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

This report provides a correction to the headline figures presented in the MTFP papers previously submitted for consideration by the Police and Crime Panel. The need for this supplementary paper arises from a material error within our MTFP model having been identified.

As part of the continuous review of the MTFP, the constabulary finance team have identified that there was an error embedded within the financial model which had the effect of materially over-inflating the movement in our partnership costs in the outlying years of the MTFP. This error has no impact on the proposed 2022/23 budget, but does have the effect of reducing the budget requirement in each of the subsequent years. The effect of this error is to inflate our budget requirement by £6.8m by 2026/27. Correcting for this error alone would therefore have the effect of reducing the forecast deficit by 2026/27 to £6.7m.

Given the identification of this error and the need to correct for this, we have also taken the opportunity to update our financial forecast to increase our assumption for pay awards in 2023 to +2.5%, an increase of 0.5% on what was assumed in our original paper. This update reflects the position agreed as the proposed pay standard to be modelled for policing as agreed at National Police Chiefs Council at their meeting in earlier in January. This was not included in our original forecasts as the timing of the meeting was after we needed to complete the preparation of our financial papers for submission. The impact of this change is to increase our budget requirement by £0.8m as a part-year effect in 2023/24, and by £1.5m p.a. in each subsequent year of the MTFP. The adjustment for this in addition to the correction of the error results in a revised deficit of £8.2m as outlined in the below table:

	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000
Budget requirement	358,707	370,838	381,993	392,914	402,500
Less; Total funding	-355,707	-365,479	-377,006	-383,978	-390,925
(Surplus)/Deficit before savings	3,000	5,359	4,987	8,936	11,575
Less; Savings	-3,000	-3,179	-3,245	-3,312	-3,379
(Surplus)/Deficit after savings	-	2,180	1,742	5,624	8,196

We recognise the submission of a late paper making such a material change to the financial projections is far from ideal, and it is deeply regrettable that this has occurred. We will debrief how this error occurred and was not previously identified, and ensure that any learning from this experience is incorporated into future budgeting and forecasting processes.

The positive impact of correcting for this error is that it substantially reduces the scale of the savings which we forecast will be needed by 2026/27, although it is important to recognise that the scale of savings required is still significant – particularly in the context of our underlying funding in Avon and Somerset, and after a decade of austerity which have required the Constabulary to deliver £86m in savings since 2010/11. After allowing for a £10 increase in precept there is a forecast deficit of £8.2m by 2026/27 which is the equivalent of 228 PCSO or staff.

The underlying rationale for the proposed precept increase in 2022/23 therefore remains. Consequently it

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remains the PCC's proposal for a precept of £144.839m, which equates to a **council tax band D of £251.20, an increase of £10 (4.1%) in the band D equivalent for the police element of the council tax** for the 2022/23 financial year.