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| <b>Report title: 2022/23 Proposed Police Precept</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> 3 February 2022  | <b>For:</b> Approval |
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| <b>County Divisions affected:</b> All Essex   |                      |

## 1. Purpose of Report

- 1.1 To present the PFCC's proposed police precept for 2022/23.
- 1.2 The PFCC made a strategic commitment to prevention in the Police and Crime Plan, 2021 to 2024. (see <https://www.essex.pfcc.police.uk/what-we-are-doing/police-and-crime-plan/>). This is a shift in our main effort from rapid response into a model of targeted prevention and early intervention, which is the approach that will help us get crime down across Essex. The overall level of resources in the proposed budget will enable us to deliver against the ambitions set out in the Police and Crime Plan 2021 to 2024, the Government's Beating Crime Plan, meeting our legal responsibilities, and our national obligations to the Strategic Policing Requirement and will make a significant difference to our ability to positively affect the communities we serve.
- 1.3 The PFCC completed a public survey on the precept, which ran from 3 November 2021 to 21 December 2021. The headlines from the survey were:
  - 2,052 people responded to the survey
  - 50% of people were prepared to pay more to invest in policing
  - 79% of people who gave a view said they were prepared to pay up to an additional £10 per annum or more to invest in policing.

## 2. Recommendations

- 2.1 The PFCC proposes a precept increase of 4.79%, equivalent to an increase of £9.99 a year, from £208.53 to £218.52 for a Band D property, raising an additional £6.55 million of council tax receipts.
- 2.2 The Police, Fire and Crime Panel is invited to review and report back to the PFCC on this proposed precept.

### **3. PFCC's Precept Proposal**

- 3.1 Since being elected in 2016 the Commissioner has led a local and national drive to increase funding in Policing which has been strongly supported by the Panel. Having secured support from central Government and through both increased precept freedom and more central funding the Commissioner will have been able to fund the recruitment of over 900 additional officers, which is a 32% increase.
- 3.2 These additional officers will make the force the largest and strongest it has ever been. Importantly this extra strength should also enable the force to make significant progress in preventing crime, tackling drug driven violence, protecting the vulnerable and supporting victims of crime.
- 3.3 On 16 December 2021, the Government issued the Police Provisional funding settlement for 2022/23, which:
- Allows £10 precept flexibility without triggering a referendum
  - Provides £536 million for recruitment of 8,000 additional officers nationally, by March 2023
  - Which results in 180 additional officers for Essex of which ten are for the Regional Organised Crime Unit (ROCU).
- 3.4 Prior to the publication of the settlement, two working group meetings were held with members of this Panel to discuss the development of the budget and the assumptions and expectations ahead of the announcement. A further working group meeting was then held once the impact of the settlement had been reflected in the proposed budget. The PFCC would like to once again, record his sincere thanks to those members involved and for their invaluable contribution to the 2022/23 budget setting process.
- 3.5 It is clear that as a country we are under intense financial pressure, and every penny we spend needs to be justified. In preparing this proposal we have been through the budgets for the service and scrutinised the proposals thoroughly. We have also continued to improve the efficiency, with the Essex Police budget including £3.757 million of additional recurring efficiency savings that will be reinvested in the frontline, as well as £0.905 million of additional one-off savings in 2022/23.
- 3.6 Policing has had a very challenging two years with the complexity and impact on crime from the Government's Covid restrictions, followed by planning for what this has meant to crime and policing as the restrictions ease. As the country emerges from the COVID-19 pandemic restrictions, it is more vital than ever that we invest in our emergency services.
- 3.7 The funding position for the PFCC is set out in the table below, which reflects the funding laid out in the provisional settlement and council tax position from the billing authorities.

**Table 1: Funding sources for 2022/23 compared to 2021/22**

| Funding Source                         | 2021/22 Total  | 2022/23 Total  | 2022/23 Increase |           |
|--|----------------|----------------|------------------|-----------|
|  | £000           | £000           | £000             | %         |
| Home Office Core Police Grant          | 182,565        | 193,524        | 10,959           | 6%        |
| Legacy Council Tax Grants              | 13,125         | 13,125         | -                | -         |
| <b>Police Core Settlement Grants</b>   | <b>195,690</b> | <b>206,649</b> | <b>10,959</b>    | <b>6%</b> |
| Council Tax Precept                    | 134,406        | 143,276        | 8,870            | 7%        |
| Collection Fund Surplus                | 214            | 2,275          | 2,061            | 963%      |
| <b>Total General Funding</b>           | <b>330,310</b> | <b>352,200</b> | <b>21,890</b>    | <b>7%</b> |
| Police Uplift Claimable Specific Grant | 2,200          | 3,000          | 800              | 36%       |
| Pensions Specific Grant                | 2,892          | 2,892          | -                | -         |
| <b>Total</b>                           | <b>335,402</b> | <b>358,092</b> | <b>22,690</b>    | <b>7%</b> |

3.8 The Council tax precept income is driven by two elements:

- i) An increase in the precept of £9.99 from £208.53 in 2021/22 to £218.52 in 2022/23, an increase of 4.79%. This increases council tax receipts by £6.55 million.
- ii) A change in the tax base from 644,541 to 655,667 Band D equivalent properties. This increases council tax receipts by £2.32 million.

3.9 The Home Office Core Grant has increased to include the Essex share of the 8,000 officer growth in 2022/23 (180 officers) and the increase in employer's National Insurance Contributions.

#### **4. Using additional funds to meet priorities of the Police and Crime Plan 2021 to 2024**

4.1 2022/23 budget sets out the resources required to meet the strategic priorities set out in the Police and Crime Plan 2021 to 2024, for keeping Essex safe. The 2022/23 budget has been developed working alongside the Chief Constable and his Chief Officer Management Team as well as the Police, Fire and Crime Panel budget setting working group.

4.2 The 2022/23 budget requirement is £352.2 million, and analysis of the budget is contained within the following appendices:

- Appendix A: Letter from the Chief Constable requesting a precept increase of 4.79%, including 2022/23 budget summary and the Police Officer Growth Plan for 2022/23
- Appendix B: Letter from the PFCC to the Chief Constable in response to his letter at Appendix A
- Appendix C: 2022/23: Budget tables

4.3 The 2022/23 budget of £352.2 million proposes an increase in spend of £21.89 million. This increase in spend is due to £11.112 million of inflation and cost pressures and £13.674 million of new investment and service demands, which have been partially offset by proposed savings and use of one-off funding resources.

**Table 2: Summary of Budget movement from 2021/22**

| <b>Budget Proposal Summary</b>                      | <b>£000</b>    |
|---|----------------|
| Opening Budget                                      | 330,310        |
| Recurring activity prior to 1 April 2021            | 24             |
| <b>2022/23 Base Budget</b>                          | <b>330,334</b> |
| Inflation and Cost Pressures                        | 11,112         |
| New Investment and Service Demands                  | 13,674         |
| One-off Investment                                  | 6,116          |
| Funding of one-off activity from base budget        | (3,346)        |
| <b>2022/23 Base Budget plus growth</b>              | <b>357,890</b> |
| Savings (one-off)                                   | (905)          |
| Change in Pension Uplift - Claimable Specific Grant | (835)          |
| Funding of one-off activity from reserves           | (193)          |
| <b>Net Budget Requirement before savings</b>        | <b>355,957</b> |
| Savings (Recurring)                                 | (3,757)        |
| <b>2022/23 Net Budget Requirement</b>               | <b>352,200</b> |

4.4 Essex Police proposes growth of £27.556 million in 2022/23, the detail of this can be seen in table 3 below.

**Table 3: Areas of growth for 2022/23**

| Areas of growth  | £000          |
|--|---------------|
| Unavoidable pay pressures, including pay awards, increments and employers National Insurance Contributions)  | 8,785         |
| Contractual and legal pressures  | 1,438         |
| Contractual inflation  | 889           |
| <b>Total inflation and cost pressures</b>  | <b>11,112</b> |
| Increase of 200 police officers (180 from National Police Uplift Programme and 20 from the precept increase) | 7,609         |
| Increase in South East Allowance for police officers   | 2,000         |
| Service Demand Changes   | 1,201         |
| Revenue consequences of Capital Programme  | 571           |
| Investment in Force Control Room staffing capacity   | 875           |
| Safer Streets and Violence and Vulnerability Initiatives   | 1,584         |
| Other New investments and Service Demands  | (166)         |
| <b>Total new investment and service demands</b>  | <b>13,674</b> |
| Revenue consequences of Capital Programme - one-off  | 1,605         |
| Contractual and legal pressures - one-off  | 1,331         |
| Detective remuneration incentive payments -one-off   | 723           |
| Cost of policing Bank Holidays (above that covered in base)  | 701           |
| Force tasking budget to cover anticipated demand   | 647           |
| Investments in Data Analytics – one-off  | 350           |
| Other New investments and Service Demands – one-off  | 760           |
| <b>Total one-off investment</b>  | <b>6,116</b>  |
| Funding of one-off activity from base budget   | (3,346)       |
| <b>Total Growth</b>  | <b>27,556</b> |

4.5 The net budget requirement as shown in table 2, is allocated by subjective heading in the proposed summary revenue budget in table 4 below.

Table 4: Proposed Revenue Budget Summary for 2022/23

| <b>POLICE &amp; CRIME COMMISSIONER FOR ESSEX</b> |                            |  |                            |
|--|----------------------------|--|----------------------------|
| <b>REVENUE BUDGET SUMMARY - 2022/23</b>          |                            |  |                            |
|  | 2021/22<br>Original Budget | 2021/22<br>Forecast Outturn<br>(Month 8) | 2022/23<br>Proposed Budget |
|  | £000                       | £000                                     | £000                       |
| <b>Employees</b>                                 |                            |  |                            |
| Police Officer pay and allowances                | 196,956                    | 202,657                                  | 215,313                    |
| PCSO pay and allowances                          | 3,574                      | 3,380                                    | 3,615                      |
| Police staff pay and allowances                  | 87,709                     | 89,726                                   | 93,899                     |
| Ill-health/medical pensions                      | 4,496                      | 4,087                                    | 4,247                      |
| Training   | 1,882                      | 1,885                                    | 1,852                      |
| Other employee expenses                          | 1,526                      | 565                                      | 547                        |
|  | <b>296,143</b>             | <b>302,300</b>                           | <b>319,473</b>             |
| <b>Other Service Expenditure</b>                 |                            |  |                            |
| Premises   | 9,978                      | 9,714                                    | 9,611                      |
| Transport  | 5,805                      | 5,822                                    | 6,204                      |
| Supplies & services                              | 36,871                     | 34,639                                   | 42,688                     |
| Third party payments                             | 9,347                      | 7,609                                    | 7,874                      |
|  | <b>62,001</b>              | <b>57,784</b>                            | <b>66,378</b>              |
| <b>Gross Expenditure</b>                         | <b>358,144</b>             | <b>360,085</b>                           | <b>385,851</b>             |
| <b>Income</b>                                    | <b>(29,690)</b>            | <b>(35,159)</b>                          | <b>(35,006)</b>            |
| <b>Net Cost of Services</b>                      | <b>328,454</b>             | <b>324,925</b>                           | <b>350,845</b>             |
| <b>Other Expenditure / (Income)</b>              |                            |  |                            |
| Interest (receivable) / payable                  | 77                         | (7)                                      | 52                         |
| Capital & other adjustments                      | 2,181                      | 2,132                                    | 796                        |
|  | <b>2,258</b>               | <b>2,125</b>                             | <b>849</b>                 |
| <b>Net Expenditure</b>                           | <b>330,712</b>             | <b>327,050</b>                           | <b>351,694</b>             |
| <b>Transfer to/(from) Earmarked Reserves</b>     | <b>798</b>                 | <b>(720)</b>                             | <b>712</b>                 |
| <b>Transfer to/(from) the General Reserve</b>    | <b>(1,200)</b>             | <b>3,980</b>                             | <b>(206)</b>               |
| <b>Budget Requirement</b>                        | <b>330,310</b>             | <b>330,310</b>                           | <b>352,200</b>             |
| <b>Sources of Finance</b>                        | <b>(330,310)</b>           | <b>(330,310)</b>                         | <b>(352,200)</b>           |

4.6 Essex Police proposes to recruit an additional 200 police officers in 2022/23. Of these officers, 180 will be funded from the Government's Police Uplift Programme. Ten of the 180 are designated for the Regional Organised Crime Unit (ROCU) as mandated by the Home Office Grant conditions. A further 20 officers will be recruited and funded from the precept uplift and will further support Crime prevention and visibility in our communities. The detail of where these 200 additional officers will be posted is shown in table 5 below.

**Table 5: Investment in additional police officers**

| Investment in additional police officers   | Officer FTEs |
|--|--------------|
| <b>Tackling violence in all forms, including Violence Against Women and Girls (VAWG), Domestic Abuse (DA) and drug driven violence</b> |              |
| Local Policing High Harm Investigation Teams   | 48           |
| Quest Team   | 10           |
| Child Abuse Investigation  | 10           |
| <b>Sub total</b>   | <b>68</b>    |
| <b>Crime prevention and visibility in our communities</b>  |              |
| Town Centre Team   | 51           |
| Force Control Room Sergeants   | 15           |
| Chelmsford Custody Manager   | 1            |
| Community Police Team  | 10           |
| Violence and Vulnerability DCI   | 1            |
| <b>Sub total</b>   | <b>78</b>    |
| <b>Investigating crime and building an even more professional force</b>  |              |
| Local Policing Team Sergeants  | 20           |
| DCI North LPA  | 1            |
| Operational Skills Trainers  | 3            |
| Driver Trainers  | 2            |
| Investigative Skills Trainers  | 3            |
| Diversity Equality and Inclusion Team  | 3            |
| Complaints Inspectors  | 3            |
| Counter Corruption Prevention Team   | 5            |
| Professional Standards Department Officer Manager  | 1            |
| Performance Assessment Sgt   | 1            |
| Domestic Abuse Superintendent  | 1            |
| Domestic Abuse Strategy and Support Sgt  | 1            |
| <b>Sub total</b>   | <b>44</b>    |
| <b>Total additional police officers before ROCU</b>  | <b>190</b>   |
| ROCU   | 10           |
| <b>Total additional police officers including ROCU</b>   | <b>200</b>   |

4.7 The Chief Constable has detailed how these investments align to our Police and Crime Plan as follows:

4.8 **Tackling violence in all forms, including violence against women and girls (VAWG)** The primary drivers of violence across the county are domestic abuse, the night-time economy and drug-driven violence. Violence against women and girls is a national priority and we will deliver against the NPCC framework recently launched. A key area for consideration is building the capacity and capability of Local Policing Teams, the first responders to all types of violence. This aligns with the building blocks of prevention, communications and engagement and partnership in the 2021-2024 Police and Crime Plan, and the following priorities:

- Reducing drug driven violence;
- Protecting vulnerable people and breaking the cycle of domestic abuse;
- Reducing violence against women and girls; and
- Increasing collaboration.

4.9 **Crime prevention and visibility in our communities Building on previous** investments in Community Policing and Town Centre teams, providing highly

visible preventative policing in key locations. This aligns with the building blocks of prevention, communications and engagement, volunteering and partnership in the 2021-2024 Police and Crime Plan, and the following priorities:

- Further investment in crime prevention;
- Protecting vulnerable people and breaking the cycle of domestic abuse;
- Protecting rural and isolated areas;
- Preventing business crime, fraud and cyber crime;
- Improving safety on our roads;
- Encouraging volunteers and community support; and
- Increasing collaboration.

#### **4.10 Investigating crime and building an even more professional police force**

Investing in supervision levels across Local Policing Teams and the Force Control Room to support the sustained development of investigative skills and outcomes. Developing a proactive capability to ensure the highest standards of professionalism and training, which will not only supplement the development of new officers which is changing due to the implementation of the PEQF (Police Educational Qualification Framework), but to develop the crime and investigative training for more experienced officers. This aligns with the building blocks of communications and engagement and partnership in the 2021-2024 Police and Crime Plan, and the following priorities:

- Protecting vulnerable people and breaking the cycle of domestic abuse;
- Reducing violence against women and girls;
- Preventing business crime, fraud and cyber crime;
- Improving safety on our roads;
- Supporting our officers and staff; and
- Increasing collaboration.

4.11 By the end of 2022/23, Essex Police plans to have an officer establishment of 3,755 officers. This will mean that Essex Police will have grown by more than 900 police officers since May 2016.

4.12 This continues to be a highly ambitious recruitment programme, and the work undertaken in recent years to increase the recruitment in the county places Essex Police in a strong position to deliver the Government's Police Uplift Programme. A police officer growth plan for 2022/23 has been included within the Chief Constable's letter to the PFCC, however it should be noted that these dates and timings are subject to change based on operational requirements.

## **5. Efficiencies and Savings**

5.1 Essex Police has achieved significant savings in recent financial years and continues to do so. The 2022/23 budget includes cashable savings of £3.757 million with a full year effect. The 2022/23 in year savings are £4.662 million, which includes a one-off cashable saving for a police staff vacancy factor.



- 5.2 The proposed budget includes the following identified efficiencies and savings to be delivered in 2022/23, as shown in table 6 below:

**Table 6: Efficiency and Savings Plan for 2022/23**

| Efficiency and Savings Plan                      | In year Savings | Recurring Savings |
|--|-----------------|-------------------|
|  | £000            | £000              |
| Estate Disposals Revenue                         | (198)           | (198)             |
| Force wide Non-Pay                               | (2,403)         | (1,916)           |
| Vacancy Factor - One Off                         | (500)           | -                 |
| Coroner Service Funding Agreement                | (36)            | (36)              |
| Media - Technology Solutions                     | (20)            | (20)              |
| Strategic Change Directorate - Structural Review | (70)            | (70)              |
| Stansted Structural Review                       | (52)            | (52)              |
| Crime and Public Protection Training Review      | (75)            | (75)              |
| Anti-Social Behaviour Structural Review          | (34)            | (67)              |
| <b>Essex only total</b>                          | <b>(3,388)</b>  | <b>(2,434)</b>    |
| IT Non-Pay                                       | (619)           | (619)             |
| Digital Asset Management System                  | (163)           | (113)             |
| Force wide Contracts Savings                     | (452)           | (551)             |
| Business Services - Service Review               | (21)            | (21)              |
| SCD - Digital Media Review                       | (19)            | (19)              |
| <b>Collaborative total</b>                       | <b>(1,274)</b>  | <b>(1,323)</b>    |
| <b>Total savings</b>                             | <b>(4,662)</b>  | <b>(3,757)</b>    |

- 5.3 Delivery of the efficiency and savings plan will be monitored regularly throughout the year by the PFCC through the relevant Boards.

## 6. Reserves

- 6.1 The forecast general reserve at 31 March 2022 is £13.098 million, or 4.0% of net revenue expenditure, earmarked reserves are £12.92 million, and total revenue reserves are £26.018 million.
- 6.2 The CIPFA recommended level of general reserves is 3% of net revenue expenditure. The proposed budget includes an appropriation from the general reserve of £206,000 in 2022/23, as part of the one-off funding line, which will bring the general reserve balance to £12.892 million, or 3.7% of net revenue expenditure.
- 6.3 A summary of the revenue reserves held is detailed below in table 7.

| Reserves and Provisions  | 2021/22                              | 2022/23                              |
|--|--------------------------------------|--------------------------------------|
|  | Year End Balance<br>31 March<br>2022 | Year End Balance<br>31 March<br>2023 |
|  | £000                                 | £000                                 |
| <b>Reserves held by Essex Police managed as third party reserves</b> |                                      |                                      |
| Op Dagenham Maintenance Reserve                                      | 110                                  | 110                                  |
| <b>Total</b>   | <b>110</b>                           | <b>110</b>                           |
| <b>Project Reserves</b>  |                                      |                                      |
| IT Convergence   | 0                                    | 0                                    |
| <b>Total</b>   | <b>0</b>                             | <b>0</b>                             |
| <b>Earmarked Reserves</b>  |                                      |                                      |
| Proceeds of Crime Act  | 1,849                                | 2,559                                |
| Forfeiture Monies Reserve  | 334                                  | 359                                  |
| Restructuring Reserve  | 1,078                                | 1,078                                |
| Operational Transformational Reserve (OTR)                           | 302                                  | 120                                  |
| Transformation Reserve   | 767                                  | 560                                  |
| Data Analytics Reserve   | 28                                   | 0                                    |
| Legal Reserve  | 827                                  | 494                                  |
| PEQF Reserve   | 326                                  | 280                                  |
| <b>Total</b>   | <b>5,511</b>                         | <b>5,450</b>                         |
| <b>Operational Reserves</b>  |                                      |                                      |
| Major Operational Reserve  | 1,500                                | 1,500                                |
| COVID Roadmap Violence Reduction Reserve                             | 229                                  | 0                                    |
| Chief Constables Operational C/Fwd                                   | 395                                  | 395                                  |
| Specials Constabulary Reserve  | 145                                  | 0                                    |
| Future Capital Funding   | 4,379                                | 100                                  |
| <b>Total</b>   | <b>6,648</b>                         | <b>1,995</b>                         |
| <b>Commissioning Reserves</b>  |                                      |                                      |
| Commissioning Grants 2020/21 to 2021/22                              | 651                                  | 651                                  |
| <b>Total</b>   | <b>651</b>                           | <b>651</b>                           |
| <b>General Reserve</b>   |                                      |                                      |
| General Reserve  | 13,098                               | 12,892                               |
| General Reserve as % of net revenue expenditure                      | 4.0%                                 | 3.7%                                 |
| <b>Total Revenue Reserves</b>  | <b>26,018</b>                        | <b>21,098</b>                        |
| <b>Provisions</b>  |                                      |                                      |
| Severance Provision  | 0                                    | 0                                    |
| Insurance Provision  | 3,032                                | 3,032                                |
| <b>Total Provisions</b>  | <b>3,032</b>                         | <b>3,032</b>                         |

## 7. Capital Investment Programme

- 7.1 The Capital Programme for 2022/23 is a planned capital expenditure of £17.889 million. A summary of the forecast expenditure and funding sources over the next five years is shown in table 8 below.
- 7.2 Capital projects which have been approved are forecast to spend £9.309 million in 2022/23, with Estates being £5.308 million, IT £1.998 million and transport £1,324 million.
- 7.3 The capital projects which are subject to approval are £8.095 million in 2022/23. Of which IT Services is £2.941 million, Estates is £2.55 million, and Transport is £2.24 million.
- 7.4 The forecast capital expenditure over the five years from 2022/23 to 2026/27 is £118.268 million.
- 7.5 In 2022/23, capital receipts of £4.42 million are forecast to be applied to the financing of the capital expenditure.

**Table 8: Capital Programme**

|                            | 2021/22         | 2022/23         | 2023/24         | 2024/25         | 2025/26         | 2026/27        | Total            |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|------------------|
|                            | £000            | £000            | £000            | £000            | £000            | £000           | £000             |
| <b>Capital Expenditure</b> |                 |                 |                 |                 |                 |                |                  |
| ANPR                       | 145             | 233             | 145             | 145             | -               | -              | 668              |
| Estates Business as Usual  | 1,888           | 2,365           | 1,000           | 1,000           | 1,000           | 1,000          | 8,253            |
| Estates Strategy           | 7,182           | 5,493           | 15,114          | 21,500          | 19,000          | 900            | 69,188           |
| I.T. Services              | 2,565           | 5,051           | 5,958           | 11,509          | 8,973           | 2,816          | 36,871           |
| OPC                        | 229             | 501             | 51              | -               | 92              | -              | 872              |
| Other                      | 365             | 590             | 237             | 270             | 250             | 250            | 1,962            |
| SCD                        | 157             | 93              | 30              | -               | -               | -              | 280              |
| Transport                  | 1,513           | 3,564           | 2,200           | 2,200           | 2,240           | 2,500          | 14,216           |
| <b>Total Expenditure *</b> | <b>14,043</b>   | <b>17,889</b>   | <b>24,735</b>   | <b>36,624</b>   | <b>31,555</b>   | <b>7,466</b>   | <b>132,311</b>   |
| <b>Financing</b>           |                 |                 |                 |                 |                 |                |                  |
| Capital receipts           | (5,416)         | (4,420)         | (4,600)         | (2,250)         | (16,559)        | (4,566)        | (37,811)         |
| Grants & contributions     | (307)           | (32)            | -               | -               | -               | -              | (339)            |
| Revenue funding            | -               | (5,579)         | (1,131)         | (1,131)         | (1,000)         | (1,000)        | (9,842)          |
| Financing Requirement      | (8,320)         | (7,858)         | (19,004)        | (33,242)        | (13,996)        | (1,900)        | (84,319)         |
| <b>Total Financing</b>     | <b>(14,043)</b> | <b>(17,889)</b> | <b>(24,735)</b> | <b>(36,624)</b> | <b>(31,555)</b> | <b>(7,466)</b> | <b>(132,311)</b> |
| <b>*of which approved</b>  | <b>14,024</b>   | <b>9,309</b>    | <b>125</b>      | <b>68</b>       | <b>92</b>       | <b>-</b>       | <b>23,617</b>    |

- 7.6 The capital programme will require financing in order to fund the proposed expenditure in 2022/23. Both the interest costs and Minimum Revenue Provision (MRP) associated with this financing have been reflected in the revenue budget.

## 8. Medium Term Financial Strategy (MTFS)

- 8.1 The MTFS, as shown at table 9, is based on a precept increase of 4.79% for 2022/23 and a 2.5% inflationary increase in the precept, thereafter, resulting in the following forecast over the next five years:

Table 9: Latest Medium Term Financial Strategy

| Actual/Forecast |         |         | Medium Term Financial Strategy 2022/23 - 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   | 338.3   | Net Budget Requirement - before appropriations to/from reserves                     | 356.1   | 369.5   | 375.1   | 384.0   | 390.1        | 1,874.8   |
| 2.0             | 6.7     | 4.4     | Net Appropriations to/(from) Reserves   | (0.2)   | (0.6)   | 0.0     | 0.0     | 0.0          | (0.8)     |
| 302.3           | 319.5   | 333.9   | Budget Requirement (Inc Appropriations to Reserves) - before Savings & Efficiencies | 355.9   | 368.9   | 375.1   | 384.0   | 390.1        | 1,874.0   |
| (4.7)           | (4.8)   | (3.6)   | Savings & Efficiencies Plan (Cashable)  | (3.7)   | (3.0)   | (3.0)   | (3.0)   | (3.0)        | (15.7)    |
| 297.6           | 314.7   | 330.3   | Net Budget Requirement - after savings applied                                      | 352.2   | 365.9   | 372.1   | 381.0   | 387.1        | 1,858.3   |
| (297.6)         | (314.7) | (330.3) | Total Funding   | (352.2) | (363.1) | (373.0) | (379.7) | (386.6)      | (1,854.6) |
| 0.0             | 0.0     | 0.0     | Annual (Shortfall)/Surplus  | 0.0     | (2.8)   | 0.9     | (1.3)   | (0.5)        | (3.7)     |

- 8.2 There is a need to continue to deliver further efficiencies and savings over the medium term.

## 9. Robustness of estimates

- 9.1 Section 25 of the Local Government Act 2003 requires that the Section 151 Officer reports to the PFCC when considering his budget and council tax precept. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so that the PFCC will have authoritative advice available to him when he makes his decision. Section 25 also requires the PFCC to have regard to the report in making his decisions.

- 9.2 The decision on the level of the council tax precept is taken before the year begins and cannot be changed during the year, so allowance for risks and uncertainties that might increase spending above that planned must be made by:

- i) Making prudent allowances in the estimates for each area of spend

- ii) Ensuring that there are adequate reserves to draw on if the estimates turn out to be insufficient

9.3 The following matters are taken into account when assessing the adequacy of reserves:

- Assumptions about inflation / deflation
- Estimates of the level and timing of capital receipts
- Treatment of demand led pressures and savings
- Financial risks inherent in any significant new development
- Financial standing (level of borrowing and debt)
- Track record on budget management
- Capacity to manage in-year budget pressures
- Year-end procedures in relation to over and underspends
- Strength of financial information and reporting arrangements
- Adequacy of insurance arrangements

9.4 The forecast level of general reserve at 31 March 2023 of £12.892 will represent 3.7% of net revenue expenditure. In addition, there are forecast revenue earmarked reserves of £8.206 million at 31 March 2023. The level of reserves are kept under careful scrutiny, to ensure that resources are used to reduce crime now, whilst still maintaining the necessary level of reserves. The PFCC, Chief Constable, senior officers and staff recognise this and strict financial control is therefore maintained.

## 10. Risks

10.1 Over recent years the PFCC has been able to maximise the capital resources available through disposal of property surplus to requirements and enable sound capital investment to be undertaken without 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 further developing 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 Government. The PFCC was expecting to borrow externally in 2021/22, which will not now be necessary. The forecast shows that external borrowing is now likely to be required in 2022/23. Prudent measures will continue to be taken to ensure that value for money is achieved for the taxpayer.

10.2 The 2022/23 budget proposal is ambitious and has been rigorously developed by the PFCC and Chief Constable. The five-year MTFs has a built-in pay inflation for officers and staff at 2.5% in each year. The Government has still to make a decision in respect of the pay award, and with inflation running at a higher level, we do not know what that will be. Therefore, if the pay award does exceed 2.5%, part of the General Reserve will be used to cover the in-year excess cost.

- 10.3 Employers Pension contributions are expected to increase significantly from 2024/25, due to the implications of the legislation on Public Sector Pensions, that is currently being developed, following the cases of McCloud and Sergeant. PCCs are working with Treasury and the Home Office to ensure we have a good understanding of the impact. This will not be a cost pressure in the 2022/23 proposed budget, but will need to be considered in future versions of the MTF5 once more information is available.
- 10.4 The Funding Formula for Policing is due to be reviewed. The outcome of this is as yet unknown, although the expectation is that Essex would benefit from an updated, improved Funding Formula. Once the review is complete there will be a Government decision regarding the pace at which allocations are adjusted. The PFCC will stay involved in these discussions and ensure that Essex is in the best position possible to understand and manage the effect of the Funding Formula review
- 10.5 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.