



## **POLICE & CRIME PANEL – 1 FEBRUARY 2024**

### **2024/25 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY**

#### **REPORT BY CHIEF FINANCE OFFICER**

#### **PURPOSE OF THE PAPER**

*To set out the Police and Crime Commissioner's proposals for the 2024/25 budget, precept and the medium term financial strategy.*

#### **1. BACKGROUND**

- 1.1. The Police and Crime Commissioner (PCC) for each force area is required each year to set a balanced budget, including the precept to be charged to council taxpayers. All funding is received by the PCC, and they consult with the Chief Constable to determine how the funding should be allocated to ensure an efficient and effective police service.
- 1.2. In respect of the precept element of the budget, the PCC is required to notify the Police and Crime Panel of the proposed precept by 1 February each year, which must be considered within a week. The Panel can either accept the precept or veto it, subject to two thirds of the Panel supporting the veto. In the event of a veto, the PCC must present a revised precept by 15 February, which the Panel must consider by 22 February. A reserve date of 15 February 2024 has been set for a second meeting of the Panel, should this become necessary.

#### **2. STRATEGIC APPROACH**

- 2.1. In October 2021, the Police and Crime Commissioner launched his Police and Crime Plan for 2021 – 2029 which sets out the strategic intent for policing in Dorset. Within the plan there are six priority areas working towards the vision of making Dorset the safest county. The six priority areas are:
  - Cut Crime and Anti-Social Behaviour (ASB)
  - Make Policing More Visible and Connected
  - Fight Violent Crime and High Harm
  - Fight Rural Crime
  - Put Victims and Communities First
  - Make Every Penny Count
- 2.2. The Financial Strategy, including the Capital Strategy, Reserves Strategy and Treasury Management Strategy are used to translate the vision of the Police and Crime Plan into the detailed budget, with the Medium Term Financial Plan setting out what this looks like for future years.

- 2.3. The strategic approach taken to developing the 2024/25 budget proposals is to take a longer-term view to ensure that decisions taken are sustainable, building greater financial resilience and delivering value for money for Dorset residents.

### 3. CORE FUNDING

- 3.1. The core funding for the revenue budget comes from two main sources: government grant and council tax, with the split between the two almost equal. The funding from each source is set out in the table below:

Funding	2023/24 £		2024/25 £		Change £
Government Grant	78,947,888	(48.5%)	83,212,415	(48.4%)	4,264,527
Council Tax Precept	83,406,053		88,130,280		4,724,227
Collection Fund Balance	520,457		532,243		11,786
Total Council Tax funding	83,926,510	(51.5%)	88,662,523	(51.6%)	
Total Core Funding	162,874,398		171,874,938		9,000,540

- 3.2. The figures for 2023/24 in the above table are those announced in the Settlement last year and therefore the figures built into the current year's budget. During the year, additional pay award grant of £2.7m was received and this was included in the comparative figures used in the 24/25 Settlement.

#### Government Grant

- 3.3. The Spending Review announced in the Autumn of 2021 was for a three-year period, from 2022/23 to 2024/25, and set out the level of funding each Government Department will have to spend for each year. Key announcements for Policing in the Spending Review included:
- £550m increase in police funding in 2022/23 to deliver the final year of the Police Uplift Programme.
  - Police funding to increase by a further £100m in 2023/24 and another £150m in 2024/25, taking total increases to £650m and £800m respectively when compared with 2021/22.
  - £10 council tax referendum limit for Police and Crime Commissioners for each year of the review.
- 3.4. Whilst the Autumn Statement 2023 did not provide any detail on the funding for policing, the Department for Levelling Up, Housing and Communities (DLUHC) issued a Finance Policy Statement on 5 December 2023 setting out the council tax referendum principles for 2024/25. This confirmed that the referendum limit for Police and Crime Commissioners would be £13 in 2024/25.
- 3.5. The detailed funding for each PCC is not announced until the Provisional Finance Settlement in December each year with the final Settlement confirmed in January. For 2024/25 the Provisional Finance Settlement was issued on 14 December 2023 but at the time of writing this report, the Final Settlement had not been confirmed. A verbal update will be provided at the meeting.
- 3.6. The Government Grant is made up of two main elements; Police Grant and Legacy Council Tax Grants. The settlement confirmed that the legacy council tax grants would remain at the same level as 2022/23. In addition to the increase originally set out in the Spending Review, there was additional grant provided towards the costs of the 7% pay award agreed with effect from 1 September 2023.

- 3.7. As in previous years, a proportion of the funding will be allocated to Police and Crime Commissioners through a ring-fenced grant with the remaining funding allocated through the core grant. This ring-fenced grant is conditional on the maintenance of police officer numbers.
- 3.8. Alongside the settlement an additional grant was offered if forces who had undertaken additional recruitment of officers in 2023/24 wished to continue with funding those officers. This would increase the headcount required to be maintained to receive the ringfenced grant but would result in additional funding on a permanent basis. For Dorset this equates to 17 officers and £816,000 grant
- 3.9. In addition to the core grant, the settlement also confirmed that the Pensions Grant would increase as a result of the Police Officer Pension Scheme revaluation which takes effect in 2024/25.
- 3.10. The funding for Dorset in 2024/25 announced in the settlement is set out below. Whilst the core grants make up the funding for the budget alongside the precept, the specific grants are required to be built into the budget as income. The funding for 2023/24 is included for comparison and shows the breakdown included in the tables accompanying the Written Ministerial Statement.

	2023/24 £	2024/25 £	Change £
Police Grant	71,029,314	75,293,841	4,264,527
Legacy Council Tax Grant	7,918,574	7,918,574	0
In year pay award grant (23/24)	2,737,260		(2,737,260)
<b>Total Core Funding</b>	<b>81,685,148</b>	<b>83,212,415</b>	<b>1,527,267</b>
Ring-fenced Grant	2,281,050	3,525,259	1,244,209
Pension Grant	1,379,367	4,408,083	3,028,716
Additional Recruitment (24/25)	0	816,000	816,000
<b>Total Specific Grants</b>	<b>3,660,417</b>	<b>8,749,342</b>	<b>5,088,925</b>
<b>Total Settlement Funding</b>	<b>85,345,565</b>	<b>91,961,757</b>	<b>6,616,192</b>

### Council Tax

- 3.11. The council tax precept is the total amount charged to Dorset residents. The Band D council tax charge is calculated by dividing the total precept by the taxbase. While the setting of the precept, and therefore the Band D council tax charge, is a local decision, the increase in the Band D charge must be within the referendum principles set by the Government or the increase must be supported by a public referendum. For 2024/25 the referendum limit for policing has been set at £13 per year.
- 3.12. The Minister of State for Crime, Policing and Fire's written statement for the provisional 2024/25 police finance settlement set out an assumption that PCCs would maximise this council tax flexibility.
- 3.13. The taxbase is calculated by each local authority in Dorset and is the number of Band D equivalent properties in Dorset liable to pay council tax, after taking account of discounts, collection rates and local council tax support schemes. In recent years, the total Dorset taxbase has increased by an average of 1.15% but reduced in 2021/22 by 1.3% as a result of the pandemic. The taxbase has partially recovered over the last couple of years but remains lower than the taxbase would have been if it had continued to grow by the average 1.15%. For 2024/25 the taxbase has increased by 0.99%.

<b>Band D equivalents</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Bournemouth, Christchurch & Poole	139,910.2	141,772.0	142,995.7	139,170.5	142,814.0	144,839.0	146,342.0
Dorset	145,724.3	148,087.2	148,410.8	148,319.7	150,617.9	152,424.0	153,849.7
Total Taxbase	285,634.5	289,859.2	291,406.5	287,490.2	293,431.9	297,263.0	300,191.7
Increase / (Decrease)	1.4%	1.5%	0.5%	(1.3%)	2.0%	1.3%	1.0%

3.14. This growth in taxbase means the precept will generate over £0.8m more than 2023/24 before any increase in the Band D charge is considered.

3.15. In addition to the precept, funding also usually comes from the collection fund surplus generated by the local authorities. A surplus arises from a variety of factors such as improved collection rates, ongoing collection of prior year charges or higher growth of properties than estimated.

3.16. The table below sets out the position for each council and the overall impact for Dorset Police.

	<b>Bournemouth, Christchurch &amp; Poole</b>	<b>Dorset Council</b>	<b>Total</b>
2024/25 Surplus	498,271	33,972	532,243

3.17. For 2024/25 the proposed council tax precept and collection fund surplus for each local authority area is as follows:

<b>Funding</b>	<b>Bournemouth, Christchurch &amp; Poole £</b>	<b>Dorset Council £</b>	<b>Total £</b>
Council Tax Precept	42,963,085	45,167,195	88,130,280
Collection fund Surplus	498,271	33,972	532,243
Total	43,461,356	45,201,167	88,662,523

#### **4. CHIEF CONSTABLE'S BUDGET**

4.1. Over 98% of the budget is delegated to the Chief Constable for the operational delivery of policing in Dorset. The Chief Constable has requested the increase in precept as a result of a number of cost pressures within the budget. Key cost pressures and assumptions are outlined below, and the detailed budget is set out in Appendix 1.

##### **Pay Budget**

4.2. Pay and Employment costs make up over 88% of the Chief Constable's budget therefore it is unsurprising that it produces the largest budget pressure. The pay award is one of the largest assumptions included within the budget. In the 2023/24 budget the pay award was assumed

to be 2%, in line with the Spending Review assumptions. Additional grant had been provided in 2022/23 for the pay award being higher than the Spending Review therefore it was anticipated that this would continue.

- 4.3. The nationally agreed pay award for both officers and staff was announced during the summer at 7% and came into effect on 1 September 2023. As expected, additional grant was provided but for costs above 2.5% and was distributed on the basis of funding formula shares. Whilst the total amount of funding provided nationally may have been adequate, the impact of the allocation mechanism has resulted in a shortfall for Dorset. The additional costs of the 2023/24 pay award on the 2024/25 budget is £6.6m with the additional grant incorporated into the total funding estimated to be £4.2m.
- 4.4. For 2024/25 the pay award assumption for both officers and staff has been included at 2.5% in line with the unfunded element of the 2023/24 pay award at a cost of £2.4m. It is assumed that any pay award agreed in excess of this level will be covered by additional grant.
- 4.5. In addition to the pay award there are increased costs for contractual pay increments and associated impact on National Insurance and pension contributions from the increases in pay. In total, these increases and those for the pay award total £10.8m.
- 4.6. During the year, the revaluation of the Police Officer Pension Scheme was completed and will come into effect from 1 April 2024. The revaluation increased the contribution rate from 31% to 35.3% costing an extra £2.6m. In addition, there are some costs associated with implementing the pension remedy of around £0.4m. These are all covered by the increased pension grant in 2024/25 however this grant is not forecast to increase over the Medium Term Financial Forecast therefore the increased contribution rate will increase pressures in future years.

#### **Inflation**

- 4.7. Whilst the inflation rate has now fallen from its high point in October 2022, prices are still rising and causing pressure on the budget. Whilst no general inflation increase has been applied to budgets there are a number of areas where increases are required. In particular IT contracts, PFI costs and business rates are three of the biggest pressures. In total the inflation pressures are £1.7m but this is significantly less than in previous years.

#### **Impacts of the Capital Programme**

- 4.8. As there is no longer any capital grant provided to fund the capital programme the revenue budget and borrowing are the two main sources of funding for the capital programme. The capital programme continues to move towards a sustainable position over the medium term with a further increase to the revenue contribution of £1m in 2024/25. However, there is still a requirement for borrowing and the associated revenue costs of this add another £0.1m to the budget.

#### **Service Developments**

- 4.9. There are a number of service improvements that have been implemented during the year which now need to be built permanently into the budget. These include further firearms licensing investment, investigation capacity and the new IT Managed Service contract. There are also some mandated increases to services as well as some once off costs such as additional resources to support delivery of the cost challenge changes and specialist advice relating to the ending of our PFI contracts. In total these improvements total £2.2m but £0.5m of these will be funded from earmarked reserves.

#### **Efficiency Savings**

- 4.10. As part of the process to build the budget each line is reviewed to identify potential efficiency savings and budget holders were challenged to identify savings which can be delivered with no impact on services. This has identified savings totalling £1.8m from areas such as

reduced utilities costs and fuel, savings from Robotic Process Automation and efficiencies from the regional collaboration budgets.

### **Additional Specific Grants**

- 4.11. Alongside the Settlement, the Home Office announced some further grants that would be available for Forces. The trial of Hotspot Policing to target Anti-Social Behaviour will be rolled out to all forces from 1 April 2024 with each force receiving at least £1m. Dorset is set to receive £1m, and this will be a welcome addition and has been built into the 2024/25 budget.
- 4.12. There may also be an opportunity for funding for more additional officers with further details expected to be published in January. As these details have not yet been received no allowance has been factored into the 2024/25 budget at this time.

### **Summary Position and Balancing the Budget**

- 4.13. Taking into account all of the budget pressures, the efficiency savings, additional income and the proposed increased precept there still remains a budget gap of £2.7m. Following the requirement to deliver £7.3m savings in the current financial year, the Force has undertaken a comprehensive cost challenge process to develop the savings programme to deliver a balanced budget.
- 4.14. The cost challenge process involved members of the Force Executive working with Commanders and Department Heads to develop budget options to close the gap. This also included a review of the HMICFRS Value for Money profiles, the Force Management Statement and information emerging from the Operating Model review in order to identify areas for consideration.
- 4.15. Each area put forward has been assessed in terms of risk, impact and deliverability with savings only factored into the plan based on when they expect to be achieved. This means that the total value of savings options exceeds that required in 2024/25 and will make contributions to the 2025/26 budget position when the full year effect is realised, assuming all savings can be delivered.
- 4.16. In order to develop the detailed actions to deliver the savings, a number of reviews will be undertaken. These will look in detail at each area, looking at how the service could be delivered differently at less cost. This will involve challenging how the service is currently delivered, looking at best practice and how other forces operate, and considering if technology can play a part in increasing efficiency and productivity. Areas for review include:
  - Custody
  - Training Delivery
  - Prevention
  - Rank Structure and supernumerary officers
  - Long term vacancies
- 4.17. Whilst the reviews have not yet been undertaken, it is anticipated that some of the outcomes from the reviews will include the removal of vacant police staff posts which would otherwise have been filled, the posting of police officers into roles previously held by police staff, and other changes to how individual policing services operate. The reviews will consider the impacts of these changes on service delivery and develop Equality Impact Assessments before final decisions are made. The Force has given its commitment to making savings in posts that result in the least disruption to operational service delivery, and to careful management of the use of officers to fill posts previously held by members of police staff.
- 4.18. The delivery of the savings plan will be carefully monitored by the renamed Efficiency and Productivity Board who currently meet fortnightly to receive progress updates. By working on a savings programme which exceeds those required for the 2024/25 budget, the Force will have flexibility if some savings under deliver or take longer than anticipated but will also

enable the Force to factor in any additional income which might be received after the budget is set, for example the potential additional funding from additional officer recruitment outlined in paragraph 4.12. This savings plan will enable a balanced budget to be set for 2024/25.

- 4.19. Alongside the savings programme the Force continues to develop its future operating model; identifying opportunities to work differently to improve productivity and improve services. It is designed to be affordable and sustainable, and it is therefore important that the financial savings programme is aligned to this model, enabling the consideration of how impacts of the savings may be able to be mitigated under the new model.
- 4.20. Given the significant amount of change that is likely to be generated from the reviews outlined above it is acknowledged that additional change management resources will be required in order to deliver the changes when needed. A budget of £300,000 has been included for this purpose to be funded from the Workforce Change reserve.

## **5. CAPITAL BUDGET**

- 5.1. The capital programme is primarily made up of two types of projects: rolling programmes of replacing existing capital assets such as vehicles and IT equipment and more once off investments in the future such as PRISM and the Futures project. In order to achieve a sustainable, affordable programme, the Force is moving to a position where all recurring programme spend is funded from the recurring source of revenue contributions. This approach began in 2020/21 but will take some time before this can be achieved.
- 5.2. The Capital Strategy Group has thoroughly reviewed each scheme, challenging budget holders over timescales and estimated costs in order to develop a realistic, affordable programme based on the latest information.
- 5.3. Slippage identified in the current year's programme has been built into the 2024/25 budget and will be kept under review by the Capital Strategy Group. Any further slippage at the year end will be added into the 2024/25 programme through the usual carry forward process. As in 2023/24, an allowance for slippage of schemes has been included within the programme reflecting the continuation of extended lead times and procurement challenges.
- 5.4. The programme does include some projects, primarily in years beyond 2024/25, that are still subject to the production of a detailed business case. As such they are not fully approved and will be revised when further detail becomes available, and authorisation is provided to proceed. This is likely to be during the next financial year.
- 5.5. One area that is not reflected in the capital programme is the impact of the move to electric vehicles including the provision of further electric vehicles and the required electric charging infrastructure. Work has begun on developing a business case but at this time there is insufficient information available in order to be able to build an estimate into the capital programme.
- 5.6. In addition to the revenue contributions, the main source of funding for the capital programme is borrowing. Borrowing will be applied to the assets with the longest life in order to minimise revenue costs. This will be managed through the Treasury Management Strategy through either cashflow (internal borrowing) or external loans through the Public Works Loan Board (PWLB). The full suite of Prudential Indicators are included within the Treasury Management Strategy.
- 5.7. The summary Capital Programme for 2024/25 to 2027/28 is set out in Appendix 2.

## 6. OFFICE OF THE POLICE AND CRIME COMMISSIONER BUDGET

- 6.1. The budget for the Office of the Police and Crime Commissioner is exposed to the same challenges as the Force in relation to pay awards, increments and inflation. These have been accommodated where possible but has resulted in an increase of £0.16m up to £1.62m for 2024/25.
- 6.2. In 2024/25 the budget also includes costs relating to the creation of the Violence Reduction Unit as outlined to the Panel in the Violent Crime and Prevention paper at the previous meeting. These costs will be fully funded from the Earmarked Reserves in 2024/25 with the total funding set aside for the Unit transferred to the new Violence Reduction Reserve from the Police and Crime Plan Reserve.

## 7. PROPOSED PRECEPT

- 7.1. Following the Provisional Finance Settlement and the confirmation of the £13 council tax referendum limit for 2024/25 the PCC is consulting the public on the full use of the council tax flexibilities.
- 7.2. The consultation was launched on 20 December 2023 and will run until the end of January 2024. A total of eight face to face roadshows sessions have been held across the county in addition to the online elements of the survey. At the time of writing the survey is still open therefore a verbal update will be provided at the meeting on the final results.
- 7.3. As at 23 January 2024 there had been 1,930 responses with 75% of respondents agreeing that Dorset Police requires additional funding, and 57% being willing to pay an additional sum per year to help the Force achieve a balanced budget. This year a range of values were offered with 31% supporting an extra £30 per year, 14% supporting an extra £20 and 12% supporting the £13 per year.
- 7.4. Whilst it is reassuring that the majority are willing to pay an increased amount for Policing in Dorset, there is still a significant percentage of people who are not. Whilst many say this is because funding should be provided centrally, the cost of living crisis is also a significant issue for many people across Dorset. The primary means of addressing the affordability difficulties is the Local Council Tax Support (LCTS) Schemes operated by the two councils in Dorset. Both are means tested but provide support to those on low incomes. For those of pensionable age this provides support of up to 100% of the bill as part of a national scheme. In BCP, working age claimants can get support of up to 80% of the total bill. In Dorset the scheme has been updated for next year, meaning that from 1 April 2024 the scheme will provide support of up to 100% of the bill for working age claimants.
- 7.5. As a result, the PCC is proposing to increase the precept to £88,130,280. This will result in a Band D charge of £293.58, an increase of £13 per annum or £1.08 per month.
- 7.6. It is worth remembering that while Band D is the national average Band, the most common Band within Dorset is Band C and over 56% of properties are in Band A to C. The impact on each Band charge is set out below:

	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
2023/24 Charge	£187.05	£218.23	£249.40	£280.58	£342.93	£405.28	£467.63	£561.16
Annual Increase	£8.67	£10.11	£11.56	£13.00	£15.89	£18.78	£21.67	£26.00
2024/25 Charge	£195.72	£228.34	£260.96	£293.58	£358.82	£424.06	£489.30	£587.16



## 8. MEDIUM TERM FINANCIAL STRATEGY

8.1. As part of the budget setting process the medium term financial strategy has been reviewed and updated, extending it until 2027/28. Some of the key assumptions included within the strategy are:

- Pay award of 2% per annum from 2025/26.
- Core grant increase of 0.5% in 2025/26 and 0% thereafter.
- Council taxbase increase of 1% each year.
- Council tax increase of £10 per annum (equivalent to 3.4% for 2025/26, 3.3% for 2026/27 and 3.2% in 2027/28).

8.2. These assumptions produce the following central case budget position until 2027/28:

	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>
Budget Requirement	178,076	183,361	188,488
Total Funding	176,132	180,115	184,168
Budget Gap	1,944	3,246	4,320

8.3. The above forecast shows budget gaps in each year, but these are at a lower level than the gaps addressed in the last two years. The budget savings plan for 2024/25 will also produce further savings in 2025/26 from the full year effects and these have been factored into the forecast above. New savings will therefore need to be identified in order to address these gaps. This will be co-ordinated by the Efficiency and Productivity Board as we go through the year.

8.4. This year, more than in recent times, the above forecast contains many uncertainties with little data available on which to base the assumptions. In the previous three years, whilst there were no finance settlements available at individual force level, the three-year Spending Review provided information on the funding available to policing in general. This enabled reasonable estimates to be forecast, including the likely council tax referendum limits. From 2025/26 a new Spending Review will need to be undertaken therefore the central case forecast is largely based on assuming current funding levels continue.

8.5. In order to provide an indication of the variation assumptions can create, best and worst case scenarios have been prepared by adjusting the above key assumptions to determine a range within which the real position might fall. The table below shows the cumulative position of each case over the next 3 years.

<b>(Surplus) / Deficit</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>
Best Case	(833)	(2,268)	(4,144)
Central Case	1,944	3,246	4,320
Worst Case	4,020	7,226	10,845

8.6. At this stage, no assessment has been made about any potential impact from the Formula Funding Review which is in progress. We are still waiting for the initial consultation on the potential factors to be included, and whilst the Home Office have acknowledged the need to recognise sparsity and seasonality there are no guarantees it will be included in the final formula. In previous reviews, Dorset Police has been due to receive additional funding, however, there is no guarantee that this review will reach a similar conclusion. The work of the national group will be kept under review.

8.7. No allowance has also been made for any additional precept arising from changes to premiums for second homes and empty properties as a result of the Levelling Up and Regeneration Act. Whilst this may impact on 2025/26 at the earliest, the decision to levy any premiums is one for Billing Authorities.

## 9. RESERVES

9.1. The PCC holds two types of reserves, earmarked reserves and general reserves. Earmarked reserves are funds set aside for specific purposes such as the cost of uplift or changes to the workforce. They are currently estimated to be in the region of £4.0m by 31 March 2024 before any carry forward requests are made. There are four uses of earmarked reserves included in the 2024/25 budget as set out below:

Reserve	Amount	Purpose
Budget Management Reserve	£200,000	Specialist advice for PFI contracts
Workforce Development Reserve	£300,000	Change resources
PEQF Reserve	£47,000	To support the costs of the PEQF course
Violence Reduction Reserve (formerly held within the PCP Reserve)	£135,000	Year 1 cost of the Violence Reduction Unit

9.2. General Reserves are held to cover costs from unexpected events or emergencies. The PCC's Reserves Strategy, in accordance with Home Office guidance, is to keep the level of general reserves between 3% and 5% of net revenue expenditure. For 2024/25, based on net revenue expenditure of approximately £171.9m this would indicate reserves of between £5.16m and £8.59m. General Reserves are estimated to be £5.96m at 31 March 2024. This is equivalent to 3.47% of net revenue expenditure for 2024/25 and drops to 3.24% of net revenue expenditure in 2027/28, based on the central case medium term financial strategy.

9.3. In order to maintain the General Reserves and with the uncertainty of the forecast going forward, it is proposed to contribute £100,000 of the collection fund surplus in 2024/25 to general reserves, thereby increasing the balance to 3.53% in 2024/25. The forecast assumes that this practice will continue each year and therefore maintains General Reserves at 3.5% of net revenue expenditure over the medium term.

9.4. As a result, the Chief Finance Officer can confirm that the level of reserves is adequate.

9.5. Further details on the reserves are set out in the Reserves Strategy, included at Appendix 3.

## 10. ROBUSTNESS OF THE BUDGET

10.1. In addition to determining the adequacy of reserves, Section 25 of Local Government Act 2003 requires all Chief Finance Officers to make a statement regarding the robustness of the budget estimates at the time the budget is set. The PCC has a statutory duty to have regard to that report when making decisions about the budget.

10.2. The budget proposals have been developed using the latest information and variances reported in the current financial year. The base budget has undergone comprehensive review and challenge by Finance, Budget Holders and the Senior Executive of the Force as part of the Cost Challenge process and has been overseen by the Efficiency and Productivity Board. Outcomes from the Cost Challenge process have been scrutinised by Resource Control Board and Joint Leadership Board.

10.3. As previously mentioned, pay costs make up the vast majority of costs within the budget. These costs are built up on an individual basis using spreadsheets and are a significant part of the budget build process. However, the pay award assumption remains a key risk within

the 2024/25 budget. The 2.5% allowance is in line with the cost expected to be funded by forces in the current year with grant being provided for costs above this level. Whilst there remains a risk of shortfall if any future grants continue to be distributed in accordance with the funding formula, falling inflation would suggest it is unlikely to be at the same value as 2023/24. The maintenance of general reserves at 3.5% of net revenue expenditure to assist with mitigating this risk means that a reasonable approach has been made to assessing this risk and a robust estimate has been provided.

- 10.4. An emerging risk within the pay budget is the number of Police Officer leavers. This has not been an issue previously but recently the number of leavers has been reducing. Whilst this is good news in terms of retaining experience and knowledge it does create pressure on the budget as a certain number of leavers are factored into the calculations. This is being experienced by all forces therefore is carefully monitored by the Workforce Planning Board and Resource Control Board. A reduced assumption for leavers has been factored into the budget for 2024/25 but there is very little data available on which to base this assumption.
- 10.5. The approach to balancing the budget taken by the Force is comprehensive. The savings reviews have been given reasonable timeframes to be completed and savings have only been built into the budget allowing appropriate timescales for implementation. However, this remains challenging to complete and progress will need to be made promptly and consistently. The inclusion of targets over and above those required to balance the budget in 2024/25 builds in a good flexibility and contingency for delivering savings in 2024/25 but also starts to progress towards addressing the challenges forecast for 2025/26 and beyond.
- 10.6. The governance arrangements in place for oversight of the savings progress are well established through the Efficiency and Procurement Board and Resource Control Board. Work on the Operating Model is overseen by the Continuous Improvement Board and care will need to be taken to ensure these two key pieces of work remain in alignment. The Force is very mindful of this issue and is working hard to ensure the co-ordination of both programmes.
- 10.7. A key aspect of ensuring the budget is robust is ensuring that once off sources of funding are only utilised for once off expenditure. The Collection Fund surplus represents a significant once off funding source within the 2024/25 budget and has been used to fund once off items of expenditure as set out below:

	£
Gross Collection Fund Surplus	532,243
Contribution to General Reserves	100,000
Temporary Staff (Crime and Criminal Justice and People Departments)	262,243
Regional Collaboration Capital contribution	170,000
Total	532,243

- 10.8. The use of earmarked reserves are also related to once off costs as set out in Paragraph 9.1
- 10.9. Whilst the Finance Settlement has not been finalised at the time of writing this report, it is not anticipated that significant changes will be made affecting the robustness of the budget. This position will be reviewed once the final details are received, and an update provided at the meeting. Further detail on the risks associated with the budget are set out in Appendix 4.
- 10.10. The Chief Finance Officer for the Force has reviewed the estimates and assumptions used in preparing the 2024/25 budget and has confirmed that they present a robust budget for the year. Taking this all into account, I am able to provide a positive assurance statement

concerning the robustness of the budget estimates for 2024/25 and the adequacy of reserves as outlined in section 9.

10.11. Looking ahead to the medium term, from 2025/26 and beyond the position becomes much more uncertain. It is very difficult to make forecasts with any certainty given the significant number of unknowns or national changes that are anticipated such as:

- Impact of the General Election due this year
- New Spending Review for 2025/26 – will this be single or multiple years? What will this mean for the ring fencing of grants for the maintenance of officer numbers?
- Approach to council tax referendum principles.
- Review of the police funding formula.
- Implementation of council tax premiums for second homes and empty properties by local billing authorities.

10.12. However, policing is a dynamic and largely reactive service, and will always be subject to the level of demand and complexity that impacts upon it. Budgetary pressures across the wider public sector have led to difficult decisions being made elsewhere, just as they have in policing, and this will likely result in a collective diminution to the partnership response to community safety, prevention and crime reduction.

10.13. Whilst the worst case scenario in the medium term financial plan might appear almost catastrophic, with a few slight tweaks of the assumptions the deficit turns into a surplus. Given the sheer number of significant uncertainties outlined above it does not feel necessary to change our approach at this stage. Continuing to plan for the central case, until more information becomes available remains the most appropriate course of action, but this will be kept under constant review as the issues develop.

## **11. CONCLUSION AND RECOMMENDATION**

11.1. Like all forces and other public sector bodies, the Force is facing significant cost pressures as outlined in this report. In order to address these pressures and continue the good work in delivering the Police and Crime Plan, it is necessary to increase the precept. Without the proposed increase, significantly more budget reductions would be required and would lead to a reduction in frontline services.

11.2. The Police and Crime Panel are, therefore, recommended to consider the PCC's proposal to increase the precept for 2024/25 to £88,130,280, equivalent to a Band D charge of £293.58, an increase of £13 per annum or £1.08 per month (4.6%), as set out in Appendix 5.

### **JULIE STRANGE CPFA CHIEF FINANCE OFFICER**

Appendix 1 – 2024/25 Budget Requirement

Appendix 2 – Capital Programme

Appendix 3 – Reserves Strategy

Appendix 4 – Risks

Appendix 5 – Council Tax Requirements

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