Financial Strategy 2022/23 to 2026/27					
2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	5 Year Total £m
0.0	0.0	0.0	<b>Adjusted Base Case</b>					
			<b>Annual (Shortfall)/Surplus</b>					<b>(16.0)</b>
			2.0	2.0	2.0	2.0	2.0	10.0
			South East Pay Allowance +£500					
			1.5	1.5	1.5	1.5	1.5	7.5
			Additional Police Officers					
			<b>Total Additional Development</b>					<b>17.5</b>
			Funded by Council Tax @5% in 2022/23 (additional 2.5%)					
			(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(17.5)
0.0	0.0	0.0	<b>Reasonably Adjusted Case</b>					
			<b>Annual (Shortfall)/Surplus</b>					<b>(16.0)</b>

## 5. Essex Fire and Rescue Services - Medium Term Financial Strategy (MTFS)

5.1. The Essex Fire and Rescue Services MTFs presented to the PFCC Panel in February 2020, (the last formal MTFs presented to the Panel) showed the following position as laid out in figure 6 below

Medium Term Financial Strategy 2020/21-2023/23					
	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Net Budget Requirement - Baseline	74.9	76.4	77.8	79.1	308.2
Specific Costs funded by Earmarked Reserves	0.0	0.0	0.0	0.0	0.0
Total Funding	(73.2)	(73.6)	(74.2)	(74.8)	(295.8)
Annual (Shortfall)/Surplus - Funded From Earmarked Reserves	0.0	0.0	0.0	0.0	0.0
Annual (Shortfall)/Surplus - Funded From General Fund	(1.7)	(2.8)	(3.6)	(4.3)	(12.4)

Figure 6 Essex Fire and Rescue Services MTFs at February 2020

5.2. The Essex Fire and Rescue Services MTFs presented to the PFCC/ECFRS Strategic Board in September 2021, showed the position as laid out in figure 7 below

## 2022/23 Budget Scene setting

Figure 7 Essex Fire and Rescue Services MTFS September 2021

Medium Term Financial Strategy 2021/22-2024/25							
	Unaudited						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m	£m
Net Budget Requirement - Baseline	71.3	73.0	73.2	75.4	76.8	78.0	303.4
Specific Costs funded by Earmarked Reserves	0.0	0.1	2.4	1.0	0.4	0.0	3.8
Total Funding	71.9	(73.9)	(73.0)	(74.2)	(75.5)	(77.0)	(299.6)
Annual (Shortfall)/Surplus - Funded From Earmarked Reserves	0.0	(0.1)	(2.4)	(1.0)	(0.4)	0.0	(3.8)
Annual (Shortfall)/Surplus - Funded From General Fund	0.6	0.8	(0.2)	(1.2)	(1.3)	(1.0)	(3.7)

5.3. The key movements from the February 2020 MTFS to the September 2021 MTFS are shown in Figure 8 below

Figure 8 Essex Fire and Rescue Services Key Movements in the MTFS at February 2020 to the MTFS at September 2021

MTFS Movements since February 20 Publication					
	2020/21 *	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
General Fund (shortfall)/ Surplus in February 2020 M TFS	(1.7)	(2.8)	(3.6)	(4.3)	(12.4)
Favourable / (Adverse) movement in General Fund Balance	2.5	2.6	2.4	3.0	10.5
General Fund (shortfall)/ Surplus Per September 21 MTFS	0.8	(0.2)	(1.2)	(1.3)	(1.9)

\* 2020/21 September MTFS Based on Unaudited Accounts

Key Movements in MTFS					
	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
No Reduction in Local Government Finance Settlement	0.0	1.2	2.4	3.5	7.1
In Year Non Pay Underspends	0.9	0.3	0.0	0.0	1.2
In Year Capital Finance Charge Underspends	0.8	0.7	0.0	0.0	1.5
NNDR Collection Account	0.3	0.0	0.0	0.0	0.3
2020/21 Permanent Cost Savings (Capital Finance Charge & Non Pay)	0.5	0.8	0.8	0.8	2.9
2021/22 Cost Savings Identified	0.0	0.0	1.0	1.0	2.0
2021/22 Pay Award Variance*	0.0	0.3	0.3	0.3	0.9
2021/22 Impact of 0% Precept	0.0	(0.9)	(0.9)	(0.9)	(2.7)
2021/22 Impact of 0% Council Tax Base Growth	0.0	(0.7)	(0.7)	(0.7)	(2.1)
2021/22 One Off Grant - Local Council Tax Support	0.0	0.7	0.0	0.0	0.7
Additional Roles	0.0	0.0	(0.5)	(0.5)	(1.0)
Other	0.0	0.2	0.0	(0.5)	(0.3)
Total	2.5	2.6	2.4	3.0	10.5

\*No Pay was budgeted in 2021/22 inline with the Government Announcement (Pay Award was included in the Feb 20 MTFS)

5.4. The September 2021 MTFS, includes the following budget assumptions

- There is an unbudgeted pay award during 2021/22
- The pay award will be at 2% from 2022/23 onwards
- There is £0.6m included for Group Trainers and On Call Liaison Officers in 2022/23 recurrently
- There are £1m of savings included each year

5.5. The following Funding assumptions have been included in the September 2021 MTFS

- The increase in Employers National Insurance contributions will be fully funded

## **2022/23 Budget Scene setting**

- b) A Tax base growth of 1.1% has been included
- c) An annual Council Tax increase of 1.99% has been included

### **6. Next steps**

- 6.1. Further iterations of the MTFS for both Essex Police and Essex Fire and Rescue Services will continue to be developed as savings plans are agreed and further information on the assumptions within the MTFS become clearer. The PFCC will also continue to work with the Panel Budget Setting Working Group, which has proven to be extremely beneficial.
- 6.2. An update on the MTFS for Essex Police and Essex Fire and Rescue Services will be shared with the Panel in December.