

Section 25 Report of the Section 151 PFCC Chief Finance Officer

The PFCC's final precept intentions of £10 takes into account public consultation alongside prudent assumptions based on the best information available, the MTFP and the reserves position and still enables an element to be ring fenced for investment.

At the meetings with the Force in December 2021 and January 2022, I attended, together with the Force S151 Chief Finance Officer to provide assurance to the PFCC and the CC that these factors have been considered. The CC and his team have been fully involved in the budget discussions and they have discussed revenue and capital requirements for 2022/23 and future years with the PFCC.

At the meetings and since those dates, dialogue, scrutiny and challenge has continued where new factors or information have been highlighted and discussed.

Under the newly established Joint Finance Team, the process has progressed for the 2022/23 budget. During the preparation of the budget I have been given full access to the budget model and have been consulted on the assumptions being made and methodologies and where possible aligned these with national PAACTS colleagues.

The budget for 2022/23 has been a zero-based budget approach and only previously agreed growth, contractual commitments or unavoidable pressures have been built in. It is a structured and consistent process and I have received responses to queries and/or points of clarification. Where I have sought changes, they have been incorporated.

I have worked with the PFCC to agree or require changes to base budget pressures proposed by the Force.

I will work with the PFCC and the Force to review and consider any set aside proposals for investment when they have been agreed and monitor the implementation and allocate resources to meet these costs when required.

In preparing the MTFP, working with the Force S151 Officer we modelled several best mid and worst case scenarios across council taxbase assumptions and precept increases ranging from 1.99% to £10 to help inform the PFCC considerations in determining his precept proposal for 2022/23. As the information from the settlement and taxbase became clearer, we continued to review and refine the MTFP.

Whilst Police grant allocations were lower than anticipated for 2022/23, this was due to the allocation meeting additional costs such as the NI levy. The three year settlement indications give some assurance that the current levels will be maintained in future years. However, the cost of inflation will have a significant impact if costs vary from those assumed and I am aware that the PFCC has written to the Policing Minister seeking assurance that any pay award costs in excess of budget will be funded nationally. No assurance has been provided, therefore, this remains an uncertainty which could significantly impact on the forecasts.

At a £10 precept for three years, there will be a revenue shortfall of just under £4m by 2025/26 on the budget (equating to approximately 2%).

Reserves are sufficient to meet this shortfall supplemented by the savings programme being introduced by the Chief Constable which is intended to achieve efficiencies to meet these challenges.

I am assured that the Force budget for 2021/22 is forecast to come in on or close to budget and as such will not place any pressure on 2022/23 or future years.

However the uncertainty challenges are mitigated in part by the PFCC's continued commitment to investing in technology that provides efficiencies and supporting the work of the enabling services programme.

I am supportive of the further developments in the finance area, with particular attention to the preparations required for leaving the Multi Force Shared Service in 2022 and the work involved with new system arrangements from April 2022. I am updated regularly on progress and attend the Future systems board to gain assurance on the plans and timescales. I have not been made aware of any critical issues at this stage and will continue to seek assurances until after implementation.

I am assured by the commitment to the collaboration and enabling services work and the Joint Estates Strategy which will assist in identifying future savings; but it is essential that estate disposals and activities are undertaken in a timely manner to enable benefits and savings to be realised.

I have reviewed the detailed calculations in arriving at the budget requirement and Council Tax precept and options and find these to be robust. I also have sought and received authorisations from billing authorities in relation to taxbase and Council Tax surplus/deficits and I am grateful to all partners for their support in doing so.

It has been possible for the PFCC to develop a budget that supports most of the Force operational pressures and demands, balances the views of the public from the consultation and gives the opportunity for further investment to support the delivery of the priorities set out in the Police, Fire and Crime Plan.

There is an operational contingency available to the Chief Constable, and sufficient general reserves available should operational demands require access to these. Earmarked reserves are in place for specific requirements and in his budget the PFCC has identified further priority areas for earmarked reserves, in line with Police Fire and Crime Plan priorities.

The sections in this report on "Future Risks, Challenges and Uncertainties", "Pensions" and the "MTFP" highlight significant unknown issues moving forwards in the medium term. The continuing impact of COVID-19, the impact of a future funding formula and the future economic climate are currently unknown. Where possible forecasts and estimates are included within the MTFP and all opportunities for government funding are pursued to ensure any financial impact on Policing is minimised.

In coming to my conclusion on the robustness of the budget I have also reviewed the Capital Programme and Reserves Strategy.

The Capital Programme is regularly reviewed and all opportunities are taken to rephase the programme, seek external funding and apply for grants. All of these would assist in mitigating costs on the revenue budget.

General Reserves are established at £5m above the guideline level and as at the 31 March 2025, it is estimated that there will be over £10m of revenue reserves available to support the budget and mitigate challenges if required.

Whilst a balanced budget is available for the next three years, after that time, the landscape is less certain and it is reasonable to assume that the operational and financial challenges will continue and these are reflected as best estimates in the MTFP.

I conclude, therefore, that the budget for 2022/23:

- 1. Has been prepared on a robust basis, and*
- 2. Continues with the intention to recruit additional police officers in line with the national uplift, increasing to over 1500 by March 2023.*
- 3. Includes investment to help manage demand and increase efficiency and/or capacity.*
- 4. The budget can be balanced for the next three financial years, with a savings plan and work is already underway by the Chief Constable to identify the balance after that time. Furthermore, reserves are adequate to mitigate the impact of the shortfalls in the MTFP over the five year period if full savings are not forthcoming.*
- 5. The financial landscape after 2022/23 is less certain and the PFCC will continue to push for certainty. The MTFP will be under regular review as savings plans progress.*