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| <b>MEETINGS:</b><br>Police & Crime Panel  | <b>DATE:</b><br>1 <sup>st</sup> February 2022 | <b>AGENDA NO:</b> |
| <b>DEPARTMENT:</b><br>PCC's Office - Finance                                      | <b>AUTHORS:</b><br>Paul Butler – PCC CFO      |                   |
| <b>NAME OF PAPER:</b><br>2022/23 Proposed Budget Requirement and Precept Proposal |   |                   |

## 1. SUMMARY

This report considers the future five year financial position for the Police and Crime Commissioner (PCC) and Chief Constable for Avon and Somerset and presents the PCC's council tax precept recommendation for 2022/23 for consideration by the Police and Crime Panel.

The PCC's proposal is for a precept of £144.839m, which equates to a **council tax Band D of £251.20**. This is an increase of £10 (4.1%) in the Band D equivalent for the police element of the council tax for 2022/23 financial year. The council tax precept will be apportioned to each collecting authority according to the following table:-

|                                 | <b>Tax Base<br/>(No.)</b> | <b>Precept<br/>£'000</b> | <b>%</b>      |
|---------------------------------|---------------------------|--------------------------|---------------|
| Bath and North East Somerset    | 67,854                    | 17,045                   | 11.7%         |
| City of Bristol                 | 127,917                   | 32,133                   | 22.2%         |
| North Somerset                  | 79,927                    | 20,078                   | 13.9%         |
| South Gloucestershire           | 100,143                   | 25,156                   | 17.4%         |
| Mendip                          | 41,544                    | 10,436                   | 7.2%          |
| Sedgemoor                       | 41,910                    | 10,528                   | 7.3%          |
| South Somerset                  | 60,644                    | 15,234                   | 10.5%         |
| Somerset West and Taunton Deane | 56,649                    | 14,230                   | 9.8%          |
| <b>TOTAL</b>                    | <b>576,588</b>            | <b>144,839</b>           | <b>100.0%</b> |

The council tax precept shown in the above table generates the following amounts of council tax for the various bands:-

| <b>Council Tax Band</b> | <b>£p</b> | <b>% of Properties</b> |
|-------------------------|-----------|------------------------|
| A                       | £167.47   | 17.1%                  |
| B                       | £195.38   | 28.7%                  |
| C                       | £223.29   | 22.0%                  |
| D                       | £251.20   | 14.5%                  |
| E                       | £307.02   | 9.7%                   |
| F                       | £362.84   | 5.1%                   |
| G                       | £418.67   | 2.7%                   |
| H                       | £502.40   | 0.2%                   |

Items for the Police and Crime Panel to note:-

- The delivery of the uplift in police officers will continue throughout 2022/23, with the Constabulary on course to achieve the target head count of 3,291 officers<sup>1</sup> by March 2023, a net increase of 552 (20%) police officers when compared with the actual officer headcount at April 2019;
- Police officer and police staff pay was frozen in 2021/22, and we are now forecasting an increase of +3.5% from September 2022, the cost of which is £5.2m in 2022/23 (£8.9m for a full year effect);
- The social care levy, which the government announced in the autumn, has been quantified as adding £1.9m p.a. to costs with effect from April 2022;
- The plan includes £3.0m in identified efficiencies and savings, reducing Constabulary costs predominantly in non-pay budgets including efficiencies in premises, and fleet costs as well as some increases in income generation and recovery;

The increase in funding generated by the precept proposal, alongside the savings identified, enables the delivery of the increase in officer numbers. Through this investment the Chief Constable and her team are **building a force fit for the future**, capable of successfully delivering both the Government's national '[Beating Crime Plan](#)' and the Avon and Somerset '[Police and Crime Plan](#)'.

The Chief Constable has identified key areas for development within the Constabulary to be progressed in 2022/23, and these include:-

- Instilling a relentless **focus on the perpetrators of crime**, including investment into investigations as part of our Operation Bluestone and Operation Ruby plans, investment into our Internet Child Abuse Team (ICAT), investment into our proactive and tactical support capabilities, and collaborative investment into the SW Regional Organised Crime Unit (SWROCU). Through these investments the Constabulary will bring a focus on:-
  - Tackling high harm crime through increases in county line and organised crime group disruptions;
  - Targeting burglary and knife crime offenders;
  - Delivering high quality, timely and successful investigations for Rape and Serious Sexual Offences (RASSO), cyber-crime and financial crime.
- Increasing the **focus on crime prevention**, including investments into Integrated Offender Management, violence reduction and early intervention, rural affairs, as well as growing and refocussing our proactive remedy capabilities through our local policing teams. Through these investments the Constabulary will bring a focus on:-
  - Establishing and utilising effective diversions and interventions for emerging offenders;
  - Improving the monitoring, management and rehabilitation of high-harm offenders, in conjunction with partners;
  - Preventing and reducing neighbourhood crime, ASB and rural crime –

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<sup>1</sup> In budgetary terms this equates to a Full Time Equivalent (FTE) of 3,206 – a budgetary increase of 136 officers in our 2022/23 budget. It is presented here in headcount as this is the way the Government and the national uplift programme present officer numbers.

protecting our most isolated and vulnerable communities, making them feel safer;

- Grasping the organisational opportunities brought about by the growth in officer numbers and through the post pandemic resetting work, ensuring that the Constabulary remains **efficient and effective**, that it is **well led** with a **culture** that commands the trust and confidence of all of the communities it serves and is able to secure the growth in **specialist capabilities** that will deliver a force fit for the future.

## 2. BACKGROUND

This is the first budget set by this PCC since his election in May 2021. It has been developed in collaboration between the Office of the PCC and the Constabulary, and is underpinned by the principles that it is progressive, modernising and financially sustainable.

### National Context

On 27<sup>th</sup> October 2021 the Chancellor of the Exchequer announced the [3 year Spending Review and budget](#). These announcements included the high level settlement for the Home Office, and introduced the provision of flexibility to PCCs to increase the average band D council tax by up to £10 p.a. for the next three years.

The [provisional police settlement](#) was published on 16<sup>th</sup> December 2021. This confirmed the total potential funding available to police in 2022/23, inclusive of the full precept being taken, would provide for the delivery of the extra officers targeted through the uplift programme. In announcing this settlement the Home Secretary reinforced her continued determination to strengthen the police service and deliver on the Government's Beating Crime Plan.

The overall funding package provides additional funding to increase investment in the police system by up to £796m in 2022/23. This level of investment assumes that all PCCs will maximise council tax flexibility. The provisional settlement headlines include the following:-

- An £550m (6.1%) increase in core grant funding to PCCs in 2022/23, expected to rise to £800m (8.8%) by 2024/25 being the last year of this 3 year spending review;
- Included within the above headline grant funding, the Government intends to ring-fence £135m which is to be paid in arrears throughout 2022/23 in line with progress against officer recruitment targets;
- Up to £246m (5.3%) increase in council tax funding, if all PCCs were to maximise their precept flexibility of an increase of £10 p.a. for an average Band D equivalent property;
- The settlement is expected to fund the full delivery of uplift in officer numbers (8,000 more during 2022/23), sustaining these increases throughout the duration of the Spending Review;
- The settlement is expected to fund a reasonable pay award for officers and staff, following a year in which pay was frozen for all but the lowest earners;
- The settlement removes capital grant funding to PCCs (£12.3m in 2021/22), thereby requiring capital expenditure to be wholly funded through other sources (e.g. reserves, receipts, revenue contributions and borrowing);
- The police service is expected to continue to transform itself to realise efficiencies,

including cashable savings of £100m p.a. delivered from force budgets by 2024/25. The grant funding outlined for 2024/25 is based on assumption these savings will have been delivered.

### Local Context

The budget is being set in a context of growth for policing. In Avon and Somerset we are due to deliver 456 (2.3%) extra officers as part of our share of the 20,000 national target, by March 2023. To enable this net growth the Constabulary will have recruited nearly 1,300 new officers into the service in just four years. They will have achieved this at the same time as introducing new entry routes for police officers in the form of the Police Constable Degree Apprenticeship (PCDA) and the Degree Holder Entry Programme (DHEP).

This growth in officer numbers drives wider cost increases for the Constabulary as officers are provided with the training, tools and infrastructure that enable them to perform their roles. Alongside this the Constabulary continues to innovate, building on its ground breaking data insight capabilities and investing in new tools and capabilities that help further improve its efficiency and effectiveness.

Alongside this growth are wider cost pressures, driven by a range of factors such as inflation as well as by specific market conditions (e.g. forensic and custody healthcare markets). Key to these factors are what is being assumed in relation to pay awards for officers and staff. In 2020 pay was frozen for officers and staff, which has led to pressure for pay increases in future. This is not only important for the morale of our existing staff, but also if policing is to continue to remain attractive as a career to potential candidates.

This growth in costs to enable delivery of the uplift and support the Chief Constable, is funded through a combination of increases to grant funding and through flexibility in council tax funding.

### **3. COUNCIL TAX CONSIDERATIONS AND PUBLIC CONSULTATION**

The final plan reflects an **increase in council tax of £10/4.1% in 2022/23**. The decision to increase the precept by £10 is reflective of:-

- The need to complete the delivery of the officer uplift programme which will see the Constabulary achieve the target of **3,291 officers by March 2023**;
- The opportunity to support the Chief Constable in **building a force fit for the future** through the progressive investment outlined in her letter;
- The need to sustainably **maintain the increase in police officers** for the medium term, recognising the incremental increase in costs of doing this as pay progression, pay inflation and pensions changes gradually move officer costs upwards;
- The need to provision for a reasonable **pay award to officers and staff** (+£5.2m in 2022/23, +£8.9m full year effect); and
- The **views of the public**, as expressed through a range of ongoing public engagement activity, analysis of which will be provided to the Panel in an additional paper.

In reaching the conclusion to increase the precept by the maximum amount permissible alternative options were considered, with the main alternative scenario being an increase of 2% (+£4.82 for an average band D equivalent property). This scenario was modelled, with the following conclusions:-

- The difference for an average band D household between the two scenarios is £5.18 p.a. or £0.43p per month;
- A 2% precept increase would initially generate £2.3m less in funding in 21/22 compared to the maximum increase, rising to a difference of £2.5m by 26/27 as a consequence of future increases being against a lower starting point
- A 2% precept increase would immediately require the Constabulary to progress options to realise additional savings in 2022/23 of the equivalent of 64 PCSOs or staff;
- A 2% precept increase would make harder the already tough choices we predict will need to be made in coming years to both enable us to sustain a balanced budget and support continued reinvestment in priorities – even at a £10 precept increase we are forecasting a deficit of £13.5m by 2024/25 – the equivalent of 376 PCSOs or staff.

Our MTFP assumes that the full precept will be taken in each of the next three years, and will thereafter revert to an annual increase of 2.0% p.a. This reflects our current planning assumptions, but will be subject to annual review and decision in consultation with the public and with the Police and Crime Panel. The impact on the average band D equivalent over the course of the MTFP period is as follows:

|                    | Actual      | MTFP        |             |             |             |             |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                    | 21/22<br>£p | 22/23<br>£p | 23/24<br>£p | 24/25<br>£p | 25/26<br>£p | 26/27<br>£p |
| Av. Band D Precept | £241.20p    | £251.20p    | £261.20p    | £271.20p    | £276.60p    | £282.10p    |
| Annual increase %  |             | +4.1%       | +4.0%       | +3.8%       | +2.0%       | +2.0%       |
| Annual increase £p |             | +£10.00p    | +£10.00p    | +£10.00p    | +£5.40p     | +£5.50p     |

#### 4. REVENUE PLAN HEADLINES

Our MTFP forecasts the following position:-

|                    | 22/23<br>£'000 | 23/24<br>£'000 | 24/25<br>£'000 | 25/26<br>£'000 | 26/27<br>£'000 |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| Budget requirement | 355,507        | 368,248        | 380,494        | 393,122        | 404,452        |
| Less; funding      | -355,507       | -365,479       | -377,006       | -383,978       | -390,925       |
| <b>Deficit</b>     | -              | <b>2,769</b>   | <b>3,487</b>   | <b>9,144</b>   | <b>13,527</b>  |

The key assumptions for **revenue funding** that underpin this forecast include:-

- Confirmed increases to **core revenue grant funding of +£11.7m in 2022/23** and thereafter smaller annual increases leading to a forecast rise of +£21.7m by 2026/27 – including a ring-fenced grant of £3.1m (21/22 £2.3m) which will be paid in arrears throughout 2022/23 in line with progress against officer recruitment targets;
- **Removal of council tax support grant -£2.4m** in 2022/23, leaving only a small residual of £0.2m to be released from the funds provided in 2021/22 in each of the next two years to offset the losses in council tax income as a result of the Covid-19 pandemic;
- Increases in **council tax funding +£7.4m (+5.4%) in 2022/23** rising to an increase of

+£32.8m by 2026/27, which is achieved through both increases to the precept (see above) and movements in tax base (+1.0% in 2022/23) in line with forecasts being made across our local authorities.

The key assumptions for **revenue expenditure** that underpin this forecast include:-

- Inflationary adjustments to **officer and staff pay** of 3.5% in 2022/23 following annual increases of 2.0% p.a. thereafter – an increase in cost of **+£5.2m** in 2022/23 rising to **+£30.5m** p.a. by 2026/27;
- Increases to our budgets in support of **delivering and sustaining the uplift in officer numbers** in line with our target headcount of 3,291 to be achieved by March 2023 – generating budget growth of **+£7.8m** in 2022/23, increasing to **+£11.5m** by 2026/27;
- Increases to our **pensions costs** to provide for current and anticipated future deficits in our staff and officer pension schemes, as well as inflationary increases for injury pensions – an increase in cost of **+£0.2m** in 2022/23, increasing to **+£6.5m** by 2026/27;
- Increases to our **national insurance costs** to provide for the uplift in employer national insurance rates with effect from April 2022 in support of the Government’s social care levy – an increase in cost of **+£1.9m** in each year of the MTFP;
- Inflationary increases to **non-pay costs** reflective of **specific and acute pressures** including:-
  - Increases to electricity costs estimated at +26.1% or +£0.7m in 2022/23;
  - Increases to gas costs estimated at +24.1% or +£0.2m in 2022/23;
  - Increases to fuel costs estimated at +9.8% or +£0.3m in 2022/23;
  - Provision for increases to custody healthcare costs<sup>2</sup> of +45% or £0.3m in 2022/23 (+£0.6m full year effect from 2023/24);
  - Provision for increases to forensic services costs<sup>2</sup> of +20% or £0.3m in 2022/23;
- Inflationary increases to **non-pay costs** reflective of **general inflationary pressures**. Inflation is currently running ahead of the Government’s target of 2.0% p.a. Recognising the wider challenges of affordability presented here we have applied a general inflationary factor of +1.5% in 2022/23, +1.75% in 2023/24 and +2.0% p.a. thereafter – an increase in cost of +£0.6m in 2022/23 rising to +£3.4m by 2026/27;
- Other **growth and commitments** of +£2.6m in 2022/23 rising to +£3.4m by 2026/27 – largely reflecting our continued investment in IT tools to support frontline officer efficiency and effectiveness (e.g. intelligence gathering and analysis, dynamic resource tracking, automation and digitalisation capabilities);
- Increases in the costs of our **partnerships**, recognising increases into these collaborations reflective of pay and inflation assumptions outlined for Constabulary budgets as well as enabling investment into SWROCU in line with their uplift allocations – an increase of +£1.5m in 2022/23, rising to +£10.1m in 2026/27;
- Realisation of new **revenue savings of -£3.0m** in 2022/23 rising to **-£3.4m** by 2026/27. These reflect savings achieved through non-pay budgets, including savings from premises budgets (rent and business rates), savings in fleet budgets (fleet

<sup>2</sup> Both of these are contracts which are in process of being re-procured and which will see new contracts starting during 2022/23. The cost increases reflect our assessment of the market conditions within which these services will be procured. Both procurements are collaborative with other forces so as to maximise the economies of scale offered by this approach.

reductions and travel reductions), stationery and postage savings and numerous procurement savings arising through collaboration with south west police forces for procurement services. There are savings in relation to partnership costs, reflecting adjustments to regional contributions. There are also some pay savings included here, which are reflective of adjustments to allowances for officers and staff, overtime reductions, and some small headcount reductions arising from restructures within enabling services functions;

- **Adjustments to budgets** are also included and these have the effect of reducing the budget by £3.1m in 2022/23 and £2.6m by 2026/27. These adjustments reflect the removal of budgets for Special Branch which as of April 2022 will be transferred into the management of Counter-Terrorism policing. The adjustments also reflect the lower average cost of police officers over the next few years in recognition of the age and experience profile of our workforce after the period of intensive recruitment to deliver officer uplift. Towards the end of this MTFP period, and into future years this adjustment is expected to reverse as the workforce becomes more experienced, and incrementally more expensive to maintain.

## 5. CAPITAL PLAN

The draft capital programme forecasts the following position:-

|                                | Current        | MTFP           |                |                |                |                |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                | 21/22<br>£'000 | 22/23<br>£'000 | 23/24<br>£'000 | 24/25<br>£'000 | 25/26<br>£'000 | 26/27<br>£'000 |
| Forecast Capital Expenditure   | 11,163         | 15,913         | 24,770         | 24,900         | 15,802         | 6,912          |
| Less; Forecast Capital Funding | -11,163        | -15,913        | -24,770        | -24,900        | -11,516        | -6,912         |
| <b>Deficit</b>                 | -              | -              | -              | -              | <b>4,286</b>   | -              |

In summary we are forecasting:-

- Total capital expenditure of £99.5m over this financial year, and the next 5 years;
- Total capital funding of £95.2m over the same period;
- Resulting in a shortfall of £4.3m in 2025/26 at this point in our planning process.

Some of the key areas of capital investment are:-

- **ICT Asset replacement** – the plan includes £29.9m for the ongoing replacement of IT assets, which include both end user devices (e.g. laptops, mobile phones, body worn video cameras) as well as IT infrastructure (e.g. networks, security and storage);
- **Fleet replacement** – the plan includes £16.4m for the ongoing replacement of our fleet of vehicles, including provision for increases to fleet in certain areas to support officer uplift offset by planned reductions in fleet where this can be achieved;
- **Emergency Services Network (ESN)** – the plan includes £11.5m to implement this national airwave (police radios) replacement programme. The timing and value of this national project remains the subject of continued ambiguity at this point in our planning, but we are working closely with regional colleagues and the national programme to track progress here;

- **Corporate systems** – the plan includes an estimate of £10.4m to replace our Enterprise Resource Planning (ERP) system which provides for HR, financial and procurement capabilities;
- **Somerset estate** – the plan includes £8.2m investment to support the continued evolution of our estate in Somerset, including plans for South Somerset, Minehead and Frome police stations;
- **Bath estate** – the plan includes £7.0m investment to support the provision of a new response base for Bath, being progressed through exploratory discussions with potential partners;
- **Bristol estate** – the plan includes £3.0m investment to support the continued evolution of our estate in Bristol, including plans for Trinity Road (Old Market) and Broadbury Road (Knowle West) police stations;
- **Taser replacement** – the plan includes £2.3m to enable the replacement of our taser capability, upgrading these devices as the opportunity and need arises.

Our plans will remain subject to ongoing review, particularly in relation to national programmes as the outlook for these becomes clearer.

Our capital funding forecasts assume:-

- A removal of our Home Office **capital grant** funding resulting in a reduction of £1.3m in previously forecast capital funding across the MTFP period;
- A continuation of our recurring **contribution from revenue budgets** of £7.0m p.a. having increased this in previous years;
- Use of the **capital reserves** of £18.9m we had set aside at the end of the 2020/21 financial year, exhausting these reserves by 2024/25;
- Use of **Capital receipts**, after being realised through the sale of buildings and other assets. This will exhaust all current planned opportunities to generate receipts from the sale of buildings in our estate;
- **Borrowing** a further £16.5m is planned across the medium term in support of this plan. This borrowing will be used to fund our investment in longer life assets (e.g. buildings). The revenue cost of this borrowing has been built into our revenue forecasts, but the timing of the draw down of this borrowing will remain subject to ongoing review and management.

## 6. RESERVES AND MANAGEMENT OF FINANCIAL RISK

Final decisions on **reserves** will be taken once the 2021/22 outturn position is completed, but within this context the following plans are being developed:-

- **General fund** – the general fund risk assessment has been completed and reviewed at the January Police and Crime Board. After consideration the proposal is to retain the general balance at £12m. The proposed general fund balance represents 3.4% of 21/22 Net Revenue Expenditure;
- **Capital funding** – in recognition of the forecast deficit we will take the opportunity to review and where possible identify opportunities to utilise any available funds to support ongoing capital investment.

As reported in our financial statements at the end of March 2021 the PCC had total usable



reserves of £57.1m.

Our MTFP forecasts a gradual reduction in the level of usable reserves against that held at the end of 2020/214, particularly reflecting the use of this in support of our capital plans. The forecast shows our usable reserves reducing to a recurring level of £23.0m in the final two years of this MTFP.

Our plans recognise a number of **risks** in relation to financial planning. These include:-

- Grant Funding – We have been provided with headline police grant funding for the duration of the SR, with specific allocations to PCCs confirmed for 2022/23 only. There remains a small risk that our assumptions about allocations in future years of the MTFP are not accurate. Factors which could impact this include:-
  - The planned review of the Police funding formula could result in changes to the allocation of funding across all forces in England and Wales. It is not possible to predict the outcome of this review or the arrangements for its implementation within our plans;
  - The SR headlines run until 2024/25. Our MTFP includes two years after this, which will be determined by a new SR likely to be conducted in 2025. At this stage we have assumed inflation increases to grant funding of +1.0% in each of the final two years of the MTFP.
- Pay inflation – pay costs account for c. 80% of our overall budgets, and therefore what happens to pay inflation has a material impact on our future costs. Forecasting pay inflation accurately is challenging as it requires balancing expectations of the current workforce and the need to remain attractive in a competitive jobs market, with what is affordable within the wider context of our financial position. Our current assumption is that pay will increase by +3.5% with effect from September 2022, and will increase by +2.0% p.a. every year of the MTFP thereafter. This is reflective of the emerging thinking nationally, and mirrors the assumptions being made in a number of other forces around the country.
- Capital Plan – is currently forecasting a deficit in year 4 after using all current existing capital reserves and capital receipts, our annual revenue funding for capital and a planned uplift in borrowing (see above). At this stage in our planning we recognise that there will be opportunities to close this gap through both increasing our capital funding where possible and through refinement of our capital spend plans. Therefore while a residual risk remains we believe this to be manageable across the medium term;
- Pension costs – Pressures on employers' contributions continue to increase. Both officer and staff employer contribution rates increased at the last valuation, and in light of the wider economic situation and the consequences of the recent discrimination ruling<sup>3</sup>, we expect pension liabilities to increase in coming years. We have made some provision in our forecasts for increases to pension costs here, but recognise that increases to officer pensions costs in particular will need to be resolved in consultation with the government;
- Inflation – we have provided (see above) for both general and specific inflation but

<sup>3</sup> The Lord Chancellor and Secretary of State for Justice and another v McCloud and Mostyn and others [2018] EWCA Civ 2844; Sargeant v London Fire and Emergency Planning Authority and others [2018] EWCA Civ 2844

there remains a risk of current inflationary pressures continuing for the medium term, which could place unsustainable pressure on our budgets. We will continue to monitor this, and will work to mitigate this as much as possible through collaborative procurement opportunities;

- National Police Programmes (e.g. ESN) – the scope and ambition of National programmes is increasing. This means we are increasingly finding ourselves having to dedicate both funding and resources to realise our local delivery of these national projects. This potentially presents risks to us in terms of the timing and value of costs, as well as organisational capacity to undertake wider transformative activity.

## 7. EQUALITY ANALYSIS

All business cases in support of change, both with revenue and capital implications are subject to an equality impact assessment. This way we can ensure that those decisions on how we allocate our funding across budgets and plans are cognisant of equality issues.

## 8. SUSTAINABILITY

Sustainability is important in regard to ensuring the organisation is living within both its financial limits (financial sustainability) as well as within its environmental limits through ensuring effective and efficient use of natural resources. In fulfilling the objectives in terms of financial sustainability, this report, and our regular quarterly financial reports, ensure we are able to maintain a good overview of our financial sustainability. Wider environmental sustainability considerations are also considered within the budget and capital programme and include the gradual investment into the transition of our fleet to electric vehicles (including beginning to make the investment in providing the necessary charging infrastructure to support this), and investment into initiatives that will continue to reduce our carbon consumption as an organisation.

## 8. CONCLUSIONS AND RECOMMENDATION

Section 25 of the Local Government Act 2003 places a duty on the Chief Finance Officer (CFO) to make a report to the PCC on the robustness of the estimates and the adequacy of the reserves.

### Reserves and Balances

The PCC's CFO completed a risk assessed review of the general fund reserve which was presented to and discussed at the Police and Crime Board on 5<sup>th</sup> January 2022. The result of this is included above, is that general fund reserves are to be maintained at £12m, which is 3.4% of the net budget requirement for 2022/23 – slightly above the 3.0% minimum which is widely regarded as prudent.

Earmarked reserves are forecast to reduce across the medium term, reflecting the forecast utilisation of both capital funding and capital receipts reserves in support of the capital plan outlined. There does remain a residual deficit in year four of the capital plan, however this is considered to be manageable at this stage in our planning. Opportunities to reduce this deficit through both increases to funding or reductions to cost forecasts will continue to be explored.

**Reliability/accuracy of budget estimates**

The estimates have been put together by experienced and qualified finance staff in the Force's Finance Department and reviewed by both the Constabulary CFO and the PCC's CFO.

There remain risks and uncertainties with many of the assumptions included within this plan, and these have been set out in section 6 above.

Some of the risks are more significant than others, however none on their own are so significant that they could not be managed in isolation. However, collectively they represent a gradual and escalating build-up of financial pressure on the Constabulary in particular, and this will therefore need to be closely monitored during the year and through future iterations of the MTFP.

**Achievability and risks**

The PCC needs to be satisfied that the revenue commitments in future years are affordable, sustainable and deliverable. Furthermore, the PCC has a responsibility to local people to ensure that the approved budget and detailed spending plans will deliver the aims, priorities and performance targets as set out in his Police and Crime Plan 2021 - 2025.

The Constabulary has grown rapidly in the last three years, and will need to continue this growth throughout 2022/23 in order to achieve the uplift in officer numbers expected. There are risks within the delivery of such rapid growth, particularly in relation to the ability to accurately forecast officer leavers so as to have confidence that recruitment plans will achieve the target being worked to. The Constabulary has established planning scenarios depending for different leaver forecasts, and has used this to develop an officer recruitment plan which builds in appropriate contingencies. They are therefore confident this will achieve the officer target delivery by March 2023.

While achieving the targeted number of officers in force is an achievement in and of itself, deploying these officers into the target operating model of a force that is fit for the future will take time to fully realise. The Constabulary is doing what it can to accelerate these plans, and the use of the DHEP entry route as a fast track to growing detective numbers is one such example of what they are doing here. Nevertheless there will be a time lag before the target operating model can be fully implemented, and the PCC will therefore work closely with the Chief Constable to monitor the delivery of this overarching plan.

The current forecasts that are generated by these assumptions and proposals indicate the need for further savings beyond 2022/23. In 2023/24 and 2024/25 these savings remain at a level where we would hope to achieve them without impacting on frontline service delivery. However, the savings required in the final two years of the plan are substantially more significant, and it is unlikely that savings of that magnitude could be achieved without having some impact on the servicing of public demand for policing services.

The PCC intends to work closely with the Chief Constable and her team over the coming months to agree the approach to be taken for the balancing of the budget in future years. This will include developing a clear, shared understanding of those budgets over which we can effect change, and establishing a joint scrutiny process by which these budgets can be reviewed and options for savings can be brought forward.

The delivery of the capital programme has suffered from some slippage in recent years, notably as a consequence of the COVID-19 pandemic and the impact this, coupled with other global supply chain issues, have had on the timescales by which we could deliver our

plans. These risks remain, and when coupled with the uncertainty of timing and cost of national IT projects in particular, means that we might continue to see some slippage in the timescales for the delivery of projects. This will be closely monitored over the coming year to ensure that the Constabulary is doing every that it can to maximise the delivery of the capital plan.

### **Conclusions**

The revenue budget is balanced for 2022/23 based on a proposed precept increase of £10. Thereafter there is an escalating deficit after further precept increases over the next two years of £10 and 2% p.a. in each of the final two years.

The MTFP provides for the growth in officer numbers to achieve the uplift target, as well as supporting investment in technology to enable the continued efficiency and productivity of officers and staff.

The MTFP provides for inflationary pressures, including some very acute challenges in the costs of energy, fuel and in some specific areas where market volatility coincides with contract renewal in 2022/23.

The MTFP includes savings of £3.0m from Constabulary budgets in 2022/23. The deficits forecast in future years will require more savings options to be developed and implemented – but the Constabulary has a strong track record of achieving savings having delivered £86m (28.7%) since 2010/11.

The Chief Constable has a plan in place to build a Force that is fit for the future. Achieving this ambition is not expected to be completed during 2022/23, but this budget supports the continued progress towards this plan.

### **Recommendation**

It is recommended that the Police and Crime Panel accept and endorse the council tax precept proposal made by the PCC, increasing the council tax of an average band D equivalent dwelling by £10 (4.1%).