

## **Report of the Chief Finance Officer of the PFCC to the Police, Fire and Crime Commissioner for North Yorkshire**

**28<sup>th</sup> February 2023**

**Status: For Decision**

### **Medium Term Financial Plan (MTFP) 2023/24 to 2026/27 and Capital Plans 2023/24 to 2026/27 - Policing**

#### **1. Executive Summary**

##### **1.1 Purpose of the Report**

This report asks the PFCC to agree the Budget proposals for 2023/24 and the Medium Term Financial Plan (MTFP) for 2023/24 – 2026/27 in line with the legal requirement to set a budget prior to the 1st March each year for the following financial year. It also asks the PFCC to agree the funding for the Capital Programme for 2023/24 and the indicative allocations for the period 2024/25 to 2026/27

#### **2. Recommendations**

2.1 The PFCC is requested to approve the allocation of the £201,374k of revenue funding, that is forecast to be received by the PFCC in 2023/24, in the following areas:

- £1,435k to run the Office of the PFCC
- £6,131k for Commissioned Services and Community Safety Initiatives
- £640k for Asset Management Costs
- £191,075k to the Police Force
- £3,938k to the Capital Programme
- £845k from Earmarked Reserves
- £1,000k from General Reserves on the assumption that £1,000k from the 2022/23 underspend is added to General Reserves

- 2.2 The PFCC is asked to note that the 2023/24 budget is based on the approved 4.99%, or £14.03, increase in the level of Band D precept for 2023/24.
- 2.3 The PFCC is asked to take cognisance of the Robustness of Estimates and Adequacy of Financial Reserves section included within this report.
- 2.4 The PFCC is asked to approve the Reserves Strategy that is attached at Appendix B
- 2.5 The PFCC is asked to approve that the Capital Programme is initially set at £12,991k, before any slippage from 2022/23, as set out at Appendix A, for 2023/24 and within that programme approve that:
- Indicative approval of the 2024/25 budgets as set out in Appendix A, and delegation of approval of any requests to pre-order against the 2024/25 budgets to the Commissioners Chief Finance Officer, up to 25% of each indicative budget. The 2024/25 Capital Budget will be submitted for formal approval at this time next year.
  - Delegation to the Commissioners Chief Finance Officer to approve, where needed and appropriate, for the carry forward of any slippage from the approved 2022/23 Capital Programme into 2023/24.
  - The Force bring a specific report to Executive Board, in June, September, December and March, setting out full details of the Capital Programme, which provides an update on each scheme within the programme, including an overview of each scheme, progress on delivery, finances and risks.
- 2.6 The PFCC is asked to agree that additional borrowing totalling £5,239k can be taken out during 2023/24, if needed, to support the delivery of the Capital Programme.
- 2.7 The PFCC is asked to approve that if Projects/Business Cases that are already on the Change Pipeline are supported/approved at Change Board, and not novel, contentious or of significant public interest, then the PFCC CFO can approve the financial arrangements, where these are £100k per year or less.
- 2.8 The PFCC is asked to agree that the Force bring a specific report to Executive Board, in June, September, December and March, setting out full details and updates on the Change Pipeline, which provides an update on each scheme within the 2023/24 programme, including an overview of each scheme, progress on delivery, finances and risks.
- 2.9 The PFCC was informed in a report to Executive Board from the Force that they would provide Medium Term People Plan updates to Executive Board quarterly, including Police Officers, PCSOs and Staff roles. This report has yet to be provided to the PFCC and therefore the PFCC is asked to agree that this is added as a quarterly agenda item for Executive Board to ensure that the PFCC can have assurance around the recruitment plans for the Force.

### **3. Planning and Funding Assumptions**

#### **3.1 Autumn Statement and subsequent Precept Announcement**

3.2 On the 17<sup>th</sup> of November the Chancellor announced at the Autumn Statement that Departmental budgets would be maintained at the levels set out at Spending Review 2021.

3.3 After this the Minister of State for Crime, Policing and Fire wrote to PCCs setting out that: *"This government is committed to providing policing with the resources they need, and the Home Office will honour the increases in funding for PCCs announced at Spending Review 2021 to maintain officer numbers."*

3.4 And that: *"I recognise the pressures faced by policing and have listened to those PCCs that requested a greater degree of flexibility when setting budgets. **Therefore, I can confirm that the referendum limit for PCCs in England for 2023-24 will be £15 for a typical Band D property** and equivalent, raising up to an additional £349 million from precept income (on top of increases to core grant) using the latest forecasts, should all PCCs utilise the full flexibility. This is an additional £5 precept flexibility over and above the announcement made at Spending Review 2021"*

#### **3.5 Police Funding Settlement 2023/24**

3.6 The 2023-24 Provisional Settlement was announced on 14<sup>th</sup> December in a written statement by the Crime and Policing Minister, Chris Philp with the Final Settlement announced on the 31<sup>st</sup> January 2023, when the provisional settlement figures were confirmed.

3.7 Full details of the Settlement can be found on the Home Office gov.uk pages.

3.8 The Government announced that *"Overall funding for policing will rise by up to £287 million compared to the 2022-23 funding settlement, bringing the total up to £17.2 billion for the policing system. Within this, funding to Police and Crime Commissioners (PCCs) will increase by up to an additional £523 million, assuming full take-up of precept flexibility. This would represent an increase to PCC funding in cash terms of 3.6% on top of the 2022-23 police funding settlement"*

3.9 And that *"Despite the pressures faced by all public services, we are still increasing funding into 2023-24 by providing forces with an increase to government grants of £174 million, £74 million more than announced at Spending Review 2021 (SR21), reflecting the commitments made earlier this year to support the 2022-23 pay award. By delivering on this promise, we are making sure that the police receive the funding they need to achieve and maintain their overall officer headcount, comprised of their agreed Police Uplift baseline plus their allocation of the 20,000 additional officers."*

### 3.10 Core Funding

3.11 Based on the analysis released by the Government Core Funding to PCC's has increased by 3.6% in 2023/24, this however assumes that all PCCs increase their Precept by £15.

3.12 The smallest increases in core funding were seen in London at 3.0%, with Cleveland and Merseyside both at 3.1%. In contrast there are 5 Police Force Areas (Essex, Hertfordshire, Sussex, Thames Valley and Wiltshire) who could see increases in core funding of 4.3%.

### 3.13 What does the Government expect to be delivered with this additional funding?

3.14 The Government have stated that: "... they have provided significant investment into policing over the previous four years, and so now it is only right that we hold forces to account on delivery. We therefore expect policing to approach the 2023-24 financial year with a focus on this Government's key priorities:

- Ensuring overall police officer numbers are maintained at the agreed Police Uplift baseline plus force level allocations of the 20,000 additional officers.
- Deploying these additional officers to reduce crime and honour this Government's commitment to keep the public safe.
- Delivering improvements in productivity and driving forward efficiencies, maximising the value of the Government's investment."

### 3.15 What does this mean for North Yorkshire in 2023/24 in terms of Funding?

- An increase in of Core Police Grant plus Police Uplift Grant of £1,653k.
- Police Pension Grant remains at £1,449k

3.16 Based on the agreed precept, of £295.09 for a Band D property, then the overall impact on the Core funding for the organisation is set to increase by 4.0%, or just over £7.2m, as set out in the table below:

Overall Government and Local Revenue Funding	2023/24	2022/23	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
<b>Government Funding</b>				
Police Grant	(51,178)	(50,800)	(377)	0.7%
RSG/National Non Domestic Rate	(32,589)	(32,675)	87	-0.3%
Police Officer Uplift Grant	(2,677)	(1,314)	(1,363)	103.7%
Council Tax Freeze Grant	(2,152)	(2,152)	0	0.0%
Council Tax Support Grant	(5,746)	(5,746)	0	0.0%
Police Pensions Grant	(1,449)	(1,449)	0	0.0%
<b>Government Funding Changes</b>	<b>(95,790)</b>	<b>(94,137)</b>	<b>(1,653)</b>	<b>1.8%</b>
<b>Impact of a £14.03 (4.99%) Band D Precept increase</b>				
Net Surplus on Collection Funds	(484)	(318)	(166)	
Council Tax Requirement	(91,970)	(86,556)	(5,414)	6.3%
<b>Total Local Funding</b>	<b>(92,454)</b>	<b>(86,874)</b>	<b>(5,579)</b>	<b>6.4%</b>
<b>Total Government + Local Funding</b>	<b>(188,244)</b>	<b>(181,011)</b>	<b>(7,233)</b>	<b>4.0%</b>

- 3.17 How does North Yorkshire compare to the National Picture?
- 3.18 This 4% increase is 0.4% higher than the National average of 3.6% and means that in comparison to the average settlement **North Yorkshire is better off in 2023/24 by circa £700k.**
- 3.19 Had each PCC increased their precept by £15, combined with tax base assumptions, there would be an additional £349m of resources for policing from council tax alone.
- 3.20 Due to historic differences in council tax the proportion that £15 represents can vary significantly between force areas. The £15 increase means that Northumbria's percentage increase is 9.8%, followed by the West Midlands at 8% whereas, £15 represents a 4.7% increase for North Wales and a 4.9% increase for Gwent.
- 3.21 Had every force area taken the £15 precept, the weighted average band D police precept in England and Wales would be £265.13 in 2023/24. The proportion of funding raised through council tax differs significantly between forces. Northumbria's Council Tax makes up 19.3% of their total funding, followed by West Midlands at 20.7% and Merseyside at 23.4%.
- 3.22 Conversely, Surrey has 55.8% of their funding coming from Council tax, followed by Dyfed Powys at 52.4% and North Wales at 51.3%. On average, 35% of budgets are made up from Council tax, up from 34% last year.
- 3.23 If all other PCC's increase their precept by £15 then **the £14.03 or 4.99% increase in North Yorkshire has the potential to be the lowest percentage increase in England** and 4<sup>th</sup> lowest nationally.
- 3.24 North Yorkshire is likely to have the 8<sup>th</sup> highest Police Precept in the country in 2023/24 and 4<sup>th</sup> highest in England. **The Police Precept in North Yorkshire will be around £30, or 11.3% higher than the average in England and Wales.**
- 3.25 **This £30 is the equivalent of £9.35m more funding** available for policing in North Yorkshire than if there was an average precept level in North Yorkshire.
- 3.26 Government Funding for 2024/25 and beyond
- 3.27 The Government have indicated that policing will receive an extra £150m in 2024/25. This would equate to an increase of only 1.7%.
- 3.28 This will not be sufficient to keep pace with either pay or non-pay inflation.
- 3.29 It is worth noting that, in the days following the Autumn Statement, whilst addressing the Commons Select Committee, the Levelling Up Secretary Michael Gove announced a review of the council tax system. He and the Chancellor have asked Lee Rowley, Local Government Finance Minister, to review the operation of the council tax system. He is expected to report in the New Year.

- 3.30 In addition to this the new Policing Minister wrote to PCCs stating that "*I heard from PCCs and Chief Constables the need to update the police funding formula. I fully recognise that the current funding formula is outdated, and I am pleased to confirm our continued commitment to continuing the Police Funding Formula Review*"
- 3.31 And that "*I have asked Home Office officials to prepare for a first public consultation in early 2023. This consultation will set out the broad principles of the Review and consult on the purpose, structure and components of a new formula.*"
- 3.32 Top Slices
- 3.33 In 2023-24 the top slices total £1,114m, a £259.7m reduction over last year (£1,373.7m). The biggest changes to funding were an £83.2m decrease in Capital Reallocations and a £80m reduction in Police Technology Programmes.
- 3.34 Pensions Grant
- 3.35 Pensions Grant allocations remain unchanged from those in 2019-20. They have not been updated to reflect the new forecasts nor increased to reflect pay inflation and therefore additional costs and pressures have to be 'absorbed'.
- 3.36 Council Tax Legacy Grant
- 3.37 The Council Tax Legacy Grants relating to Council Tax Freeze grants from 2011-12, 2013-14, 2014-15 and 2015-16 as well as Local Council Tax Support (LCTS) funding remains separately identifiable in 2023-24. These have again remained flat cash settlements and therefore take no account of any changes for inflation or local need since they were awarded and is another area where additional costs are having to be 'absorbed'.
- 3.38 Counter Terrorism
- 3.39 The Minister announced a total of £1,002.2m for Counter Terrorism (CT) policing in 2023-24. PCCs will be notified separately of force-level funding allocations for CT policing, which will not be made public for security reasons.
- 3.40 Ministry of Justice Grants
- 3.41 The PFCC expects to receive £1,976k from the Ministry of Justice in 2023/24 to deliver Victims Services.
- 3.42 This is almost £900k higher than the Core Grant and reflects:
- The continuation of funding for 3 additional Independent Sexual Violence Advisor posts and 9 additional Independent Domestic Violence Advisor posts that were the subject of a successful funding bid in 2021/22.
  - A successful bid during 2022/23 for an additional 2 FTE Independent Domestic Violence Advisor posts and 0.8 FTE Independent Sexual Violence Advisors.
  - And over £300k for additional Domestic Abuse and Sexual Violence victim support services.

### How has Funding changed for Policing since 2010/11?

3.43 Using the latest Gross Domestic Product deflation factors from the Treasury and Excluding the Welsh and London Forces, as they have different funding mechanisms, then:

- In cash terms, funding has increased, on average, by 23.4% between 2010-11 and 2023-24. However in North Yorkshire is it higher than this at 26.3%, the difference is the **equivalent of about £4.4m of additional funding per year, in comparison to the average.**
- However, when we account for inflation, this figure drops to -7.8%., in North Yorkshire however the reduction is lower at about -5.6%

3.44 **In Real Terms funding in North Yorkshire in 2022/23 will be about 5.6% lower than in 2010/11 – this is the equivalent of £10.5m.**

3.45 The table below provides more detail:

Police Force Area (excluding Wales and London)	Cash Change in GOVERNMENT FORMULA FUNDING between 2010-11 and 2023-24	REAL TERMS cut in GOVERNMENT FORMULA FUNDING between 2010-11 and 2023-24	Cash change in TOTAL FUNDING between 2010-11 and 2023-24	REAL TERMS cut to TOTAL FUNDING between 2010-11 and 2023-24
Northumbria	3.3%	-22.8%	13.3%	-15.4%
Merseyside	5.5%	-21.2%	14.2%	-14.6%
West Midlands	4.0%	-22.2%	14.6%	-14.4%
Cleveland	7.9%	-19.4%	16.6%	-12.9%
Greater Manchester	5.7%	-21.0%	16.7%	-12.8%
Durham	5.8%	-20.9%	17.4%	-12.3%
South Yorkshire	5.4%	-21.2%	18.0%	-11.8%
West Yorkshire	5.2%	-21.3%	19.5%	-10.7%
Lancashire	5.3%	-21.3%	19.5%	-10.6%
Cumbria	6.5%	-20.4%	20.8%	-9.7%
Humberside	8.0%	-19.3%	20.9%	-9.7%
Staffordshire	8.7%	-18.7%	21.6%	-9.1%
Nottinghamshire	7.2%	-19.9%	22.4%	-8.5%
Derbyshire	6.7%	-20.2%	23.7%	-7.5%
West Mercia	8.6%	-18.8%	25.3%	-6.3%
Avon & Somerset	7.8%	-19.4%	25.7%	-6.1%
Leicestershire	7.0%	-20.0%	25.8%	-6.0%
North Yorkshire	9.2%	-18.4%	26.3%	-5.6%
Hertfordshire	7.7%	-19.5%	27.0%	-5.1%
Cheshire	6.0%	-20.8%	27.4%	-4.8%
Hampshire	5.4%	-21.2%	27.6%	-4.6%
Devon & Cornwall	7.6%	-19.6%	27.7%	-4.5%
Kent	6.1%	-20.7%	27.9%	-4.4%
Northamptonshire	7.9%	-19.4%	28.1%	-4.3%
Gloucestershire	8.8%	-18.7%	28.6%	-3.9%
Suffolk	8.6%	-18.8%	28.7%	-3.8%
Sussex	6.8%	-20.2%	28.8%	-3.7%
Essex	6.6%	-20.3%	29.0%	-3.6%
Bedfordshire	5.9%	-20.8%	29.0%	-3.6%
Norfolk	9.6%	-18.1%	29.5%	-3.2%
Dorset	10.6%	-17.4%	29.8%	-3.0%
Lincolnshire	9.3%	-18.3%	30.2%	-2.7%
Cambridgeshire	7.4%	-19.7%	30.3%	-2.6%
Wiltshire	6.5%	-20.4%	30.5%	-2.4%
Thames Valley	6.3%	-20.6%	31.0%	-2.1%
Warwickshire	8.7%	-18.7%	32.3%	-1.1%
Surrey	8.3%	-19.0%	33.4%	-0.3%
<b>Total</b>	<b>6.4%</b>	<b>-20.5%</b>	<b>23.4%</b>	<b>-7.8%</b>

3.43 **Precept**

For the first time over 50% of the Net Budget Requirement within North Yorkshire is now funded by the local precept. This provides more of a cushion to cuts in government grants, than in most Police Force areas and the ability to generate additional funding locally when Government Funding is constrained.

3.44 However in times where Government Funding is growing at a quicker rate than precept North Yorkshire will tend to benefit less than most Police Force Areas.

3.45 The Localism Act 2011 includes powers to introduce arrangements for council tax referendums. The Police Funding Settlement set out that PCC's would be able to increase Band D bills by as much as £15 before a referendum is required in 2023/24.

3.46 Consultation was undertaken in relation to the option of increasing the precept in 2023/24 and in total 1,341 responses were received via the open online survey and a further 1,003 interviews over the telephone. The open survey was published on the PFCC website and promoted widely via social media.

3.47 The public were asked the following question:

3.48 North Yorkshire Police has a budget of £191 million – around 45 per cent comes from the precept on your council tax.

3.49 To provide a similar level of service to now, they think they will need around an extra £12m due to salary increases and the rising cost of fuel, utilities and general cost increases.

3.50 The Government are expected to say that Commissioner Zoë can raise the police precept by £10 from April – that would be an increase of 3.6%, an extra 19 pence per week for an average Band D property. Even this would only raise £3.1m of that extra demand.

3.51 The following options are based on an average Band D property currently paying £281.06 each year for policing.

3.52 How much more would you be prepared to pay per year, through your council tax for policing in North Yorkshire and York?

- No more than I pay now – a precept freeze  
This would be a cut to the police budget due to inflation and current service delivery could not be maintained.
- Up to £5.60 a year more (47 pence per month), an increase of 1.99%  
This would raise around £1.7 million, however is significantly below inflation and would likely lead to reductions in current levels of service delivery unless significant levels of savings could be delivered



- Up to £10 a year more (83 pence per month), an increase of 3.6%  
This would raise around £3.1 million, however is significantly below inflation and would likely lead to reductions in current levels of service delivery unless savings could be delivered.
- Up to £18 a year more (£1.50 per month), an increase of 6.4%  
This would raise around £5.6 million, is broadly in line with the organisation’s inflationary pressures and would lead to no reductions in current levels of service delivery.

3.53 A summary of the results is shown below:

	Total (n=2,339)	Telephone (n=1,000)	Online (n=1,339)
No more than I pay now a precept freeze	37%	42%	34%
Up to £5.60 a year more (47 pence per month), an increase of 1.99%	18%	23%	15%
Up to £10 a year more (83 pence per month), an increase of 3.6%	18%	18%	18%
Up to £18 a year more (£1.50 per month), an increase of 6.4%	26%	17%	33%
<b>TOTAL who support an increase of at least £10</b>	<b>44%</b>	<b>35%</b>	<b>51%</b>

3.54 Combined results (online and telephone) from the consultation show around four in ten respondents (44%) support an increase of at least £10 in the policing precept.

3.55 However based on a number of factors, including the financial needs set out by the Force an increase of £14.03 (4.99%) was proposed to the Police, Fire and Crime Panel, and unanimously supported.

3.56 **For the purposes of planning, the balanced plan that is set out within this paper assumes the precept increases at 1.99% per annum going forward.**

3.57 Over the last 10 years the calculated number of Band D properties within North Yorkshire has increased by 1.3% per year which the PFCC and policing has benefited from in terms of additional funding. This trend has continued in 2023/24 with an increase of 1.2%.

3.58 The number of Band D properties within North Yorkshire has increased by 3,704 to 311,667. This increase generates £1.1m of additional funding in comparison to the Tax Base from 2022/23.

- 3.59 During 2021/22 the Councils indicated an overall deficit on their Council Tax collection funds, of which £1,018k related to Police.
- 3.60 The Government recognised the challenge of absorbing these deficits in one year and therefore provided the flexibility to all billing and major precepting authorities (including police and fire authorities) to phase the deficit over a fixed period of three years.
- 3.61 The deficit is therefore being phased in three equal and fixed amounts across the financial years 2021-22, 2022-23 and 2023-24.
- 3.62 2023-24 is the final of these 3 years and therefore a £339k charge is factored into the overall collection fund position which has been reported as an overall surplus of £484k.

3.46 MTFP Assumptions

When the 2022/23 budget was set in February 2022 the forecasts were underpinned by the following assumptions:

- Pay Awards:
  - 2022/23 – 3.5% increase
  - 2023/24 – 2.5% increase
  - 2024/25 – 2.0% increase
  
- Precept: Increases of:
  - 2022/23 - £10, or 3.69%
  - 2023/24 – 1.99%
  - 2024/25 – 1.99%
  
- Tax Base increases of:
  - 2022/23 - 1.58%
  - 2023/24 – 1.5%
  - 2024/25 – 1.2%
  - 2025/26 – 1.0%
  
- Government Grants increases of:
  - 2023/24 – 1.1%
  - 2024/25 – 1.7%
  - 2025/26 – 2.0%
  
- Impact of Funding Formula review – Nil

3.47 Clearly much has changed in the last year and therefore in line with good planning our assumptions remain under review and are updated with the best information available and it is expected that the MTFP for 2023/24 and beyond will assume the following:

- Pay Awards:
  - 2023/24 – 4.0% increase
  - 2024/25 – 2.0% increase
  - 2025/26 – 2.0% increase
  
- Precept: Increases of:
  - 2023/24 – 4.99% or £14.03
  - 2024/25 – 1.99%
  - 2025/26 – 1.99%
  
- Tax Base increases of:
  - 2023/24 – 1.2%
  - 2024/25 – 1.2%
  - 2025/26 – 1.0%
  
- Government Grants increases of:
  - 2024/25 – 1.7%
  - 2025/26 – 2.0%
  - 2026/27 – 2.0%
  
- Impact of Funding Formula review – Nil

3.48 Specific Grants, Other Income and Partnership Fees and Charges

These sources of income and funding are forecast to provide between £16m and £17.2m across the life of the plan.

3.49 Based on these revised assumptions, and the information received and forecast around other areas of funding, then the entire funding expected to be available to the PFCC for the next 4 years, in comparison to 2022/23, is as follows

	<b>Actual Budget 2022/23</b>	<b>Forecasts 2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
<b>Core Funding</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Government Grant	(83,476)	(83,766)	(85,210)	(86,914)	(88,652)
Council Tax Precept	(86,874)	(92,454)	(95,376)	(98,233)	(101,176)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(5,746)	(5,746)	(5,746)	(5,746)	(5,746)
<b>Funding for Net Budget Requirement</b>	<b>(178,248)</b>	<b>(184,118)</b>	<b>(188,483)</b>	<b>(193,045)</b>	<b>(197,726)</b>
%age Change in Net Budgetary Requirement	4.8%	3.3%	2.4%	2.4%	2.4%
<b>Other Funding</b>					
Specific Grants	(6,114)	(8,791)	(7,692)	(7,264)	(7,264)
Partnership Income/Fees and Charges	(7,130)	(8,465)	(8,543)	(8,737)	(8,909)
<b>Total Funding</b>	<b>(191,491)</b>	<b>(201,374)</b>	<b>(204,718)</b>	<b>(209,045)</b>	<b>(213,898)</b>
%age Change in Funding	4.9%	5.2%	1.7%	2.1%	2.3%

- 3.50 2023/24 is the 5<sup>th</sup> year of significant investment back into Policing. **The level of funding available within North Yorkshire, at a Net Budget Requirement level, has increased by £38.8m (or 26.7%) in the past 5 years.**
- 3.51 The position is similar as a **Total funding level, with increases of £44.5m (or over 28.3%) across the same 5 year period.**
- 3.52 As mentioned earlier in this report however it is important to recognise that this is still a reduction in real terms (i.e. after taking into account inflation) of around £10.5m since 2010/11.
- 3.53 The 2023/24 settlement continues to provide a significant opportunity to invest in Policing and Crime services within North Yorkshire.

## 4. Expenditure Plans

- 4.1 In setting the budget for 2023-24 the PFCC is asked to make decisions on how the overall funding discussed in Section 3 is allocated. The PFCC is asked to provide funding/budgets to the areas discussed in the following sections:
- 4.2 Office of the PFCC
- 4.3 The proposed budget in this area for 2023/24 is £1,435k which is £100k higher than 2022/23.
- 4.4 This reflects the revised staffing structure within the Office and also the impact of the pay awards both paid and forecast.
- 4.5 In addition to the increases in pay costs there are also increases in non-pay costs. This is predominantly made up from an expected 150% increase in the External Audit fees as a result of the recently concluded national procurement exercise. This is forecast to increase our costs in this area by £60k.
- 4.6 Community Safety and Victims and Witnesses Commissioning  
The role and responsibilities of the PFCC is wider than Policing and this has been acknowledged with the addition of responsibilities around Community Safety, Victims and Witnesses services and Complaints.
- 4.7 The current assumptions within the financial plans include the expectation that the PCC will receive £890k more than the Ministry of Justice 'core' allocations (of £1,085k) for both 2023/24 and 2024/25. This provides for the following additional services:
- The continuation of funding for 3 additional Independent Sexual Violence Advisor posts and 9 additional Independent Domestic Violence Advisor posts that were the subject of a successful funding bid in 2021/22.
  - A successful bid during 2022/23 for an additional 2 FTE Independent Domestic Violence Advisor posts and 0.8 FTE Independent Sexual Violence Advisors.
  - And over £300k for additional Domestic Abuse and Sexual Violence victim support services.
- 4.8 The OPFCC has been successful in bidding for Safer Streets Funding in each of the last 3 years. The bid for 2022/23 extended funding into 2023/24, therefore £446k of already agreed funding and expenditure is included within the 2023/24 budget
- 4.9 Other opportunities may become available during the year however having the resources available to pursue these opportunities is likely to be a challenge and will need to be considered as part of any future bids.

4.10 The indicative budget for these areas are set out in the table below:

	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
<b><u>Commissioning and Partnerships</u></b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Supporting Victims	2,625	1,987	1,539	1,491
Community Safety	1,197	1,197	1,197	1,197
Street Triage and Mental Health Services	474	474	474	474
Youth Justice	375	375	375	375
Child Sexual Assault Services	315	315	315	315
Safeguarding Communities	246	246	246	246
SARC Services	191	191	191	191
Community Fund	250	250	250	250
Safer Streets	446	0		
Staff Pay	582	609	609	609
Non-Pay	73	73	73	73
<b>Total Costs</b>	<b>6,774</b>	<b>5,717</b>	<b>5,269</b>	<b>5,221</b>
Income	(643)	(643)	(643)	(643)
<b>Total Net Budget</b>	<b>6,131</b>	<b>5,074</b>	<b>4,626</b>	<b>4,578</b>

4.11 Asset Management

4.12 When investment in Capital is funded through borrowing there is a requirement to make a charge against the revenue budget to reflect the use of the asset over its useful life. This charge is called a Minimum Revenue Provision.

4.13 Furthermore when this borrowing is funded via a loan then there are also interest charges incurred.

4.14 The combination of these two areas are factored into the Asset Management budget which is estimated to be £640k for 2023/24. This is forecast to increase in future years given the plan to fund future investments in Estates from borrowing, this is set out within the current capital plans.

## 5. Police Force

- 5.1 The vast majority of the funding available to the PFCC will be provided to the Chief Constable, this provides the budgetary constraints in which the PFCC expects the Force to work within, in delivering against the Police and Crime Plan.
- 5.2 The PFCC tries to provide a stable financial platform for the Force to work to and within, despite the significant level of unknowns around various areas of future funding. The aim of this approach is to support and enable good strategic planning, decision making and ultimately service delivery by the Force.
- 5.3 The Force have pulled together detailed financial plans which are provided in a separate report, which is also on today's agenda however a summary of the finances is included below:

	Actual Budget	Forecasts			
	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Pay</b>					
Police Pay	89,734	96,951	99,417	101,268	103,168
Police Overtime	2,529	2,904	2,456	2,692	3,308
PCSO Pay (incl Overtime)	8,220	6,880	7,239	7,746	8,510
Staff Pay (incl Overtime)	40,613	44,875	44,899	45,404	46,276
<b>Pay Total</b>	<b>141,096</b>	<b>151,610</b>	<b>154,011</b>	<b>157,110</b>	<b>161,262</b>
<b>Non-Pay Budgets</b>					
Other Non Salary	2,052	2,390	2,328	2,287	2,287
Injury and Medical Police Pensions	3,693	4,051	4,063	4,163	4,124
Premises	4,640	5,722	5,835	5,947	6,060
Supplies and Services	22,411	23,779	24,307	24,865	25,059
Transport	2,966	3,523	3,592	3,661	3,730
<b>Non-Pay Total</b>	<b>35,762</b>	<b>39,465</b>	<b>40,125</b>	<b>40,923</b>	<b>41,260</b>
<b>Total Force Budget</b>	<b>176,858</b>	<b>191,075</b>	<b>194,136</b>	<b>198,034</b>	<b>202,524</b>
%age Change in Expenditure	4.2%	8.0%	1.6%	2.0%	2.3%
<b>Average Employee Numbers</b>	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,620	1,645	1,645	1,645	1,645
PCSOs	229	177	182	192	208
Police Staff	1,071	1,142	1,119	1,113	1,112

- 5.4 Despite overall income only increasing by £9.9m between 2022/23 and 2023/24 the **Force are being provided with a £14.2m (8.0%) increase in their revenue funding.**
- 5.5 This significant increase in funding follows on from significant increases over the last 4 years too. **In 2023/24 the Force will therefore have almost £40m, or over 26%, more Revenue funding available than it had in 2018/19.**

5.6 This arguably puts the Force in a very fortunate position from a financial perspective in comparison to other Police Force Areas, for example:

- There are no Forces in the country who have more money than North Yorkshire to deal with less Police Recorded Crime.
- There are however 10 Forces who have less money to deal with more Police Recorded Crime.
- As can be seen from the table below even within NYPs most similar group of Forces then North Yorkshire would appear well funded relative to Police Recorded Crime levels. For example, based on Net Revenue Expenditure North Yorkshire will have over £30m more than Suffolk, however Suffolk has over 3,500 more Police Recorded Crime incidents to deal with.

5.7

<b>NYP MSG Police Force Areas</b>	<b>*2023/24 NRE, £k</b>	<b>Police Recorded Crime in 21/22</b>	<b>Funding per Police Recorded Crime</b>	<b>Police Officer Uplift Target</b>	<b>Police Officer per PRC</b>
Lincolnshire	152,113	54,032	2,815	1,186	46
Suffolk	157,021	50,614	3,102	1,403	36
North Yorkshire	187,933	47,167	3,984	1,644	29
North Wales	191,925	67,804	2,831	1,713	40
Norfolk	203,879	69,154	2,948	1,901	36
West Mercia	274,062	87,126	3,146	2,475	35
Devon & Cornwall	392,025	101,188	3,874	3,584	28
<b>National Totals</b>	<b>15,078,504</b>	<b>5,283,392</b>	<b>2,854</b>	<b>148,433</b>	<b>36</b>

5.8 Outside of London, the PFCC will be providing North Yorkshire Police with the 2<sup>nd</sup> highest level of funding per Police Record Crime in the country. This will be almost 40% more funding per Police Recorded Crime than the average within England and Wales.

5.9 In addition to this, the funding provided by the PFCC to North Yorkshire Police, which will fund 1,644 Police Officers in 2023/24, will result in North Yorkshire Police being able to have sufficient funding to have the 3<sup>rd</sup> lowest level of Police Recorded Crime per Police Officer in the country (excluding London).

5.10 The 2023/24 Budget from the Force includes significant investment into the Force Control Room of £1.9m. The recently published Government data on the number of 999 calls for the year ended Dec-22 showed that **North Yorkshire has the 8th lowest number of 999 calls in England and Wales.**

5.11 If this is cross-referenced with funding at an NRE level then, as with Police Recorded Crime, there are no Forces within England and Wales who have more overall funding that North Yorkshire to deal with less 999 calls.

5.12 There are however 7 Police Forces who receive more 999 calls than North Yorkshire but have less overall funding.

5.13 This is perhaps another indicator of how well funded the Force is overall.



5.14 **Areas of Note within the Force's Plans**

- 5.15 **Police Officers** – in a letter dated the 31<sup>st</sup> January 2023 the PFCC was provided with an overview from the Home Secretary and the Minister of State for Crime, Policing and Fire of both the National Policing financial settlement for 2023/24 and the local impact for North Yorkshire.
- 5.16 Within that letter the Police Officer Uplift Target for North Yorkshire is stated as 1,644 – with an indication that this is the level of Police Officers to be maintained.
- 5.17 Subsequently to this it has been clarified that the 2023-24 PUP ringfence grant, which for North Yorkshire is almost £2.7m, “will be used to ensure that there is a clear incentive on forces to maintain their officer numbers, as the public expects, without imposing conditions that are prohibitive to doing so.”
- 5.18 The Government “recognise that the 2023-24 PUP ringfence grant is larger than in previous years, emphasising the importance of maintaining officer numbers beyond March 2023. We also recognise that forces plan recruitment in advance, and therefore can confirm that the funding will be released on a bi-annual basis, following the publication of police workforce statistics, and will be based on officer headcount in forces as at 30th September and 31st March.”
- 5.19 “Should forces not meet the necessary requirements to claim the funding available at the mid-year point, this funding will not be available to forces at the end of the year.”
- 5.20 It is likely that the level of Uplift Grant that will be withheld should Force’s fail to meet their targets will be punitive, as they are for 2022/23. This will therefore need to be an area closely managed.
- 5.21 The current plans of the Force are that they will be in excess of the Uplift Target by a very small margin at both the end of September and the end of March 2024. It is a risky approach to be this close to the target given the punitive nature of the likely reduction in grant should the Force fall short by even 1 Police Officer (which based on the grant terms for 2022/23 would result in a £270k reduction in Grant)
- 5.22 The PFCC was told in a report to Executive Board from the Force that they would provide Medium Term People Plan updates to Executive Board quarterly, including Police Officers, PCSOs and Staff roles. The report has yet to be provided to the PFCC and a recommendation is therefore made that this is added as a quarterly item to the agenda for Executive Board.
- 5.23 It is worth reflecting that the Police Officer Uplift Target set by the Government is not based on an assessment of either demand and/or need and the Chief Constable has indicated that an organisational and operational review will be taking place to restructure the organisation to deliver the best possible front line and visible policing services within the new future budget constraints.

- 5.24 **Staff** – To be able to balance the budget for 2023/24 the Force have factored into their planning assumptions that they will have 74 staff vacancies on average during 2023/24. This has reduced the staff pay budget by circa £2.8m.
- 5.25 This level of vacancies is 24 higher than the budgeted position for 2022/23. The budget from the Force is therefore based on being able to afford to have 1,142 FTE Police Staff throughout 2023/24 (after allowing for 74 vacancies).
- 5.26 The Force report that they have around 1,080 FTEs at the end of January 2023. Given the significant level of staff post growth that has been factored into the Force budget for 2023/24 then the Force are likely to start 2023/24 with around 130-140 staff vacancies (depending starters/leavers in the last 2 months of 2022/23), which would be around 60-70 FTE vacancies more than factored into the budget.
- 5.27 **Despite raising my concerns around this area as part of the precept and budget setting discussions the Force budget for staff pay continues to have a very optimistic view as to what can realistically be delivered.**
- 5.28 **It is very likely that this budget area will start 2023/24 underspending by £200k+ per month.** Even with significant levels of recruitment it would still seem very likely that this area will underspend by circa £1.0-£1.5m in 2023/24.
- 5.29 As referred to earlier in this report the recommendation from the Force in July 2022 to bring a medium term people plan to Executive Board on a quarterly basis is a vital requirement to provide some assurance that the Force have a realistic plan to address the significant gaps they have within their staffing structures which has been compounded by the Force adding a significant element of further growth into this area of the budget.
- 5.30 As mentioned earlier in the report the PFCC is providing sufficient funding to the Force to be very well resourced in terms of Police Officer numbers relative to Police Recorded Crime levels. In a similar vein the Force has a budget for 1,142 FTE staff versus 1,644 FTE Officers – this is a ratio of almost 70% staff to officers.
- 5.31 The average across policing was recently shown to be 54% - this is another example of the significant level of resources that the PFCC is providing to the Force.

- 5.32 **PCSOs** - To be able to balance the budget for 2023/24 the Force proposed to reduce the PCSO pay budget by £2m. As a result the Force have enough money to pay for 177 FTE PCSOs during 2023/24 (this is 52 less than the previous PCSO establishment)
- 5.33 The Force currently estimate that there will be around 180-190 FTE PCSOs employed at the end of 2022/23.
- 5.34 If leavers in this area continue at 3/4 FTEs per month then this is another area that will start to underspend early in 2023/24. Without recruitment in this area then an under spend of circa £1m could develop during 2023/24.
- 5.35 **As with the other areas of staffing it is vital, not just in terms of financial planning but perhaps more importantly in terms of service delivery and improvement, that the Force have clearly articulated plans on how they are going to resource their organisation to deliver against the challenges that they have and the Police and Crime Plan.**

## 6. Overall Financial Summary

6.1 The table below shows the current projected position of the overall finances available to the PFCC, however this is based on a significant number of assumptions that have been discussed and set out within this report.

	Actual Budget	Forecasts			
	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Core Funding</b>	£000s	£000s	£000s	£000s	£000s
Government Grant	(83,476)	(83,766)	(85,210)	(86,914)	(88,652)
Council Tax Precept	(86,874)	(92,454)	(95,376)	(98,233)	(101,176)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(5,746)	(5,746)	(5,746)	(5,746)	(5,746)
<b>Funding for Net Budget Requirement</b>	<b>(178,248)</b>	<b>(184,118)</b>	<b>(188,483)</b>	<b>(193,045)</b>	<b>(197,726)</b>
%age Change in Net Budgetary Requirement	4.8%	3.3%	2.4%	2.4%	2.4%
<b>Other Funding</b>					
Specific Grants	(6,114)	(8,791)	(7,692)	(7,264)	(7,264)
Partnership Income/Fees and Charges	(7,130)	(8,465)	(8,543)	(8,737)	(8,909)
<b>Total Funding</b>	<b>(191,491)</b>	<b>(201,374)</b>	<b>(204,718)</b>	<b>(209,045)</b>	<b>(213,898)</b>
%age Change in Funding	4.9%	5.2%	1.7%	2.1%	2.3%
<b>Office of the PCC Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Total Planned Expenditure</b>	<b>1,335</b>	<b>1,435</b>	<b>1,480</b>	<b>1,515</b>	<b>1,555</b>
<b>Commissioned Services</b>	£000s	£000s	£000s	£000s	£000s
<b>Total Planned Expenditure</b>	<b>5,244</b>	<b>6,131</b>	<b>5,074</b>	<b>4,626</b>	<b>4,578</b>
<b>Asset Management</b>	<b>585</b>	<b>640</b>	<b>770</b>	<b>890</b>	<b>1,015</b>
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Pay</b>					
Police Pay	89,734	96,951	99,417	101,268	103,168
Police Overtime	2,529	2,904	2,456	2,692	3,308
PCSO Pay (incl Overtime)	8,220	6,880	7,239	7,746	8,510
Staff Pay (incl Overtime)	40,613	44,875	44,899	45,404	46,276
<b>Pay Total</b>	<b>141,096</b>	<b>151,610</b>	<b>154,011</b>	<b>157,110</b>	<b>161,262</b>
<b>Non-Pay Budgets</b>					
Other Non Salary	2,052	2,390	2,328	2,287	2,287
Injury and Medical Police Pensions	3,693	4,051	4,063	4,163	4,124
Premises	4,640	5,722	5,835	5,947	6,060
Supplies and Services	22,411	23,779	24,307	24,865	25,059
Transport	2,966	3,523	3,592	3,661	3,730
<b>Non-Pay Total</b>	<b>35,762</b>	<b>39,465</b>	<b>40,125</b>	<b>40,923</b>	<b>41,260</b>
<b>Total Force Budget</b>	<b>176,858</b>	<b>191,075</b>	<b>194,136</b>	<b>198,034</b>	<b>202,524</b>
%age Change in Expenditure	4.2%	8.0%	1.6%	2.0%	2.3%
<b>Total Expenditure Budgets</b>	<b>184,022</b>	<b>199,281</b>	<b>201,460</b>	<b>205,065</b>	<b>209,672</b>
<b>(Surplus)/Deficit before Reserves/Capital</b>	£000s	£000s	£000s	£000s	£000s
Planned Transfers to/(from) General Fund	<b>(7,469)</b>	<b>(2,093)</b>	<b>(3,258)</b>	<b>(3,980)</b>	<b>(4,226)</b>
Contribution to Capital Programme	8,483	3,938	4,012	4,068	4,566
Planned Transfers to/(from) Earmarked Reserves	(1,014)	(845)	(754)	(88)	(340)
<b>Net (Surplus)/Deficit After Reserves</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>
<b>General Reserves</b>	£000s	£000s	£000s	£000s	£000s
General Fund Balance b/f	5,603	6,603	5,603	5,603	5,603
Proposed (Use of)/Contribution to General Fund	0	(1,000)	0	0	0
Current Year Forecast (Over)/ Under spend	1,000				
General Fund Balance c/f	<b>6,603</b>	<b>5,603</b>	<b>5,603</b>	<b>5,603</b>	<b>5,603</b>
<b>Average Employee Numbers</b>	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,620	1,645	1,645	1,645	1,645
PCSOs	229	177	182	192	208
Police Staff	1,071	1,142	1,119	1,113	1,112
<b>Assumptions</b>					
Staff Pay Increases	3.5%	4.0%	2.0%	2.0%	2.0%
Police Pay Increases	3.5%	4.0%	2.0%	2.0%	2.0%
Non Pay Inflation	calculated	calculated	2.0%	2.0%	2.0%
Precept Increases	3.7%	5.0%	2.0%	2.0%	2.0%
Government Grant Increases	5.6%	0.3%	1.7%	2.0%	2.0%

- 6.2 From an overall income perspective, the PFCC is now expected to receive £6.6m more income in 2023/24 than was being forecast just 12 months ago, and £9.9m more income than was received in 2022/23.
- 6.3 In any 'normal' year this would be fantastic news and would enable significant investment and growth of the organisation.
- 6.4 However this money needs to cover the following increases in pay and non-pay costs.

<b>Forecast additional Pay Costs</b>	<b>Forecasts</b>		
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Impact of 22/23 Pay Awards @ £1,900 per FTE	3,100	3,160	3,220
Incremental pay increases (net of NI and Pension changes)	1,875	1,915	1,950
Assume 4% Pay Awards from Sept-23	3,500	6,125	6,250
Increase Police Officers to 1,645 throughout the year	1,500	1,530	1,560
Investment in Force Control Room	1,900	1,940	1,980
Additional Staff Growth/Funded Roles/Overtime	1,975	2,015	2,055
<b>Total Forecast Additional Pay Costs</b>	<b>13,850</b>	<b>16,685</b>	<b>17,015</b>
<b>Impact of Inflation and Pressures on Non-pay Budgets:</b>	<b>Forecasts</b>		
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Other Non Salary	345	275	235
Injury and Medical Police Pensions	360	370	470
Estates	1,083	1,192	1,307
Supplies and Services	1,365	1,895	2,455
Transport Pressures	557	628	693
Ministry of Justice funded investment into additional Victim Services	900		
Other Inflationary pressures	155	330	485
<b>Total Forecast Additional Inflationary Non-Pay Costs</b>	<b>4,765</b>	<b>4,690</b>	<b>5,645</b>
<b>Potential Additional Costs</b>	<b>18,615</b>	<b>21,375</b>	<b>22,660</b>

- 6.5 The £8.7m gap between expenditure and income will be covered as follows:
- Use of £0.9m from Reserves/Underspends
  - Reduction in Contributions to Capital - £4.6m
  - Increased Staff and PCSO vacancies – £3.2m
- 6.6 Reducing the contributions into the Capital Programme results in drawing on reserves to fund more of the Capital expenditure in 2023/24.
- 6.7 Reserves are currently forecast to reduce by around £5.6m during 2023/24 to support the Capital programme, and therefore ultimately the Revenue budget, to focus as much funding on service delivery as possible during 2023/24.
- 6.8 Based on the plans and assumption outlined within this report and some use of reserves, that are discussed later in the report then the organisation can demonstrate a balanced budget for the next 4 years.

6.9 It is however vital to keep in mind that there will be challenges to this balanced plan, there are a number of risks that could impact significantly on the currently forecasted balanced position and there are undoubtedly many things that the organisation will have to deal with, that are currently unknown. Therefore the constant search for savings and efficiencies will need to continue to provide future flexibility from a financial perspective.

## **7. Capital Financing and Expenditure**

7.1 The assets owned by the PFCC are a vital platform for the delivery of the Police and Crime Plan, with the overall purpose of the capital plan to provide sufficient funding to renew the asset base of the organisation, informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes, business continuity requirements and invest to save expenditure.

7.2 12 months ago the Force set out plans that indicated a need for £21.7m of Capital Budgets covering the 3-year period 2023/24 to 2025/26.

7.3 The Force have now put forward plans for the same 3 year period that indicate a need for Capital Budgets of £33.4m. This is £11.7m higher, or over 50% higher than a year ago.

7.4 The constant slippage and underspending on the Capital Programme that has been highlighted for a number of years resulted in a different approach to capital during 2022/23.

7.5 This provided much more transparency over the capital programme in 2022/23 and highlighted a number of significant areas of concern around controls, understanding of budgets, approval mechanisms and financial oversight.

7.6 While the 2022/23 Capital Programme is expecting to deliver much more closely to budget, and may overspend. The variations and movements of forecasts over a short period of time provide significant areas for improvement.

7.7 As with 2022/23 it is expected that the Force will robustly manage the Capital Programme and report regularly to the PFCC via Executive Board as set out in the recommendations to this report.

7.8 The current Capital Plans, which will continue to be subject to review, development and refinement over the coming years, are set out below:

<b>Capital Financing and Expenditure</b>					
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	£000s	£000s	£000s	£000s	£000s
<b>Earmarked Reserve/Funding b/f</b>	<b>10,927</b>	<b>16,124</b>	<b>11,385</b>	<b>4,073</b>	<b>85</b>
Capital Receipts - vehicles and PPE	237	500	550	550	550
Capital Receipts from Estates Strategy	2,042	1,262	215	0	0
Contributions (to)/from Revenue	9,294	3,938	4,012	4,068	4,566
Borrowing	2,841	5,239	1,811	1,694	2,625
<b>Projected in-year funding available</b>	<b>15,633</b>	<b>10,939</b>	<b>6,588</b>	<b>6,312</b>	<b>7,741</b>
<b>Capital and Project Plans</b>					
ICT	2,956	3,048	4,710	1,712	1,655
Fleet	2,951	3,934	4,359	4,418	3,195
Estates	2,841	5,239	1,811	1,694	2,625
Other Rolling Programmes and Schemes	1,219	770	821	913	900
Other Schemes	460	0	0	0	0
Assumed Slippage					-2,100
<b>Total Agreed Programme</b>	<b>10,427</b>	<b>12,991</b>	<b>11,701</b>	<b>8,737</b>	<b>6,276</b>
<b>Change Pipeline</b>	<b>10</b>	<b>2,687</b>	<b>2,199</b>	<b>1,563</b>	<b>1,544</b>
<b>Earmarked Reserve/Funding c/f</b>	<b>16,124</b>	<b>11,385</b>	<b>4,073</b>	<b>85</b>	<b>7</b>

7.9 There is a significant amount of work that is required around the Capital Programme so that the Force can make the most of the funding that has been made available to them and so that they can plan with confidence for the significant number of schemes and programmes that they have indicated that are on the horizon and on the Change Pipeline.

#### 7.10 Change Pipeline

7.11 Beyond the 'Agreed' Capital Programme, the table above also allocates, indicatively, funding for the schemes that the Force have set out and costed within their Change Pipeline.

7.12 This shows a total ask of:

- 2023/24 - £2,687k
- 2024/25 - £2,199k
- 2025/26 - £1,563k
- 2026/27 - £1,544k

- 7.13 The Force struggled throughout 2022/23 to deliver in line with their original proposals and while the Change Pipeline has been significantly reduced for 2023/24 and beyond **it is already looking unlikely that the funding set aside for 2023/24 will all be needed.**
- 7.14 It is expected that the Force will robustly manage the Change Pipeline and report regularly to the PFCC via Executive Board as set out in the recommendations to this report.
- 7.15 A combined Capital Programme and Change Pipeline that totals almost £50m of spend across 4 years once again seems very ambitious and a significant challenge to deliver given the experiences of delivery in these areas over at least each of the last 8 years.
- 7.16 The continued reporting into Executive Board is a reflection of the continued need for additional oversight and governance of this.
- 7.17 It is also really important to recognise how this is going to be funded and therefore why it is vital that these plans are fully understood, realistic, deliverable and align to both the Police and Crime Plan and the wider organisational need.
- 7.18 The funding for this investment is set to come from the following areas:
- £16.6m of contributions from Revenue over 4 years
  - £3.6m from Capital Receipts
  - £16.1m out of Earmarked Reserves across 4 years
  - £11.4m of additional borrowing to fund Estates across 4 years.
- 7.19 As highlighted last year these plans are therefore 'tying up' significant amounts of future financial resources within the financial plans. If these plans therefore fail to be delivered/deliverable, poorly costed and/or simply not needed in the future then a significant amount of lost opportunities might be missed.



## **8. Reserves**

- 8.1 As at the end of 2021/22 the PFCC had Usable Reserves of £19.4m, plus £6m in the Capital Receipts Reserve. The main reserves held at that point were for the following reasons:
- General Reserves - £5.6m
  - Funding for projects within the financial plans - £8.9m
  - General contingency and risk Reserves - £4.9m
  - Capital Receipts Reserve - £6.0m
- 8.2 The PFCC has a separate Reserves Strategy, which is in line with the requirement of the Government, which sets out the details of all reserves, what they are held for and how they will be used in the future. This is attached at Appendix B to this report.
- 8.3 It is worth reflecting that reserves are forecast to increase to around £30m by the end of 2023/24 before reducing thereafter. This results from continued under delivery of the Capital Programme while at the same time adding funding to reserves from Capital Receipts to make it possible to fund the current projected spend on both Capital and the Change Pipeline in future years.
- 8.4 The expected movements on all reserves held by the PFCC will be kept under review in line with the development of the MTFP, current projections are included within the table below:

	Balance at 31 March 2022 £000	Tranfers In 2022/23 £000	Tranfers Out 2022/23 £000	Balance at 31 March 2023 £000	Tranfers In 2023/24 £000	Tranfers Out 2023/24 £000	Balance at 31 March 2024 £000	Tranfers In 2024/25 £000	Tranfers Out 2024/25 £000	Balance at 31 March 2025 £000	Tranfers In 2025/26 £000	Tranfers Out 2025/26 £000	Balance at 31 March 2026 £000	Tranfers In 2026/27 £000	Tranfers Out 2026/27 £000	Balance at 31 March 2027 £000
<b>Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.</b>																
PFCR Reserve	428	33	(33)	428			428			428			428			428
Capital Reserve	4,930	9,294	(6,378)	7,846	3,938	(10,438)	1,345	4,012	(5,357)	0	4,068	(4,068)	0	4,566	(4,566)	0
Firearms Licence Reserve	589			589		(30)	559		(30)	529		(30)	499		(30)	469
Investments Reserve	370		(176)	194			194			194			194			194
Training Reserve	400			400		(173)	227		(20)	207			207			207
Council Tax Reserve	442			442		(225)	217			217			217			217
COVID Reserve	50			50			50			50			50			50
ESMCP	787		(48)	739			739			739			739			739
FCR overtime	71			71			71			71			71			71
Commissioned Services Reserve	841			841		(243)	598		(54)	543		(58)	485		(10)	475
<b>Total Reserves within current MTFP</b>	<b>8,907</b>	<b>9,327</b>	<b>(6,635)</b>	<b>11,599</b>	<b>3,938</b>	<b>(11,108)</b>	<b>4,428</b>	<b>4,012</b>	<b>(5,461)</b>	<b>2,979</b>	<b>4,068</b>	<b>(4,156)</b>	<b>2,891</b>	<b>4,566</b>	<b>(4,606)</b>	<b>2,851</b>
<b>Funding for specific projects and programmes beyond the current planning period.</b>																
Confiscated Monies Reserve	327	130	(100)	357			357			357			357			357
Cost of Change Reserve	1,120		(819)	301	225	(393)	132			132			132			132
<b>Total Reserves beyond current MTFP</b>	<b>1,447</b>	<b>130</b>	<b>(919)</b>	<b>657</b>	<b>225</b>	<b>(393)</b>	<b>489</b>	<b>0</b>	<b>0</b>	<b>489</b>	<b>0</b>	<b>0</b>	<b>489</b>	<b>0</b>	<b>0</b>	<b>489</b>
<b>As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance)</b>																
Insurance Reserve	554			554			554			554			554			554
Pay and Pensions Reserve	1,850			1,850			1,850		(650)	1,200			1,200		(300)	900
Major Incident Reserve	1,007			1,007			1,007			1,007			1,007			1,007
<b>Total General Contingency Reserves</b>	<b>3,412</b>	<b>0</b>	<b>0</b>	<b>3,412</b>	<b>0</b>	<b>0</b>	<b>3,412</b>	<b>0</b>	<b>(650)</b>	<b>2,762</b>	<b>0</b>	<b>0</b>	<b>2,762</b>	<b>0</b>	<b>(300)</b>	<b>2,462</b>
<b>Total Earmarked Reserves</b>	<b>13,765</b>	<b>9,457</b>	<b>(7,554)</b>	<b>15,668</b>	<b>4,162</b>	<b>(11,501)</b>	<b>8,329</b>	<b>4,012</b>	<b>(6,111)</b>	<b>6,230</b>	<b>4,068</b>	<b>(4,156)</b>	<b>6,141</b>	<b>4,566</b>	<b>(4,906)</b>	<b>5,802</b>
<b>General Reserves</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>
<b>Total Usable Reserves</b>	<b>19,368</b>	<b>9,457</b>	<b>(7,554)</b>	<b>21,271</b>	<b>4,162</b>	<b>(11,501)</b>	<b>13,932</b>	<b>4,012</b>	<b>(6,111)</b>	<b>11,832</b>	<b>4,068</b>	<b>(4,156)</b>	<b>11,744</b>	<b>4,566</b>	<b>(4,906)</b>	<b>11,404</b>
<b>Capital Receipts Reserve</b>	<b>5,998</b>	<b>2,279</b>		<b>8,278</b>	<b>1,762</b>		<b>10,040</b>	<b>765</b>	<b>(6,732)</b>	<b>4,073</b>	<b>550</b>	<b>(4,537)</b>	<b>86</b>	<b>550</b>	<b>(629)</b>	<b>7</b>

## 9. Risks

9.1 The major risks and unknowns surrounding the figures presented here are:

- Pay Awards are higher than the assumptions within the plan
- The levels of recruitment needed to deliver against both the financial and operational plans of the Force.
- Any differences between the future years' actual Government Grant settlements, especially in relation to Operation Uplift, and those estimated within the plan
- Variations in future years between the estimated tax base used and the actual declared tax base.
- That the public does not support the precept increases that are factored into the current plans
- Increasing costs of the employers Pension Contribution into the Police Pension Fund.
- Sensitivity of assumptions, including inflation and borrowing costs.
- The ability of the Force to manage within its allocated budget
- The ability and capacity to either absorb growth/cost pressures and/or deliver savings to enable expenditure in essential areas to continue.
- Ability to deliver the savings included within the plans within the timeframes set and also to the level needed whilst delivering the required levels of service.
- The ability of the Force to deliver both the Capital Programme and the Change Pipeline.

## 10 **Robustness of Estimates and Adequacy of Financial Reserves Advice**

- 10.1 As CFO to the PFCC it is my duty to specifically comment on the robustness of the estimates put forward for the PFCC's consideration.
- 10.2 Last year I highlighted there were a number of areas of expenditure that would need to be closely managed and referred to the following:
- Staff Pay given the current levels of vacancies
  - Recruiting PCSO numbers back to Establishment levels
  - Ensuring Police Officer Targets are hit
  - Medical and Injury Pensions
  - Ensuring that Supplies and Service budgets are fully understood and managed.
  - Capital Programme
- 10.3 Other than the Medical and Injury Pensions line all of the above points have caused a concern within the Force's budget during 2022/23.
- 10.4 Unfortunately all of the above points, except the medical and injury pensions, are going to be an area of concern again in 2023/24. In addition to these recurring items the previous trend to overspend significantly on Police Officer overtime seems to have returned and will need to be more closely managed and monitored during 2023/24.
- 10.5 **For the reasons set out within this report there is a risk that the Force's budget for 2023/24 will underspend and that this results from an element of optimism around recruitment included within the Force's plans.**
- 10.6 There are some risks in terms of higher than forecast spend that could potentially come from pay awards, if these are agreed at a higher level than budgeted. In addition to pay, the level of general inflation within the economy and therefore likely to feed through into costs for the organisation will also need to be monitored closely.
- 10.7 It will be vital to improve the understanding of the finances within the Force, how they link to the plans in place and then closely monitor the financial position throughout 2023/24 to ensure that the finances support the delivery and achievement of the Police and Crime Plan objectives.
- 10.8 The funding available to deliver the Capital plans of the organisation are robust however the continued challenges around delivery need to be overcome as it is holding back the organisation in terms of developing and financing the investments that are likely in the medium term.

- 10.9 A review has been undertaken of the PFCC's reserves and general balances. The PFCC's general balances and reserves are an important part of the PFCC's risk management strategy giving the financial flexibility to deal with unforeseen costs or liabilities. Assuming the approval of the plan set out in the budget report, I am satisfied that the PFCC would have adequate levels of financial reserves and general balances throughout the MTFP.
- 10.10 In overall terms the capacity to increase precept by more than expected continues to underpin a very well-resourced organisation. The Funding Formula review could however change this position significantly.
- 10.11 The MTFP forecasts that General Reserves will be maintained at £5.6m across the MTFP. This will provide a General Reserve of 3.0% of the Net Budget Requirement in 2023/24 and I believe this to be a reasonable level given the overall challenges and risks faced by the organisation.
- 10.12 For the reasons set out in this report and from my own review of the estimates process **I am satisfied that the majority of the proposed spending plan for 2023/24 is sound and robust** however there are a number of areas that I have highlighted that again cause me concern.

## 11 Conclusion

- 11.1 The Police Settlement for 2023/24 has provided the PFCC with an increase in Government Funding of £1,653k or 1.8%; including a Ring-fenced Grant for maintaining Police Officers of £2,677k
- 11.2 Taking into account all of the other projected changes in income, including the agreed Precept increase, then the overall forecast increase in income is expected to be £9.9m.
- 11.3 As set out within the report this set against increased costs and growth that total £18.6m
- 11.4 The £8.7m gap between expenditure and income will be covered as follows:
- Use of £0.9m from Reserves/Underspends
  - Reduction in Contributions to Capital - £4.6m
  - Increased Staff and PCSO vacancies – £3.2m
- 11.5 Reducing the contributions into the Capital Programme results in drawing on reserves to fund more of the Capital expenditure in 2023/24.
- 11.6 Reserves are currently forecast to reduce by around £5.6m during 2023/24 to support the Capital programme, and therefore ultimately the Revenue budget, to focus as much funding on service delivery as possible during 2023/24.
- 11.7 Based on the plans and assumption outlined within this report and some use of reserves, that are discussed later in the report then the organisation can demonstrate a balanced budget for the next 4 years.

- 11.8 Despite an increase in income of 'only' £9.9m the PFCC has prioritised the proposals put forward by the Force and has allocated £14.2m more revenue funding to the Force than in 2022/23.
- 11.9 There are however concerns about the robustness of the plans in place to deliver everything that is currently factored into the Force's budget, especially in relation to staffing and unless there is significant development in this area it is likely that an underspend will develop early in 2023/24.

## Appendix A

<b>Capital Financing and Expenditure</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	£000s	£000s	£000s	£000s	£000s
<b>Earmarked Reserve/Funding b/f</b>	<b>10,927</b>	<b>16,124</b>	<b>11,385</b>	<b>4,073</b>	<b>85</b>
Capital Receipts - vehicles and PPE	237	500	550	550	550
Capital Receipts from Estates Strategy	2,042	1,262	215	0	0
Contributions (to)/from Revenue	9,294	3,938	4,012	4,068	4,566
Borrowing	2,841	5,239	1,811	1,694	2,625
<b>Projected in-year funding available</b>	<b>15,633</b>	<b>10,939</b>	<b>6,588</b>	<b>6,312</b>	<b>7,741</b>
<b>Capital and Project Plans</b>					
ICT	2,956	3,048	4,710	1,712	1,655
Fleet	2,951	3,934	4,359	4,418	3,195
Estates	2,841	5,239	1,811	1,694	2,625
Other Rolling Programmes and Schemes	1,219	770	821	913	900
Other Schemes	460	0	0	0	0
Assumed Slippage					-2,100
<b>Total Agreed Programme</b>	<b>10,427</b>	<b>12,991</b>	<b>11,701</b>	<b>8,737</b>	<b>6,276</b>
<b>Change Pipeline</b>	<b>10</b>	<b>2,687</b>	<b>2,199</b>	<b>1,563</b>	<b>1,544</b>
<b>Earmarked Reserve/Funding c/f</b>	<b>16,124</b>	<b>11,385</b>	<b>4,073</b>	<b>85</b>	<b>7</b>

## Appendix B

### Reserves Strategy

There is a requirement within the Financial Management Code of Practice to publish a Reserve Strategy and as part of arrangement to improve transparency:

- Each PCC should publish their reserves strategy on their website, either as part of their medium term financial plan or in a separate reserves strategy document. The reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve held for each year. The reserves strategy should cover resource and capital reserves and provide information for the period of the medium term financial plan (and at least two years ahead).
- Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the PFCC's medium term financial plan.

The strategy should be set out in a way that is clear and understandable for members of the public, and should include:

- how the level of the general reserve has been set;
- justification for holding a general reserve larger than five percent of budget;
- details of the activities or items to be funded from each earmarked reserve, and how these support the PFCC and Chief Constable's strategy to deliver a good quality service to the public.
- Where an earmarked reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.

The information on each reserve should make clear how much of the funding falls into the following three categories:

- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
- Funding for specific projects and programmes beyond the current planning period.
- As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).

With this in mind the Reserves Forecast across the MTFP are shown below, along with the necessary supporting information on the following pages:

## Reserves Forecast

The following schedule sets out the forecast movements on reserves over the life of the current long term financial plan, it is important to recognise that whilst the schedule sets out the expected use of the current reserves circumstances will change and all reserves will be reviewed at least annually. It is also important to recognise that there will undoubtedly be a need to create new reserves, in future years, to deal with risks that are currently unknown; therefore while the current schedule shows that the overall level of risks will reduce significantly, the likelihood is that they will not reduce in overall financial terms as exactly planned and that while current reserves are spent new reserves are likely to be needed to manage future risks

	Balance at 31 March 2022 £000	Tranfers In 2022/23 £000	Tranfers Out 2022/23 £000	Balance at 31 March 2023 £000	Tranfers In 2023/24 £000	Tranfers Out 2023/24 £000	Balance at 31 March 2024 £000	Tranfers In 2024/25 £000	Tranfers Out 2024/25 £000	Balance at 31 March 2025 £000	Tranfers In 2025/26 £000	Tranfers Out 2025/26 £000	Balance at 31 March 2026 £000	Tranfers In 2026/27 £000	Tranfers Out 2026/27 £000	Balance at 31 March 2027 £000
<b>Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.</b>																
PFCC Reserve	428	33	(33)	428			428			428			428			428
Capital Reserve	4,930	9,294	(6,378)	7,846	3,938	(10,438)	1,345	4,012	(5,357)	0	4,068	(4,068)	0	4,566	(4,566)	0
Firearms Licence Reserve	589			589		(30)	559		(30)	529		(30)	499		(30)	469
Investments Reserve	370		(176)	194			194			194			194			194
Training Reserve	400			400		(173)	227		(20)	207			207			207
Council Tax Reserve	442			442		(225)	217			217			217			217
COVID Reserve	50			50			50			50			50			50
ESMCP	787		(48)	739			739			739			739			739
FCR overtime	71			71			71			71			71			71
Commissioned Services Reserve	841			841		(243)	598		(54)	543		(58)	485		(10)	475
<b>Total Reserves within current MTFP</b>	<b>8,907</b>	<b>9,327</b>	<b>(6,635)</b>	<b>11,599</b>	<b>3,938</b>	<b>(11,108)</b>	<b>4,428</b>	<b>4,012</b>	<b>(5,461)</b>	<b>2,979</b>	<b>4,068</b>	<b>(4,156)</b>	<b>2,891</b>	<b>4,566</b>	<b>(4,606)</b>	<b>2,851</b>
<b>Funding for specific projects and programmes beyond the current planning period.</b>																
Confiscated Monies Reserve	327	130	(100)	357			357			357			357			357
Cost of Change Reserve	1,120		(819)	301	225	(393)	132			132			132			132
<b>Total Reserves beyond current MTFP</b>	<b>1,447</b>	<b>130</b>	<b>(919)</b>	<b>657</b>	<b>225</b>	<b>(393)</b>	<b>489</b>	<b>0</b>	<b>0</b>	<b>489</b>	<b>0</b>	<b>0</b>	<b>489</b>	<b>0</b>	<b>0</b>	<b>489</b>
<b>As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance)</b>																
Insurance Reserve	554			554			554			554			554			554
Pay and Pensions Reserve	1,850			1,850			1,850		(650)	1,200			1,200		(300)	900
Major Incident Reserve	1,007			1,007			1,007			1,007			1,007			1,007
<b>Total General Contingency Reserves</b>	<b>3,412</b>	<b>0</b>	<b>0</b>	<b>3,412</b>	<b>0</b>	<b>0</b>	<b>3,412</b>	<b>0</b>	<b>(650)</b>	<b>2,762</b>	<b>0</b>	<b>0</b>	<b>2,762</b>	<b>0</b>	<b>(300)</b>	<b>2,462</b>
<b>Total Earmarked Reserves</b>	<b>13,765</b>	<b>9,457</b>	<b>(7,554)</b>	<b>15,668</b>	<b>4,162</b>	<b>(11,501)</b>	<b>8,329</b>	<b>4,012</b>	<b>(6,111)</b>	<b>6,230</b>	<b>4,068</b>	<b>(4,156)</b>	<b>6,141</b>	<b>4,566</b>	<b>(4,906)</b>	<b>5,802</b>
<b>General Reserves</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>
<b>Total Usable Reserves</b>	<b>19,368</b>	<b>9,457</b>	<b>(7,554)</b>	<b>21,271</b>	<b>4,162</b>	<b>(11,501)</b>	<b>13,932</b>	<b>4,012</b>	<b>(6,111)</b>	<b>11,832</b>	<b>4,068</b>	<b>(4,156)</b>	<b>11,744</b>	<b>4,566</b>	<b>(4,906)</b>	<b>11,404</b>
<b>Capital Receipts Reserve</b>	<b>5,998</b>	<b>2,279</b>		<b>8,278</b>	<b>1,762</b>		<b>10,040</b>	<b>765</b>	<b>(6,732)</b>	<b>4,073</b>	<b>550</b>	<b>(4,537)</b>	<b>86</b>	<b>550</b>	<b>(629)</b>	<b>7</b>



## **Why have these Reserves been established and what will they used for?**

### **Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.**

#### **PFCC Reserve (Funding for Planned Expenditure over MTFP)**

The PFCC has established the reserve to support PFCC specific costs and initiatives. This reserve will support the transition to a Mayoral Combined Authority over the next 2 financial years.

#### **Capital Reserve (Funding for Planned Expenditure over MTFP)**

This reserve is held to meet the forecast costs of capital schemes which will enable the capital needs of the organisation to be funded in a sustainable manner, without the need to increase borrowing beyond what is determined to be a prudent level and to also provide some contingency to fund unknown investments whether these be from local changes or national initiatives.

#### **Change Reserve (Funding for Planned Expenditure over MTFP)**

This reserve is held to meet the forecast costs of additional fixed term resources that are needed to deliver Change within the Force.

#### **Firearms Licence Reserve (Funding for Planned Expenditure over MTFP)**

This reserve is held to meet the variable nature of income from Firearms versus the costs of administering the process.

#### **Investments Reserve (Funding for Planned Expenditure over MTFP)**

This reserve was created from a 'precept' underspend from 2019/20 and is to be invested in line with the PFCC proposals.

#### **Training Reserve (Funding for Planned Expenditure over MTFP)**

This reserve was created from an underspend from 2019/20 when not all planned training could be delivered in year. This is expected to be used to support 'catching up' with training that was paused during the pandemic.

#### **Collection Fund Reserve (Funding for Planned Expenditure over MTFP)**

This reserve will be utilised to support the Road Safety Partnership, with the remaining balance transfer to the Change Reserve.

#### **Covid Reserve (Funding for Planned Expenditure over MTFP)**

This reserve is expected to be fully utilised to support the additional costs arising from dealing with the pandemic.

#### **ESMCP Reserve (Funding for Planned Expenditure over MTFP)**

This specific funding from the Government is to be used to support the transition to the new Emergency Service Mobile Communications Platform and will be released in line with plans and Government timelines.

#### **Commissioned Services Reserve (Funding for Planned Expenditure over MTFP)**

To help manage the variable nature of and short term nature of some grants provided for this area of work this Reserve has been established from previous underspends in this area to help manage the uncertainties of funding changes and invest initially in new areas of work

## **Funding for specific projects and programmes beyond the current planning period.**

### **Confiscated Monies Reserve**

This reserve holds money raised from confiscated assets generated through the proceeds of crime, either directly or via grant from Central Government. The reserve is utilised to support crime fighting work, subject to statutory restrictions on usage

### **Cost of Change Reserve (Funding for Planned Expenditure over MTFP)**

This funding within this reserve is be released to the Change Reserve.

## **As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).**

### **Insurance Reserve (General Contingency Reserve)**

The Police, Fire and Crime Commissioner operates on a self-insurance basis determined by the level of excess on the cover provided by external policies. This reserve is ring-fenced for insurance requirements only and cannot be used for other purposes. It is calculated based on an historic assessment of claims history and is subjected to an actuarial audit to validate the fund level on a three-yearly basis. This reserve is available should the Police, Fire and Crime Commissioner face exceptional costs or suffer a major catastrophic incident or face premium increases which cannot be met by budget in year.

### **Pay and Pensions Reserve (General Contingency Reserve)**

The biggest risk within the financial plans are the cost pressures that result from Pay Awards that are higher than forecast. These awards are generally notified late in the financial year and therefore with little/no time to reduce spending if required. This reserve therefore provides a mechanism for meeting unexpected costs in this area, should they materialise, while long term savings plans are developed and delivered.

### **Major Incident Reserve (General Contingency Reserve)**

This reserve was established by transfer from revenue, and is held to contribute to the funding of any one off major incident revenue costs over and above the annual budget set aside for major incidents.