



Philip Seccombe  
Police and Crime  
Commissioner  
for Warwickshire

# 2022/23 Budget and Medium Term Financial Plan 2022/23 – 2026/27

|                                                      |                  |
|------------------------------------------------------|------------------|
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| <b>Report Date</b>                                   | 11 February 2022 |
| <b>Security Classification</b>                       | OFFICIAL         |
| <b>Disclosable under Freedom of Information Act?</b> | Yes              |

## 1. Purpose of the Report

The purpose of this report is to set out the budget and precept proposals for decision by the Police and Crime Commissioner (PCC). This is the first budget of his second term in office. It is one of the key responsibilities and one of the most important annual decisions that he will make under the Police and Social Responsibility Act 2011. The Commissioner presented his draft budget and precept proposal to the Police and Crime Panel on the 27<sup>th</sup> January 2022, including a £9.99 precept increase. The Panel chose not to support his proposal. A subsequent meeting on the 10<sup>th</sup> February was held to present an updated draft budget and a revised precept increase proposal of £9.75.

This report outlines the final revenue and capital budget and medium term financial plan (MTFP) including reserve balances, based on a £9.75 increase, for approval by the Commissioner .

## 2. Recommendations

The Commissioner is recommended to approve:

- a) A net revenue budget after savings of **£121.438m**
- b) A net revenue contribution from reserves of **£0.050m**, being made up of a £0.250m transfer from the road safety reserve to fund in year work, and a £0.200m contribution to a new sustainability reserve, which can be bid against in year to support green initiatives.
- c) A net budget requirement of **£121.388m**
- d) Council tax for a band D property of **£262.71 (an increase of £9.75 or 3.85%)**
- e) A council tax for a band D property calculated as follows:

|                                           | <b>£m</b>     |
|-------------------------------------------|---------------|
| Budget requirement                        | 121.388       |
| Less: Police Grant                        | 38.220        |
| Less: Revenue Support Grant               | 20.880        |
| Less: Council Tax Support Grant           | 3.910         |
| Less: Council Tax Freeze Grant 2013/14    | 0.368         |
| Less: Council Tax Freeze Grant 2011/12    | 0.877         |
| <b>Sub-Total</b>                          | <b>57.133</b> |
| Less: Collection Fund surplus/(deficit)   | 0.470         |
| <b>Amount to be raised by Council Tax</b> | <b>56.663</b> |
| Divide by Aggregate Council Tax Base      | 215,689.50    |
| Basic amount of council tax at band D     | £262.71       |

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f) The consequential council tax for each property band will be as follows:

| <b>Band</b>                  | <b>Annual Charge £</b> |
|------------------------------|------------------------|
| Band A (6/9 <sup>th</sup> )  | 175.14                 |
| Band B (7/9 <sup>th</sup> )  | 204.33                 |
| Band C (8/9 <sup>th</sup> )  | 233.52                 |
| Band D                       | 262.71                 |
| Band E (11/9 <sup>th</sup> ) | 321.09                 |
| Band F (13/9 <sup>th</sup> ) | 379.47                 |
| Band G (15/9 <sup>th</sup> ) | 437.85                 |
| Band H (18/9 <sup>th</sup> ) | 525.42                 |

g) That the Chief Executive to the Office of the Police and Crime Commissioner for Warwickshire be authorised to issue Precept Notices on the Warwickshire billing authorities as shown below.

|                                       |                      |
|---------------------------------------|----------------------|
| North Warwickshire Borough Council    | 5,653,621.96         |
| Nuneaton and Bedworth Borough Council | 10,300,456.02        |
| Rugby Borough Council                 | 10,373,100.52        |
| Stratford-upon-Avon District Council  | 15,519,845.00        |
| Warwick District Council              | 14,816,715.44        |
| <b>TOTAL</b>                          | <b>56,663,738.94</b> |

- h) The reserve position set out in section 11 and 12
- i) The outline capital budget in section 9
- j) All Officers and staff be instructed to exercise tight budgetary control. Over-spending of 2022/23 departmental budgets must be avoided and the utmost caution must be exercised in entering into expenditure which creates additional commitments in future years. The Police and Crime Commissioner (PCC) will be kept fully informed of the financial position throughout the year,

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through tight budgetary control and monitoring, reported to him on a regular basis.

- k) The prudential indicators at appendix A
- l) In approving the budget, the PCC notes the Treasurer's comments in section 12 in respect of the robustness of the budget and the adequacy of reserves.

### **3.Executive Summary**

In accordance with Schedule 5 of the Police Reform and Social Responsibility Act 2011, the Commissioner proposed a precept increase of £9.99 for a Band D property for 2022/23 to the Police and Crime Panel at their meeting on the 27 January 2022. He provided a full and detailed report outlining the 2022/23 draft budget, including the capital programme, Medium Term Financial Plan and reserves position, based on a £9.99 band D precept increase.

The Panel reviewed the proposed precept and chose not to support the proposed increase for 2022/23, exercising their right to veto, by issuing a report to the PCC on the 3 February 2022. The PCC has considered the comments and report from the Panel and in doing issued a revised precept for 2022/23, which was discussed at a meeting of the Police and crime Panel on the 10 February 2022.

Since the 27 January Panel meeting, final confirmation of the police funding settlement, the collection fund surplus/deficit information and the council tax base positions for each authority has been received, and the budget has been updated accordingly. This report includes all of those changes.

This report clearly sets out the key priorities and service improvements that this budget will provide for, which have been determined following a comprehensive budget setting process with the Chief Constable and her staff and a wider consultation process with the public and other key stakeholders. These priorities and service investments are reflected in the specific details contained in the report which includes:

- Police and Crime Commissioners (PCC's) revenue budget for 2022/23
- Proposed precept for 2022/23
- Medium Term Financial Plan (MTFP) 2022/23 to 2026/27
- Anticipated reserves position 2022/23 to 2026/27
- Outline capital budget 2022/23 to 2026/27 and prudential indicators

Legislation provides that the council tax requirement, precept and council tax levels are to be finally determined by the end of February prior to the start of the relevant financial year.

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In determining his budget and precept proposals the Commissioner has considered:

- The priorities included in the new Police and Crime Plan
- His financial strategy to set a good and balanced budget.
- The need to establish a robust Information Communication Technology (ICT) infrastructure.
- The policing model and business plans of the Chief Constable.
- National targets and objectives including the Strategic Policing Requirement
- The outcome of the public budget and precept consultation process
- The plans and policies of partner agencies relating to community safety and crime reduction
- Ongoing issues associated with the global covid pandemic.
- The policy of the Government on public spending, set out in the spending review 2021, including precept flexibility up to £10 and any other issues communicated in the draft settlement for policing released in December 2021.
- The medium term financial plan obligations and risks
- The drive for continuous improvement, efficient working and value for money.
- Ensure that Warwickshire police is resilient, sustainable and a firm financial legacy is established that delivers appropriate future funding and reserve levels

After careful consideration of each of these factors, and following the veto of the original precept proposal of £9.99, the Commissioner is setting a Band D precept increase of £9.75 per annum for the 2022/23 financial year. This equates to an increase of 3.85% and is within the referendum limits set by Government, and also takes account of the content of the veto report made by the Police and Crime Panel.

The Commissioner has allocated approximately 98% of the net revenue budget to the Chief Constable for use on local policing, including regional and local collaborations in order to safeguard and improve policing services across the entire Warwickshire force.

## 4. Spending Review 2021 (CSR21) and the Police Funding Settlement.

On 27 October 2021, Chancellor of the Exchequer, Rishi Sunak MP announced the outcome of the 2021 comprehensive spending review (CSR21) alongside his Autumn Budget 2021, which included details on the economy and fiscal outlook, along with high level funding announcements. Speculation prior to the actual announcement was that the Chancellor would outline a small increase in government spending but, these were expected to be committed to the NHS, defence and schools leaving other unprotected services at a much greater risk of facing cuts. However, some of the messages from the spending review appeared to be more positive than anticipated and some of the main headlines more specific to policing are included below.

CSR21 outlined the precept flexibility that would be afforded to Police and Crime Commissioners (PCCs) in England in each of the next three years. This was set at a £10 council tax referendum limit. The Government further outlined that if all PCCs in England and Wales were to take full advantage of this flexibility, this would raise up to an additional £774m by 2024-25 based on current forecasts for policing services nationally. The government also included in the announcement the increases it anticipates for council tax bases in England year on year. These are shown below, along with the current assumptions for council tax base increases in Warwickshire for the refreshed MTFP, for comparison purposes:

Table 2

|                                                         | 2021-22       | 2022-23        | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---------------------------------------------------------|---------------|----------------|---------|---------|---------|---------|
| England tax base growth forecast                        | 0.4%          | 1.1%           | 1.5%    | 1.4%    | 1.2%    | 0.0%    |
| Warwickshire tax base growth actual and future forecast | 0.2% (actual) | 2.19% (actual) | 2.0%    | 2.0%    | 2.0%    | 2.0%    |

Further announcements included that total Home Office Funding is to be increased in real terms by an average of 1.9% over the CSR21 period.

Confirmation to the continued commitment to the police uplift programme through an additional £540m to complete the recruitment of the final 8,000 officers, by March 2023.

An additional £42 million for policing for new programmes that reduce crime and drugs misuse. According to the release, this is on top of £108m for existing programmes such as the Safer Street Fund and more enforcement to tackle drug misuse through the County Lines Programme. Although it is unclear whether this is new money or refers to previously announced funding streams.

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The CSR21 provided for a real terms growth rate of 3.3% per year over the course of the next three years for the Ministry of Justice to extend justice capacity, and improve the efficiency of the courts system and estate.

Funding for victim's support services will be increasing to over £185m by 2024-25, an uplift of 85% from 2019-20 levels.

More generally the announcement included an end to the public sector pay freeze in 2022 along with changes to the national minimum wage. These changes accompanied, the national insurance changes that the Prime Minister announced in September, whereby there would be a 1.25% increase in national insurance from April 2022 ringfenced for health and social care.

The provisional 2022/23 police funding settlement was announced on 16th December 2021 in a written ministerial statement by the Crime and Policing Minister, Kit Malthouse. This provided a more detailed overview of national funding levels for policing, in addition to more specific funding on the levels of funding for one year (2022/23) for policing services in Warwickshire. Feedback from stakeholders on the contents of the provisional settlement is sought, prior to publication of the final settlement which was received on the 2 February and included no further changes.

The main national headlines are as follows:

- The Government is proposing a total police funding settlement of up to £16.9 billion in 2022/23, an increase of up to £1.1 billion when compared to 2021/22.
- It assumes that PCC's will take advantage of the full precept flexibility, and on this basis the settlement outlines that overall police funding available to PCCs will increase by up to £796 million next year. This breaks down as:
  - An additional £550 million of core funding in 2022/23, was announced, representing an average increase of around 5.7%. A further £100 million in 2023/24 and an additional £150 million in 2024/25, bringing the total of additional core funding to £800m nationally over the next 3 years. The draft settlement suggested that the additional funding was intended to fund the NI increase and a pay award given the ending of the public sector pay freeze.
  - Up to an additional £246 million from the proposed council tax precept flexibility, on the assumption that the maximum £10 increase will be approved by PCC's.
- From 2022/23, PCCs will receive all core funding as a total resource. This will provide maximum flexibility and still provides options for investing in critical infrastructure.

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To provide some local Warwickshire context on the provisional settlement, it confirmed a £2.067m increase in revenue core grant funding.

Other ring-fenced grants, notified as part of the settlement, are also received for police pensions, and for the final year salary costs of the Government's 20,000 police uplift programme. For Warwickshire this equates to 55 further officers. Previous year uplift grant is all included in the core grant. The settlement did however confirm that capital grant would be removed from 2022/23, representing an annual loss of £0.113m of capital funding for Warwickshire.

The overall changes in core funding can be broken down as follows:

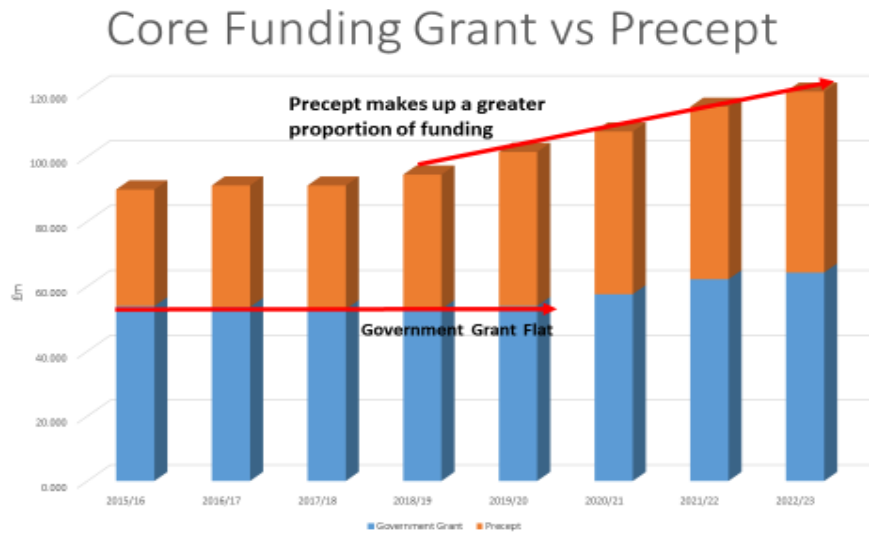
Table 3

| Description                              | 2021/22<br>£m | 2022/23<br>£m | Variance<br>£m | Variance<br>% |
|------------------------------------------|---------------|---------------|----------------|---------------|
| Police Grant & exDCLG grant              | 55.743        | 59.100        | 3.357          |               |
| Local Council Tax Support Scheme grant   | 3.910         | 3.910         | 0.000          |               |
| 2011/12 Council Tax Freeze grant         | 0.877         | 0.877         | 0.000          |               |
| 2013/14 Council Tax Freeze grant         | 0.368         | 0.368         | 0.000          |               |
| LCTS grant (tax base shortfall)          | 0.781         | 0.00          | (0.781)        |               |
| Local Council tax income guarantee grant | 0.509         | 0.00          | (0.509)        |               |
| <b>Total 'Core' Funding</b>              | <b>62.188</b> | <b>64.255</b> | <b>2.067</b>   | <b>3.3%</b>   |

Note – the Government figures which quote a 5.6% increase in funding for Warwickshire, exclude the removal of the LCTS grants for the tax base shortfall and the local council tax income guarantee grant and include the estimated precept income based on a maximum increase.

Core grant represents just over 50% of the total funding for Warwickshire PCC the remainder being made up of precept funding. This breakdown of funding over recent years is shown graphically below and also in table form, showing the increases in funding and the percentage change year on year.





The graph and data indicate that Government grant was reduced from 2016/17 to 2017/18 and then remained flat into 2018/19. It only began to increase in 2019/20, to just above the 2016/17 level, and then more significant increases in 2019/20 and in later years, due in part to the uplift programme. The three year phased uplift programme makes direct comparisons between core funding more difficult, however, it is clear that increasingly over recent years, precept income has taken up a greater proportion of total funding to meet the increased operating costs of officers, staff and ongoing running costs.

Table 4

|                            | 2016/17 budget £m | 2017/18 budget £m | 2018/19 budget £m | 2019/20 budget £m | 2020/21 budget £m | 2021/22 budget £m | 2022/23 budget £m |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Main Grant                 | 31.035            | 30.602            | 30.602            | 31.267            | 33.722            | 36.032            | 38.220            |
| Ex DCLG grant              | 17.425            | 17.181            | 17.181            | 17.519            | 18.715            | 19.711            | 20.880            |
| LCTS grant                 | 0.000             | 0.000             | 0.000             | 0.000             | 0.000             | 0.781             | 0.000             |
| Tax income guarantee grant | 0.000             | 0.000             | 0.000             | 0.000             | 0.000             | 0.509             | 0.000             |

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|                                                               |               |               |               |               |                                        |                                                                       |                                        |
|---------------------------------------------------------------|---------------|---------------|---------------|---------------|----------------------------------------|-----------------------------------------------------------------------|----------------------------------------|
| LCTS grant                                                    | 3.910         | 3.910         | 3.910         | 3.910         | 3.910                                  | 3.910                                                                 | 3.910                                  |
| 2011/12 council tax freeze grant                              | 0.877         | 0.876         | 0.876         | 0.877         | 0.877                                  | 0.877                                                                 | 0.877                                  |
| 2013/14 council tax freeze grant                              | 0.368         | 0.368         | 0.368         | 0.368         | 0.368                                  | 0.368                                                                 | 0.368                                  |
| <b>Total Core funding excl precept</b>                        | <b>53.615</b> | <b>52.937</b> | <b>52.937</b> | <b>53.941</b> | <b>57.592</b>                          | <b>62.188</b>                                                         | <b>64.255</b>                          |
| <b>% change in core funding</b>                               |               | <b>(1.3)%</b> | <b>0.0%</b>   | <b>1.9%</b>   | <b>6.8% *</b><br>includes uplift grant | <b>8.0% *</b><br>includes uplift grant and one off core covid funding | <b>3.3% *</b><br>includes uplift grant |
| Precept – combined effect of ctb changes and actual increases | 37.080        | 37.864        | 41.180        | 47.276        | 50.127                                 | 53.392                                                                | 56.664                                 |
| Precept surplus/deficit                                       | 0.410         | 0.261         | 0.314         | 0.217         | 0.016                                  | (0.230)                                                               | 0.470                                  |
| <b>Total precept funding</b>                                  | <b>37.490</b> | <b>38.125</b> | <b>41.494</b> | <b>47.493</b> | <b>50.143</b>                          | <b>53.162</b>                                                         | <b>57.134</b>                          |
| <b>% change in total precept funding</b>                      |               | <b>1.7%</b>   | <b>8.8%</b>   | <b>14.5%</b>  | <b>5.6%</b>                            | <b>6.0%</b>                                                           | <b>7.4%</b>                            |

The precept referendum threshold has been confirmed at £10 for a Band D property and levels of funding referred to earlier are only delivered if this is subsequently approved by all PCC's. The vast majority of PCC's have approved increases of £9.99 or £10 in 2022/23. The veto and subsequent revised precept of £9.75 for Warwickshire is amongst the lowest, if not the lowest increase nationally.

It equates to an average increase of 3.85%, which is below the current rate of inflation and is equivalent to an additional charge of £0.81p per month. This will increase the band D charge from £252.96 to £262.71 per annum. Residents in lower banded properties will pay a lesser increase and vice versa. Working age residents who meet the criteria of their local council tax reduction scheme, will pay reduced

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increases, and older persons meeting the criteria will receive full support. The schemes relate to the total precept charge. The Chancellor has also recently announced a £150 rebate on council tax for those living in bands A – D to help them manage recent cost of living increases, thus providing further support for those experiencing hardship.

The total tax base is used to calculate the precept that will be collected by billing authorities on behalf of the Commissioner. In 2021/22 the tax base used in setting the budget for the Commissioner was 211,067.82 band D equivalent properties. For 2022/23 this has increased by 2.19% to 215,689.50 band D equivalent properties.

The Collection fund deficit which has to be financed in 2022/23 in respect of last year is £0.226m. This was following the mandated spreading of deficits over three years due to the pandemic to ease budgetary pressures. This has been netted off against the position for this year. Final figures have been received recently from billing authorities, increasing the total net collection fund surplus for 2022/23 to £0.470m. This is now included in the 2022/23 budget.

### **5. Draft based budget preparation, approach and scrutiny**

The Commissioners financial strategy is to have an affordable, sustainable and effective policing plan supported by a good and balanced budget, based on sound assumptions and where day to day expenditure is matched by core funding (Government grant and precept).

To achieve this it requires the budget to reflect the Police and Crime Plan priorities, make adequate provision for risk, and ensure that it should be fully integrated with operational business plans and policing strategy. The Commissioners budget fulfils these aims. The force is however taking every opportunity to improve the business planning process by increasing participation, transparency and scrutiny to ensure it aligns with the budget process, key priorities in the Police and Crime Plan and provides for continual improvement.

The Chief Constable and Commissioner have considered key corporate risks when setting the budget. Essentially these risks are operational and organisational around managing partnerships, assets, financial resilience and key ICT and associated services. The risk registers for the force and PCC are reported regularly to the Joint Audit and Standards Committee (JASC) and are updated during the course of the year. The revised five year financial forecast or Medium Term Financial Plan (MTFP) and in particular the 2022/23 budget detailed within this report aligns the force and Commissioners financial resources to agreed priorities and anticipated risks and is therefore fundamental to overall performance.

The Treasurer has worked closely with the Director of Finance in the force and his staff throughout the year during the budget monitoring process and in the

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preparation of the budget for 2022/23. In respect of the detail of the draft budget, this has included (but was not limited to) the identification and agreement of key principles and assumptions, methodology, challenge and scrutiny of the budget workings. In addition, any changes or amendments have been discussed and agreed where appropriate.

The Commissioner together with his senior team have held regular discussions with the Chief Constable and her Chief Officers throughout the year, particularly prior to and throughout the budget setting process including the announcement and interpretation of the draft settlement.

This has resulted in a number of full and robust discussions on the budget requirement, the national and local operational and financial challenges, the capital programme and its financing, the precept options available and a review of the MTFP, reserve balances and associated risks.

Furthermore there has been a significant degree of scrutiny and challenge undertaken by the Commissioner and his team, prior to and during the various budget meetings, with broad agreement on the force budget for 2022/23 between the Commissioner and Chief Constable reached earlier this month. However decisions on the precept proposal have only been made, once the various stakeholder engagement meetings were complete, and the results of the public consultation were available in late January.

### **6. 2022/23 Revenue Budget**

The revenue budget has been compiled based on the process outlined above. In line with this approach, the total net budget requirement in 2022/23 is £121.388m. This equates to a £6.038m (5.2%) increase from the 2021/22 net budget requirement level of £115.350m. The draft budget presented previously to the panel had included an estimated collection fund surplus of £0.279m, but the final confirmed figure is a surplus of £0.470m. Therefore this represents an additional £0.191m of one-off money.

Based on a precept increase of £9.75 the increased council tax base will generate an additional £0.233m of base line funding, compared to the draft budget previously presented to the Panel. This additional funding has provided the Commissioner with the flexibility to make changes as a result of the finalised 2022-23 funding arrangements.

The revenue budget has been built based on a number of other assumptions relating to expenditure and income, further details on these is included later in this report. The anticipated benefits of the draft budget (detailed later in this report) can still be

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realised and these will be further enhanced due to the additional funding that is available. These further enhancements include:

- funding for five additional Police Community Support Officers, allocated at one in each district/borough across the county, at a cost of £0.174m. They will be targeted in urban areas to improve visibility and public engagement. They will also support the work to address violence against women and girls, increasing the patrolling capability in areas that the public have reported feeling unsafe as part of the Street Safe project.
- An additional £0.050m for the Commissioner’s grants scheme, to further support victims,
- and an additional £0.200m to expedite the sustainability work that the force can access and bid against in 2022/23 from a new ‘sustainability’ reserve. This will help the force to roll out infrastructure improvements to the estate, such as solar panels and electric vehicle charging points.
- The table below shows the final budget position for 2022/23, compared to the budget for 2021/22 and the draft budget presented to the panel previously.

Table 5

| <b>Category of spend</b>                      | <b>2021/22 approved budget<br/>£m</b> | <b>2022/23 vetoed<br/>£9.99 precept<br/>increase<br/>budget<br/>£m</b> | <b>2022/23 final approved budget, based on a £9.75 precept increase<br/>£m</b> |
|-----------------------------------------------|---------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Police officer, PCSO & staff pay and overtime | 87.090                                | 95.055                                                                 | 95.229                                                                         |
| Other employee expenses                       | 2.185                                 | 2.375                                                                  | 2.375                                                                          |
| Premises costs                                | 3.027                                 | 3.523                                                                  | 3.523                                                                          |
| Transport                                     | 2.790                                 | 2.847                                                                  | 2.847                                                                          |
| Supplies and Services                         | 13.958                                | 14.709                                                                 | 14.709                                                                         |
| Third party payments                          | 13.193                                | 11.264                                                                 | 11.314                                                                         |
| Capital financing costs                       | 3.262                                 | 5.176                                                                  | 5.176                                                                          |
| <b>Gross expenditure</b>                      | <b>125.505</b>                        | <b>134.949</b>                                                         | <b>135.173</b>                                                                 |
|                                               |                                       |                                                                        |                                                                                |
| Income                                        | (11.272)                              | (13.735)                                                               | (13.735)                                                                       |

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|                                             |                  |                  |                  |
|---------------------------------------------|------------------|------------------|------------------|
|                                             |                  |                  |                  |
| <b>Net force budget</b>                     | <b>114.233</b>   | <b>121.214</b>   | <b>121.438</b>   |
|                                             |                  |                  |                  |
| Contribution to/(from) reserves             | 1.117            | (0.250)          | (0.050)          |
|                                             |                  |                  |                  |
| <b>Net budget requirement</b>               | <b>115.350</b>   | <b>120.964</b>   | <b>121.388</b>   |
|                                             |                  |                  |                  |
| <b>Funded by:</b>                           |                  |                  |                  |
| Core Central Grant                          | (62.188)         | (64.254)         | (64.254)         |
| Council Tax Precept requirement             | (53.162)         | (56.710)         | (57.134)         |
| <b>Total Funding/net budget requirement</b> | <b>(115.350)</b> | <b>(120.964)</b> | <b>(121.388)</b> |

There are a number of significant aspects of the budget to highlight in line with the Police and Crime Plan priorities, which have resulted in variations between years. These are summarised as follows:

Table 6

| <b>Description</b>                                                                                  | <b>£'m</b>     |
|-----------------------------------------------------------------------------------------------------|----------------|
| <b>2021/22 original net force budget</b>                                                            | <b>114.233</b> |
| Increased net pay award, including increments for officers and staff and increases in pension costs | 3.015          |
| Increased national insurance contributions                                                          | 0.644          |
| Increased officer uplift programme pay costs                                                        | 1.792          |
| Increased pay costs for 5 new PCSO's                                                                | 0.174          |
| Increase in goods and services inflation                                                            | 0.471          |
| Removal of some business transformation costs                                                       | (0.561)        |
| Removal of shared & hosted service costs                                                            | (0.250)        |

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|------------------------------------------------------------------|----------------|
| Increased capital financing costs                                | 1.914          |
| Increased unavoidable and legislative costs                      | 0.863          |
| Increased road safety initiatives                                | 0.250          |
| Increased Commissioners grants 2022/23                           | 0.050          |
| Increased business planning costs                                | 0.450          |
| Various savings identified as part of the 2022/23 budget process | (0.201)        |
| Increased income from contractor vetting                         | (0.560)        |
| Increase in uplift grant                                         | (0.296)        |
| Increases in income, including ring fenced safer roads income    | (0.550)        |
| <b>2022/23 net force/PCC budget</b>                              | <b>121.438</b> |

Further explanation in respect of some of the most significant movements are outlined below:

The police officer pay budgets are calculated based on the latest recruitment and attrition forecasts, taking into account rank and incremental changes, and an estimated 3% pay award effective from the 1<sup>st</sup> September 2022. The pay budgets also include any changes in anticipated overtime and allowances, which includes extra bank holidays in 2022/23 which creates extra officer cost. The 1.25% increase in national insurance charges from the 1<sup>st</sup> April 2022 are also included.

Staff pay budgets are also based on an assumed 3.0% pay increase, effective from the 1<sup>st</sup> September 2022, and includes an estimated turnover factor to reflect the time lag between staff leaving and new staff being recruited.

The pay assumption is critical and has been the subject of a number of discussions locally, and based on intelligence and discussions with various national, regional and local networks, to ensure it is robust and in line with that of other forces. Pay increases applied by other forces range between 2% and 4%, so the budget assumption of 3% is comfortably within these parameters. However, this remains an area of risk, and the outcome of any negotiations will not be known for some time. If the pay award is higher this will result in an additional in year pressure. This could be met from in year underspending or additional income if it occurs, but if this is not forthcoming a separate pay reserve has been set up and would be used to meet any additional costs above the assumed level increase.

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The final year of the Government's 20,000 officer uplift programme will provide a further 55 officers in total in Warwickshire (part of the final 8,000 increase nationally). This will increase overall police officer numbers in Warwickshire to 1,100 by March 2023 which is the highest it has been for many years, if not ever. The estimated salary costs of the 55 officers are met in part from the ring-fenced uplift grant of £1m, and the remaining costs from within the increase in core grant. The ring-fenced grant is only receivable if the officers are recruited in full. However, local investment to provide all the necessary equipment and uniforms, in addition to support services and training will also be required to ensure that the new recruits are provided with the necessary skills and equipment to fulfil their roles. The new officers will be recruited through a series of intakes throughout the year, which will help to improve visibility and resilience as they commence their new roles within the response teams.

The 2022/23 budget provides for the final operating model following the transition of all remaining services including ICT, transactional services and forensics. This has resulted in movements in budget between pay and non-pay dependent on the individual service operating model eg. in house or external, but this represents a net movement of £1.9m into pay costs, from third party payments.

Non-pay costs – a significant proportion of the non-pay increase relates to inflation, particularly for utilities, insurance and fuel for vehicles.

The 2021/22 budget included £1m of business transformation team costs. This team will be stood down in part in 2022/23, as the transition of services should be mostly complete. However, a reduced retained team will be tasked with working to drive out more efficient working from the recent ICT investment through the development of power applications in some key service areas.

The forces business planning process has resulted in some additional funding to support improvements and changes within the operations of Warwickshire Police, particularly around officer training, and improved resilience and resourcing in finance and procurement to continue to drive out procurement savings.

Various unavoidable and legislative spend pressures across a variety of budgets, are included in the draft budget. These are related to either pre-existing decisions or have arisen through changes in legislation, national guidance or services provided to forces on a national basis and include costs like the National Police Chiefs Council (NPCC), Home office system charges and various partnership working contributions to name some examples.

The increase of £1.9m in capital financing costs reflects the increased revenue costs associated with recent significant capital investments in ICT transformation, funded through borrowing. There is a national expectation on forces to deliver a modern digitally enabled workforce that allows officers to spend less time dealing with bureaucracy and more time preventing and fighting crime and protecting the public,



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the investments already made through new equipment and upgraded systems as part of the transition and transformation process and those further planned as part of this draft budget will facilitate this process.

The force is now the lead force for providing accredited national contractor vetting services. This commercial service is operating effectively, and the income generated is included within the wider budget. It is estimated that the budgeted income will rise by a further £0.6m in 2022/23. As with all commercial services, this carries some operational risk which is managed through a separate earmarked reserve. However demand for service is high, and the increased income target looks sound in 2022/23.

As stated earlier, core Government funding represents just over half of the financing for the 2021/22 budget. The remaining element is financed through council tax. Therefore, the precept decision is an important and difficult decision for the PCC, made more difficult by the challenges created by the pandemic and the effects it has had on people's lives, in addition to the more recent significant increases in the cost of living, which most people are currently experiencing. A precept rise of £9.75 is equivalent to a 3.85% increase. This level will see Warwickshire PCC amongst the lowest precept increases in the country, with almost all other PCC precept increases being supported by their respective panels at £9.99 or £10.00. The precept is a progressive tax, and residents living in lower banded properties will pay a smaller proportion of any increase and vice versa. The table below indicates the total police precept charges for each banding and the annual increases that residents living in each band will incur in 2022/23.

It shows that 62% of properties across Warwickshire fall in bands A – C, so the majority of residents will be paying less than the £9.75 precept increase outlined. The Chancellor has also recently announced a £150 council tax rebate to help those living in band A – D properties manage recent cost of living increases as part of a package of new measures.

Table 7

| <b>Valuation Banding</b> | <b>% of Warwickshire properties currently falling in this band</b> | <b>2022/23 Annual Increase<br/>£</b> | <b>2022/23 Actual PCC precept<br/>£</b> |
|--------------------------|--------------------------------------------------------------------|--------------------------------------|-----------------------------------------|
| Band A (6/9th)           | 16.7%                                                              | 6.50                                 | 175.14                                  |
| Band B (7/9th)           | 19.8%                                                              | 7.58                                 | 204.33                                  |
| Band C (8/9th)           | 25.2%                                                              | 8.67                                 | 233.52                                  |
| Band D                   | 15.7%                                                              | 9.75                                 | 262.71                                  |
| Band E (11/9th)          | 10.6%                                                              | 11.92                                | 321.09                                  |
| Band F (13/9th)          | 6.5%                                                               | 14.08                                | 379.47                                  |
| Band G (15/9th)          | 4.8%                                                               | 16.25                                | 437.85                                  |
| Band H (18/9th)          | 0.6%                                                               | 19.50                                | 525.42                                  |

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To further mitigate the impact of precept increases, each billing authority has a statutory responsibility to set and administer a local council tax reduction scheme which is reviewed and approved through their internal governance processes each year. These schemes apply to all elements of the precept including the PCC's. Whilst the schemes differ between each authority across Warwickshire, they all provide support to protect working age residents from the impact of precept charges, if they meet the scheme eligibility criteria. Those who receive the maximum reduction will typically pay between 8.5% and 20% of the total council tax charge dependent on where they live in Warwickshire. There is no restriction for eligible older people who are entitled to 100% support as set by central government.

The Commissioner also remains very mindful of the operational and funding requirements of the Chief Constable to deliver effective policing in Warwickshire as the final transition from the former alliance is completed. He is aware of a number of continuing risks, referred to in the previous panel report and at the meeting. In summary these include, the increasing cost base of the force, the outcome of government's funding formula review, commercial service risks, the final delivery and next phase of work on our ICT project to drive out efficiency savings, future funding of our capital programme and the Medium Term Financial Plan which indicates a savings requirement of £3m over the next few years.

In respect of the policing priorities; the Commissioner has set out his priorities in the Police and Crime Plan, which was discussed and supported by the Panel last autumn. The Chief Constable has accepted the priorities that relate to the force, and putting them together with her Fit for the Future Strategy, and the priorities she has outlined in the Empower programme; there is a clear direction of travel for the force. The Chief Constable has shared some headlines of where she seeks to make improvements to operational policing, which were outlined and discussed at the meeting on 27 January. The Commissioner will hold the Chief Constable to account using the formal governance mechanisms which are well established in Warwickshire.

### **7. Anticipated benefits delivered from this budget:**

The revenue budget based on a precept of £262.71, will deliver additional resources and organisational infrastructure deemed essential to deliver the ongoing service transformation of services and support for the growth in officer numbers. These are in addition to the further enhancements outlined earlier in this report that are possible due to the improved funding position. The benefits are in line with the Commissioners five key priorities outlined in his new Police and Crime Plan which are:

- Deliver visible and effective policing
- Fight crime and reduce reoffending
- Keep people safe and reduce harm

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- Improve the justice experience
- Strengthen communities

The main benefits will include:

- 55 additional officers as part of the uplift programme, who are adequately trained and equipped to provide modern day policing. This will help to improve resilience and the visibility of policing across Warwickshire. The Chief Constable will commence an operational policing review in January 2022 to assess how these and all officers and staff are deployed to deliver the most efficient methods of working but also to protect Warwickshire communities and to fight crime.
- Enhancements in services for contacting the force, through a variety of channels – including face to face, telephone contacts, improved control centre facilities in Warwick and other digital contact options.
- Strengthen the forces response to violence against women and girls with investment in our vulnerability teams to build capacity and capability.
- Introduction of new Evidential Review Officers to drive up file quality standards to increase the likelihood of positive outcomes for victims by improving investigative standards and an improvement in criminal justice outcomes.
- Better equipment and enhanced training for Specials to further support neighbourhood policing teams and provide increased visibility. Also providing for their contributions to the Police Federation to give them the same levels of protection as standard officers.
- Improved ICT infrastructure and systems to enable flexible and remote working on more robust Warwickshire networks, and the introduction of power applications to drive more efficient working from the recent investments in equipment and software. The use of power applications is currently being assessed by the force to improve services such as stop and search, and the use of force in order to improve policing and legitimacy in the county. The potential use of power applications are also being scoped by the force to enhance community based work such as community speedwatch, which could significantly improve the user experience and public confidence levels. Further details on the plans will be shared with the Commissioner as this work progresses.

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- Improvements in the police estate and commitments to improving its sustainability, once the full results and recommendations from the estates review are understood.
- Increased resources for road safety and domestic and sexual abuse victims through increased Commissioners grants. The OPCC has committed financially to supporting the ongoing work of the Warwickshire Road Safety Partnership, in addition to providing an enhanced road safety grants round in 2022/23, to help improve road safety in Warwickshire. The Commissioner will also provide ongoing and enhanced funding for grant recipients to deliver innovative and diverse crime prevention projects and also to help reduce reoffending.

In setting the 2022/23 budget, the Commissioner has taken the priorities set out in the Police and Crime Plan into account, recognised the unavoidable pressures policing faces and the planned programmes of transformation work, in addition to also discussing at length with the Chief Constable the operational plans she has outlined which cut across the three main themes of her Fit for the Future strategy – prevent and protect, respond and reassure and operating effectively and efficiently.

The Commissioner is also mindful of the pressures on personal budgets, with the recent rises in the cost of living and surging energy prices. In setting his precept he has sought assurances that the anticipated benefits will be received and will be monitoring closely the performance and delivery of these over the coming year through the weekly holding to account meetings with the Chief Constable.

£0.2m of efficiency savings have been identified in the 2022/23 budget build, and it now balanced. However, the Commissioners has requested the Chief Constable to drive improved performance and productivity, through more efficient working to enhance police services in Warwickshire over the coming year, which she will be doing through the operating model review, now known as 'Empower'.

## 8. Budget consultation

The delay in receiving the financial settlement from the Government from early December to mid-December meant that this year's budget consultation started later than was ideal, beginning on December 17. It was based on the financial data that was available at the time and included projections for the police precept based on the budgetary increases that would be necessary to ensure costs were met, whether that came from the central funding or the local precept.

As had been confirmed in the Government's Spending Review, Police and Crime Commissioners were capped at a maximum precept rise of £10 per year on a Band D property. In order to simplify the choices to the public, four options for the precept

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were put forward, all based on the average Band D property banding: a raise of £5 per year / 42 pence per month; a raise of £7.50 / 63 pence per month; a raise of £10 per year / 83 pence per month; and a precept freeze (no increase).

Each of these options provided some high-level context around the implications for the budget overall of making this precept choice; £7.50 was calculated as the 'break even' point where rising costs could be met with no diminution of service, whereas £5 would require efficiency savings which would threaten services and £10 would allow additional expenditure to boost service delivery.

A simple online poll, titled 'Your Police, Your Views' was set up and launched on December 17, linked from the OPCC website and featuring an introduction from the Commissioner. The survey was set to last for four weeks until January 17, 2022. This was to maximise the time for feedback but also allow the Commissioner the opportunity to review all results prior to making any decision on the proposed precept level in the draft budget.

The survey was promoted heavily on social media, including paid promotions on Twitter, Facebook and Instagram. The posts reached 56,000 users in Warwickshire on Facebook and Instagram, resulting in 792 click-throughs to the survey. On Twitter we reached a further 27,600 users within Warwickshire postcodes, with a further 1,352 click-throughs to the survey.

In addition, the survey was further marketed via the Commissioner's email newsletter, which was issued in late December and focussed solely on the budget consultation. It was read by 1,793 individuals, generating 193 click-throughs to the survey. In addition, all town and parish councils were written to and asked to help promote the survey and encouraged to complete it themselves.

Internal communications were issued by Warwickshire Police and by partners, including within the healthcare sector and local authorities. Media releases resulted in coverage in the Stratford Herald, Leamington/Rugby/Stratford Observer, Redditch Advertiser during early January 2022. This included a front page lead article on the proposed budget on the January 6 and 7 editions of the Observer series.

By the survey's end date on January 17, a total of 839 responses were received. A detailed breakdown of the consultation results will be presented to the Police and Crime Panel, however the results were monitored by the Commissioner throughout. These have given useful information about people's perceptions of affordability of the precept options, as well as an indication of the levels of support for each potential option.

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On the question of affordability, we asked respondents to choose between a small/medium/large or no increase to the precept. The question had limited contextual information beyond the Commissioner's introduction and was designed to find general opinions on affordability of Council Tax increases. A total of 466 of respondents felt that some form of increase was affordable to them, including 239 who could afford a small increase, 131 who could afford a moderate increase and 96 who could afford a large increase. A total of 301 felt that no amount of increase would be affordable to them. There were also a number who were unsure or did not pay Council Tax. When the latter categories are removed to show only those who proffered a definitive view, there is support for a raise from 61%, with 39% preferring no increase.

The survey then asked respondents to indicate which would be their preference for the precept, with figures quoted for an average Band D property. The current Council Tax charges for each band were shown, alongside some high level implications for service levels of each option. There was also an option for respondents to state they did not pay Council Tax. The results showed a swing in support among taxpayers, with support for the maximum raise increasing considerably from 13% to 45%. There was also change in the level of support for some form of raise to 69%. There remained 31% who do not support any form of raise.

The final sections of the survey focused on understanding where spending should be prioritised. The results showed that the top results were:

1. Improving the quality of police investigations
2. with better outcomes for victims (61%)
3. Improving the visibility of policing (59%)
4. Investing in technology to allow front line policing
5. to respond more efficiently and effectively (45%)
6. Investing in crime prevention in the community (45%)
7. Making police more accessible, including at police
8. station front counters (42%)

The survey also established that the places where people wanted to see most improvement were in our town centres, followed by in our rural areas and then on our roads. Questions also asked respondents about their views on the visibility and accessibility of Warwickshire; the responses shows there is significant need for improvement, which the proposed precept increase of this draft budget seeks to address with additional investment.

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Bolstering the online poll, a series of consultation meetings were also held with representative groups to establish their views:

- Business and rural crime organisations
- Local MPs
- Town and parish councils
- Local Authority Chief Executives/Finance Leads and Council Leaders
- Police workforce representatives
- The Chief Constable and senior officer team.

A consensus of general opinion was that, while tax raises are never likely to be welcomed widely by taxpayers, provided the public sees genuine improvements in service, accessibility and visibility from the police, they would on balance be prepared to support a maximum increase. There was also comment that the Commissioner would need to take into account the affordability of such a raise on some sections of the community, particularly when it is likely that other precepting authorities would also be seeking to raise their portions of Council Tax.

In conclusion, while the numbers of responses did suffer from the timing of the consultation over the Christmas period and also from high levels of general surveying that was going on across the public sector, particularly involving victims of crime, it has provided the Commissioner with sufficient information to understand broad public sentiment. There is majority support for a precept raise, with just under half of responding taxpayers supporting the maximum raise.

This must be balanced against the results of respondents who do not support any raise and the questions of affordability, albeit those in lower incomes do receive relief on their Council Tax and will be paying proportionately less.

Overall, the consultation does demonstrate that the majority would support an increase as long as the anticipated benefits and improved services are delivered. This why the priorities for spending identified in the consultation are matched to the benefits anticipated from the proposed budget.

### **9. Capital Programme.**

The capital programme includes investment in operational elements of premises, equipment, ICT and vehicle fleet. The Capital Programme for 2022/23 to 2026/27 has been reviewed and updated in consultation with the Chief Constable, the respective business areas and scrutinised by the PCC and his team.

The Capital Programme reflects known priorities and commitments to meet business requirements as well as provides for a future which is continuing to taking shape. The ICT capital budget in 2021/22 was dominated by the Evolve transition and

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transformation investment to complete the on premise design and build of the (accredited) ICT infrastructure (network, storage and back up). This has consisted of expenditure on hardware, software, consultancy fees and application migration solutions. In 2021/22 the Evolve Programme has included an extensive replacement of devices which was an acceleration of the ICT replacement programme, and the reason for some of the increased spend in year. Operationally this means that the 2022/23 future year's replacement programme has been reviewed and reduced budget provision is now required in 2022/23. There may still be some slippage from 2021/22 and this has been included in the 2022/23 programme based on the most up to date information, but this will continue to be tracked up to year end.

National programmes also influence local policing, and contain both revenue and capital implications, the replacement of the Airwave radio system being one example. The Emergency Service Network (ESN) is the national programme for providing communications in the future. This is likely to be a significant cost but the exact timing of implementation remains uncertain.

The estates programme is in large part non-specific as it will be reliant on the outcomes from the estates review which is not yet finalised. In lieu of this detail and the working up of priority and timing of specific estates work £1.8m has been included in the 2022/23 programme and then a further £1.5m across the future years of the medium term capital plan.

The vehicle replacement programme for 2022/23 has been set at a modest level, but also reflects a programme that is realistic and meets identified business needs. There is some slippage on the vehicle replacement programme from 2021/22 which stems from issues with national supply chains for vehicles, and shortages of some specific parts including microchips which are in high demand internationally. Current forecasts suggest that it will be unlikely to accelerate vehicle replacement in 2022/23 and as such a resetting of the budget has occurred. The operational impact of this is currently being managed through the retention of existing vehicles, and there are no reports of significantly increased revenue maintenance costs, although vehicle hire costs, which are also revenue, do remain a challenge. The ongoing operational impact needs to be kept in check and managed if the situation is prolonged.

Part of the picture for vehicle replacement is also the consideration of the type of vehicles that are necessary for the force to operate effectively. This will need to accommodate changes in the industry and migration to electric and 'greener' hybrid vehicles over time, along with the infrastructure that they require, which in turn will reduce the carbon footprint of the fleet.

The funding of the capital programme in 2022/23 and beyond will be almost entirely from local resources. In recent years the scope to use revenue or draw down from reserves as a source of capital funding has been limited, given the revenue position



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and the need to protect reserves due to the uncertainty over the medium-term financial position on future levels of funding. Therefore, in lieu of capital receipts, the majority of capital expenditure has been financed through borrowing. Any borrowing has to be within the parameters of the treasury rules contained within the prudential indicators shown at Appendix A. However, the recent focus of the capital programme to fund short-life assets (ICT mainly) has also had the effect of increasing the burden on revenue through the workings of the Minimum Revenue Provision (MRP), which is the statutory mechanism whereby assurance is sort that adequate revenue is set aside to repay borrowing.

From 2022/23 onwards, there will be no government funding to support general capital expenditure, but the availability of some capital receipts has opened up more options for financing the capital programme, and these will be used in the most cost effective way to minimise the impact on the revenue account of statutory capital charges. Borrowing, although not specific, will be targeted against assets with a longer term use eg. estates, to better manage the revenue implications of borrowing. This strategy needs to be refined and will be developed further in line with our expert external Treasury management advisors.

The Commissioner is providing for significant capital investment of £44.611m over the next five years, as shown in the table below. The revenue consequences of this level of spending are incorporated into the MTFP. The capital programme will be kept under regular review challenged by the Commissioner, although there may need to be in year variations during the course of the year as projects unfold. Table 8 outlines the high level capital programme and medium term capital spending plans.

Table 8

| Capital Programme                        | 2021/22       | 2022/23      | 2023/24      | 2024/25      | 2025/26      | 2026/27      | TOTAL         |
|------------------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|
|                                          | £m            | £m           | £m           | £m           | £m           | £m           | £m            |
| Estates                                  | 2.113         | 1.881        | 1.500        | 1.500        | 1.500        | 1.500        | 9.994         |
| Evolve ICT Transition and Transformation | 15.182        | 0.742        | 0.000        | 0.000        | 0.000        | 0.000        | 15.924        |
| ICT Projects,systems & applications      | 0.063         | 0.408        | 1.387        | 1.551        | 1.000        | 1.000        | 5.409         |
| ICT Hardware and device replacement      | 0.175         | 0.100        | 1.088        | 0.576        | 0.517        | 2.000        | 4.456         |
| Vehicle Replacement                      | 0.622         | 1.300        | 1.407        | 1.443        | 1.204        | 1.204        | 7.180         |
| Plant & Equipment                        | 0.194         | 0.254        | 0.300        | 0.300        | 0.300        | 0.300        | 1.648         |
| <b>TOTAL</b>                             | <b>18.349</b> | <b>4.685</b> | <b>5.682</b> | <b>5.370</b> | <b>4.521</b> | <b>6.004</b> | <b>44.611</b> |

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The expected funding of the programme is outlined in table 9 below. Reserves are being used primarily to manage risk, finance one-off revenue costs and meet the costs of exceptional or unexpected operational events, therefore the majority of the capital programme will be financed from borrowing, and /or capital receipts where they are available in 2022/23. Reserves are not currently planned to meet capital costs, but this will be kept under review. A prudent assessment based on known information and estimations about the level and timing of receipts has been built into the capital programme funding for future years.

Warwickshire has not undertaken any long term borrowing for some time. Currently borrowing is relatively cheap, but the timing of borrowing will be key, and cashflow is being closely monitored to determine when such borrowing may be necessary. The capital receipts have provided increased opportunities around financing and borrowing decisions will only be taken in line with our treasury management strategy. The loss of central capital grant from 2022/23 onwards, does represent a challenge in the medium term for financing of the capital programme. The capital strategy will outline this in more detail, but the continuance of relatively small annual capital contributions to capital to substitute the loss of capital grant, as in the 2021/22 budget is included throughout the medium term financial plan period. This will help to reduce the borrowing requirement and develop a more sustainable source of capital financing.

The prudential code and indicators provide the capital control mechanisms for borrowing, they consider the revenue effects of borrowing, which have been fully reflected in the draft budget and across the MTFP in increased capital financing charges.

Table 9

| <b>Proposed source of funding</b>                 | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>TOTAL</b>  |
|---------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
|                                                   | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>     |
| Receipts                                          | 4.700          | 2.437          | 2.451          | 0.587          | 0.000          | 0.000          | <b>10.175</b> |
| General capital grant                             | 0.113          | 0.000          | 0.000          | 0.000          | 0.000          | 0.000          | <b>0.113</b>  |
| Specific grant –<br>Emergency Services<br>Network | 0.018          | 0.000          | 0.488          | 0.000          | 0.000          | 0.000          | <b>0.506</b>  |
| Safer roads Reserve<br>funding                    | 0.125          | 0.000          | 0.000          | 0.000          | 0.000          | 0.000          | <b>0.125</b>  |
| Revenue funding                                   | 0.000          | 0.433          | 0.320          | 0.320          | 0.320          | 0.320          | <b>1.713</b>  |
| Borrowing                                         | 13.393         | 1.815          | 2.423          | 4.463          | 4.201          | 5.684          | <b>31.979</b> |
| <b>Total capital funding</b>                      | <b>18.349</b>  | <b>4.685</b>   | <b>5.682</b>   | <b>5.370</b>   | <b>4.521</b>   | <b>6.004</b>   | <b>44.611</b> |

## 10. The Medium Term Financial Plan (MTFP)

The MTFP was last formally agreed in February 2021 although this has been updated and refreshed during the course of the year.

The key assumptions as at February 2022 are as follows:

- Council tax base will grow by an average of 2% (pre-Covid-19 levels) each year until 2026/27. From 2023/24 onwards no provision has been included for collection fund surpluses or deficits across the MTFP, other than the spreading of the 2020/21 deficit over a three year period as mandated. The final year being 2023/24.
- Central government grant has been assumed to increase in line with the increases in national funding for policing.
- Precept increases will be within the assumed Government draft settlement level, at around 3.9% in 2023/24, 3% in 2024/25 and then at 2% thereafter.
- The review of the revenue grant funding formula is currently underway. It remains unclear when the final outcomes of this will be available or when or how any changes will be implemented, but this work is progressing at some pace by government. This remains a risk which will be backed by reserves across the MTFP as further details are awaited.
- Pay inflation is included at 2.5% in 2023/24 and 2% in 2024/25. This has then been reduced to 1% thereafter.
- Pay budgets include provision for increments and turnover, which is especially material to police officer pay, given the ranges of some ranks.
- General inflation is provided at the current agreed rates where there is a contractual commitment and as an estimate against other budget heads.

The impact of the 2022/23 budget proposals and the assumptions outlined above are quantified in the MTFP outlined in table 9 below. Despite the increased degree of certainty on high level funding and precept flexibility as a result of the three year spending review, further uncertainty from the review of the national police funding formula and other local and national changes particularly given the economic crisis created by the pandemic will result in changes to the medium term plans and these will be reviewed on an ongoing basis in advance of setting the annual budget and MTFP. The actual precept increase remains a local annual decision for the Commissioner.

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Across the MTFP period, the financial strategy remains for a good and balanced budget which is not reliant on the routine use of reserves to finance any budget shortfalls. Net expenditure must match the resources available to ensure a self-sufficient, resilient force and encourages greater efficiency and productivity in its service delivery. Earmarked reserves are held for specific purposes and will be used to manage risk and one-off costs to deliver policing services over the next five years. Further detail on the required movement and use of reserves in the MTFP is included within section 11.

Table 10

|                                                                  | 2022/23        | 2023/24        | 2024/25        | 2025/26        | 2026/27        |
|------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                                                  | £m             | £m             | £m             | £m             | £m             |
| Opening base budget                                              | 114.233        | 121.438        | 126.083        | 130.866        | 135.073        |
| Pay inflation, increments, NI & pensions                         | 3.833          | 3.245          | 3.248          | 2.538          | 1.907          |
| Non-pay inflation                                                | 0.471          | 0.200          | 0.200          | 0.200          | 0.200          |
| Officer uplift costs                                             | 1.792          | 0.000          | 0.000          | 0.000          | 0.000          |
| Net ICT, shared service and business transformation costs        | (0.811)        | (0.500)        | 0.000          | 0.000          | 0.000          |
| Capital financing costs                                          | 1.914          | 0.116          | 0.385          | 0.669          | 0.512          |
| Unavoidable costs                                                | 0.863          | 0.500          | 0.500          | 0.300          | 0.500          |
| Business plan changes – growth/savings                           | 0.450          | 0.503          | 0.500          | 0.500          | 0.500          |
| Safer Roads and PCC grants and initiatives                       | 0.300          | (0.150)        | (0.050)        | 0.000          | 0.000          |
| Vetting income                                                   | (0.560)        | (0.250)        | 0.000          | 0.000          | 0.000          |
| Uplift grant changes                                             | (0.296)        | 1.006          | 0.000          | 0.000          | 0.000          |
| Other income changes including mutual aid and camera enforcement | (0.550)        | 0.000          | 0.000          | 0.000          | 0.000          |
| Savings achieved                                                 | (0.201)        | (0.025)        | 0.000          | 0.000          | 0.000          |
| <b>Budget</b>                                                    | <b>121.438</b> | <b>126.083</b> | <b>130.866</b> | <b>135.073</b> | <b>138.692</b> |
| <b>Funding</b>                                                   | <b>121.388</b> | <b>124.754</b> | <b>129.006</b> | <b>132.136</b> | <b>135.372</b> |
| Budget gap                                                       | 0.050          | 1.329          | 1.860          | 2.937          | 3.320          |
| Net transfer to/(from) reserves                                  | (0.050)        | (0.150)        | (0.100)        | (0.100)        | (0.100)        |
| <b>Minimum required savings not yet identified</b>               | <b>0.000</b>   | <b>1.179</b>   | <b>1.760</b>   | <b>2.837</b>   | <b>3.220</b>   |

### 11. Use of reserves and balances

In considering the 2022/23 budget, the Commissioner has reviewed all of the reserves that he holds.

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Allowing for all of the known costs the movement of reserves is summarised below over the MTFP period:

|                                                                                       |                 |
|---------------------------------------------------------------------------------------|-----------------|
| <b>Estimated reserve levels on the 1<sup>st</sup> April 2022</b>                      | <b>£14.028m</b> |
| Transfer to a new sustainability reserve                                              | £0.200m         |
| Transfers from Safer Roads Reserve                                                    | (£0.700m)       |
| <b>Anticipated reserve levels at the end of the MTFP (31<sup>st</sup> March 2027)</b> | <b>£13.528m</b> |

There are a number of more general risks, some of which are largely outside the control of the force for which earmarked reserves have either been specifically created or they will be covered by either the budget or general reserve, including:

- Known Operations or any unforeseen major or unpredictable policing operations, which may be one-off in nature
- Pay, inflation and supply chain issues
- Pensions
- Legal
- Non-vetting service income fluctuations
- The commercial national contractor vetting service
- The national review of the police funding formula
- Digital technology changes in national police systems
- Introduction of the Emergency Services network (ESN)
- Estates strategy

Any other exceptional one-off issues, would need to be managed within the general reserve. It is recognised that this may be over and above any special grant application to the Home Office, however the reserve levels are set in recognition of the tightened criteria for such applications. The table below shows the reserve balances anticipated at the end of each year of the MTFP:

Table 11

|                        | <b>Closing balance 2020/21</b> | <b>2021/22 reserve transfers</b> | <b>Forecast closing balance 2021/22</b> | <b>Forecast closing balance 2022/23</b> | <b>Forecast closing balance 2023/24</b> | <b>Forecast closing balance 2024/25</b> | <b>Forecast closing balance 2025/26</b> | <b>Forecast closing balance 2026/27</b> |
|------------------------|--------------------------------|----------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>General Reserve</b> | <b>5.000</b>                   | <b>0.000</b>                     | <b>5.000</b>                            | <b>5.000</b>                            | <b>5.000</b>                            | <b>5.000</b>                            | <b>5.000</b>                            | <b>5.000</b>                            |

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|---------------------------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Earmarked reserves:</b>      |               |              |               |               |               |               |               |               |
| Budget & Transformation         | 3.067         | 1.638        | 4.705         | 4.544         | 4.544         | 4.544         | 4.544         | 4.544         |
| Transformation                  | 1.378         | (1.378)      | 0.000         | 0.000         | 0.000         | 0.000         | 0.000         | 0.000         |
| Pay                             | 0.000         | 0.000        | 0.000         | 0.500         | 0.500         | 0.500         | 0.500         | 0.500         |
| PCC initiatives                 | 0.300         | 0.000        | 0.300         | 0.300         | 0.300         | 0.300         | 0.300         | 0.300         |
| Pensions & redundancy           | 0.500         | 0.167        | 0.667         | 0.667         | 0.667         | 0.667         | 0.667         | 0.667         |
| Insurance & legal               | 0.253         | 0.247        | 0.500         | 0.500         | 0.500         | 0.500         | 0.500         | 0.500         |
| Sustainability                  | 0.000         | 0.000        | 0.000         | 0.200         | 0.200         | 0.200         | 0.200         | 0.200         |
| Income                          | 0.000         | 0.250        | 0.250         | 0.250         | 0.250         | 0.250         | 0.250         | 0.250         |
| Covid & operational contingency | 0.386         | 0.114        | 0.500         | 0.500         | 0.500         | 0.500         | 0.500         | 0.500         |
| Collection fund                 | 0.000         | 0.339        | 0.339         | 0.000         | 0.000         | 0.000         | 0.000         | 0.000         |
| Vetting reserve                 | 0.573         | 0.000        | 0.573         | 0.573         | 0.573         | 0.573         | 0.573         | 0.573         |
| Safer Roads                     | 1.231         | (0.037)      | 1.194         | 0.944         | 0.794         | 0.694         | 0.594         | 0.494         |
| <b>Total earmarked reserves</b> | <b>7.688</b>  | <b>1.340</b> | <b>9.028</b>  | <b>8.978</b>  | <b>8.828</b>  | <b>8.728</b>  | <b>8.628</b>  | <b>8.528</b>  |
| <b>Total available reserves</b> | <b>12.688</b> | <b>1.340</b> | <b>14.028</b> | <b>13.978</b> | <b>13.828</b> | <b>13.728</b> | <b>13.628</b> | <b>13.528</b> |

Each year the Treasurer carries out an assessment of the risks facing the Commissioner to determine the minimum level of reserves which he needs to continue to hold. The assessment for 2022/23 is that £5.000m still needs to be held in a general reserve to provide adequately for all risks. This represents

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approximately 4% of net revenue expenditure. The £5.000m level has been retained since 2017/18, but net revenue expenditure has increased over that period. The Treasurer therefore advises that careful consideration should be given in future years to increase the general reserves so that they continue to represent between 4% and 5% of net revenue expenditure. In 2022/23, provision of £5.000m retains coverage within this range, and therefore an increase is not deemed necessary, especially given the extent of detailed budget work undertaken by the finance team, the ongoing success of the commercial services, healthy income streams, spending coming under control as the force have rebuilt services and emerged from the former strategic alliance and earmarked reserves being held to manage risk and future known commitments. However, in 2023/24 based on the MTFP, £5.000m of general reserve would equate to less than 4% of net revenue expenditure and as part of the budget process next year, this level should be reviewed. Further details of the risk assessment are included in the adequacy statement shown below.

### **12. Treasurer's Statement on the Soundness of the Budget and the Adequacy of Reserves**

When setting the budget and capital programme for the forthcoming year the PCC must be satisfied that adequate consideration has been given to the following:

- Government policy on police spending, as applied to the PCC
- The CIPFA prudential code and the treasury management code
- The impact on the council tax, and the risk of exceeding the limit for triggering a referendum
- Whether the proposals represent a balanced budget for the year
- The robustness of estimates and the size and adequacy of general and specific earmarked reserves
- The CIPFA financial management code of practice and guidance on the level of reserves
- The medium term implications of the budget and capital programme.

Section 25 of the Local Government Act 2003 requires the Commissioner's Treasurer to provide the Commissioner with assurance on the robustness of estimates made for the purposes of the budget calculations and the adequacy of reserves.

The Director of Finance for Warwickshire Police has provided assurance that the main assumptions and estimates used for compiling the budget, are set out within this report, are robust and that the figures in the 2022/23 budget have been based, in his opinion and to the best of his knowledge on sound assumptions. He has also provided assurance that this budget is consistent with the financial strategy (good

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and balanced budget), provides links to the priorities outlined within the Police and Crime Plan which is underpinned by the Chief Constables Fit for the Future strategy and does not impact adversely on the financial stability of the force in the medium term.

A level of uncertainty does exist, in particular around the review of the funding formula for policing. The outcomes, timing and implementation of any changes is unknown, but it is understood that work is progressing at pace, with some initial outputs expected by early summer 2022 and a broad commitment by government that this will be completed this parliament. Further details will be made available in time as the work progresses, and networking with colleagues at a local, regional and national level will help to improve our levels of understanding. Until then, reserves must continue to be held to manage any changes that may materialise in an adverse way, although the scale of any potential change is unknown, to enable a smooth transition and to minimise the impact on services. There are however opportunities to improve financial planning through the three year spending review announcements and these have been included within the medium term financial plan. The extent of future austerity and the state of the economy, following the end of the pandemic as we learn to live with the virus, is of course not entirely known. However, given the period under consideration, the figures contained in the MTFP represent a reasonable and prudent estimate of the likely position and are a sound basis for planning purposes.

The Treasurer for the PCC can provide assurance on the budget and MTFP in that it has been produced in line with the latest government policy, CSR 2021, the provisional settlement (which will be updated when the final settlement is announced), and is also compliant with the latest CIPFA Treasury Management Code and the Prudential Code.

The Localism Act provides communities with the power to veto through a referendum, council tax increases considered by the government to be excessive. The level set by government for 2022/23 is £10 on a band D property. This report and budget is based on a precept increase of £9.75. The budget proposed is balanced and assurance has been sought from the Director of Finance within the force on the robustness of estimates contained within it. These have been scrutinised and challenged by the Treasurer and have been found to be sufficiently robust. This work has also revealed that the MTFP presents a prudent estimate of the future financial pressures that the Commissioner will face.

The budget, MTFP and underlying assumptions will continue to be monitored carefully, along with any national developments, to ensure the Commissioner and Chief Constable are sighted on any emerging risks. Any changes in the final settlement and arising from the confirmation of tax bases and collection fund surpluses or deficits will be incorporated prior to the final budget being approved.



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The Director of Finance will be undertaking careful monitoring of the budget during the course of 2022/23 in conjunction with budget holders to manage spending and any consequential impact on reserves. The forecast outturn for 2021/22 looks to be on budget with no adverse changes anticipated at this stage.

In giving assurance on the adequacy of reserves the Treasurer has reviewed levels and compliance as outlined in the latest CIPFA guidance on the establishment and maintenance of Local Authority reserves and balances, which also applies to PCC's. This guidance sets out the factors that should be taken into account locally in making an assessment on the appropriate level of reserves and balances to be held.

The Commissioners reserves are categorised as - General Reserves, Earmarked Reserves and Capital Reserves. These will, in part, be governed by known or likely commitments, and, in part, by his appetite for risk. This should include the strategic, operational and financial risk facing the force, and also include the potential impact of external and internal risks. The Treasurer has thoroughly reviewed the risks facing policing in Warwickshire and reassessed the level of reserves required. In doing so, the Treasurer has complied with the CIPFA guidance with the intention being to ensure clear, transparent reporting around reserve levels in Warwickshire.

The following narrative provides some further detail on the approach, evidence and assurance regarding the adequacy of reserves.

Compliance with the 7 key principles in CIPFA's guidance

| Budget assumptions                            | Current situation in Warwickshire                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The treatment of inflation and interest rates | <p>Warwickshire Police (WP) makes full and appropriate provision for pay and price rises, based on up-to date information and recognising the change in the workforce profile, increments, recruitment and turnover relevant to managing a police establishment.</p> <p>Pay inflation represents a more significant risk in the 2022/23 budget planning process, than in any other recent year. Networking with other forces and local authorities has resulted in a range of increases being proposed.</p> <p>Warwickshire have included a pay award for officers and staff of 3% in 2022/23, which falls in the middle of this range, and is therefore deemed prudent. The actual pay award increase will not be known for some time. If no other in year funding is available through underspending or increased income, the new pay earmarked reserve will be used to manage the risk on the pay award assumption.</p> |

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|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                              | <p>Non-pay inflation has been included where it is contractually required, or on the best estimate of inflationary increases, based on current spending levels.</p> <p>An informed assessment is made of interest rate movements.</p> <p>All individual expenditure and income budgets are prepared based on the forecast outturn and known or estimated changes.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p>Estimates of the level and timing of capital receipts</p> | <p>The PCC and WP make a prudent assumption on the level and timing of any future capital receipts. The timing of the capital receipts in respect of the sale of excess land at Leek Wootton are known and have been built into the financing of the capital programme. A combination of funding from capital receipts and borrowing, along with minor other sources, is included within the capital plans.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>The treatment of demand level pressures</p>               | <p>The Force is required to operate and manage within its annual budget allocation.</p> <p>The Chief Constable retains a modest operational contingency within the budget to help finance more minor unexpected operations or events that require a policing response. The former covid reserve will also help to provide further operational risk cover, under its new name of Covid and operational contingency. As a small standalone force operational risks can carry a more significant effect on financial resources.</p> <p>The force has already identified significant savings that were removed from the budget on the 1<sup>st</sup> April 2021, along with some minor savings in April 2022. The draft budget represents a balanced position, although the MTFP indicates that more significant savings are required over the next three years. These equate to approximately £1m per annum for each year from 2023/24 to 2025/26.</p> <p>Any significant pressures from changes in demand would need to be addressed initially from other savings within the in-year budget, and the budget or general reserve would only be used in the more serious situations.</p> |

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|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                   | <p>Government grants are generally announced annually in advance and are cash limited. Any new policing pressures arising during the year will have to be funded from within the budget which will ultimately require other savings or efficiencies to be found.</p> <p>The PCC holds a number of earmarked revenue reserves to help finance specific expenditure commitments. Appropriations are made to and from these reserves on an annual basis as approved by the PCC and in line with the purpose of the reserve.</p> <p>Finally general reserves will only be used as a last resort to manage and fund demand-led pressures.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p>The treatment of planned efficiency savings and productivity gains</p>                                         | <p>£4m of savings were identified as part of the budget setting process for 2021/22, and further efficiency savings in 2021/22 were also identified and delivered. The forecast outturn for 2021/22 is on track with an increased contribution to reserves projected. The Commissioner has set his new Police and Crime Plan priorities, which are underpinned by the Chief Constables Fit For the Future strategy. The 2022/23 budget will deliver a number of anticipated benefits which will drive more efficient working and increased productivity, particularly through the introduction and development of power applications following the recent investments in modern, robust and compliant ICT. Further savings are required over the MTFP, averaging approximately £1m per annum from 2023/24 to 2025/26 inclusive. Early planning for these through the operational review (Empower) overseen by Chief Officers and the business transformation team will identify options for addressing this, should they be required as further information is known to test the assumptions and the medium term position becomes clearer through the monitoring and annual budget setting processes.</p> |
| <p>The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing</p> | <p>The financial consequences of partnership, collaboration working, outsourcing arrangements or capital investment are reported to the PCC as part of the regular monitoring and budget review process. Where relevant any additional costs have been incorporated in the annual revenue budget. These are reviewed regularly during the year in the budget</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>arrangements or major capital developments</p>                                                                                       | <p>monitoring reports report and where necessary the MTFP is amended.</p> <p>Warwickshire have established new partnership working arrangements with West Midlands police for forensics services which is operating well and will continue to be monitored closely. All the anticipated costs are included within the budget and MTFP.</p> <p>Some historical storage facilities will remain with West Mercia in the medium term at relatively minor cost, which has been provided for in the budget and MTFP. Whilst the ICT services have not fully transitioned away from the hosted West Mercia service, assurances around this and the costs have been received from the Chief Constable and at the time of writing, no significant additional transitional cost is anticipated. The embedding of ICT services and systems does remain a risk financially and operationally and any costs, in the absence of increased income or underspending in year will be met from the budget/transformation reserve, subject to approval by the Commissioner.</p> <p>There is a risk that local authority partners will withdraw funding from projects due to increasing pressure and demands on their own budgets. This may also manifest as requests for increased contributions from policing, putting additional pressure on police budgets. Any such instances of this need to be managed through the strong working relationships that we have with partners.</p> <p>The continued viability of private sector commercial partners will be exposed to increased risks in the event of an economic recession or other challenges, for example around meeting demand/staffing as we emerge from the pandemic or around supply chain pressures.</p> |
| <p>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.</p> | <p>The PCC has retained a number of earmarked revenue reserves to meet specific expenditure items. These are included within this report.</p> <p>The access criteria for special grants state that PCCs may be required to fund up to 1% of their net budget requirement themselves before the Government considers grant aid. This applies on an annual basis. However, the grant criteria have</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

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|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                   | <p>been tightened and the likelihood of special grant funding has therefore reduced, This risk will always be provided for within the general reserve.</p> <p>Reserve levels have remained resilient, throughout the pandemic, and while the force has implemented a huge ICT transformation programme, and stood up services in Warwickshire following the exit from the former alliance. This process is nearing completion, and the next phase of driving out more efficient working will begin. HS2 policing of the construction site is anticipated to be an ongoing drain on resources over the medium to longer term as its construction continues and this will be monitored, and any other funding opportunities considered if they become available.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>The general financial climate to which the PCC is subject.</p> | <p>The finance settlement for 2022/23 was generally positive. Government support for the recruitment of the final tranche of 8,000 additional officers has been confirmed, which equates to 55 additional officers in Warwickshire. The settlement also provides for precept flexibility on a band D property of up to £10 in 2022/23. However, crime and the challenges facing policing as well as policing itself continues to evolve at pace, and there remains some uncertainty regarding the review of the police funding formula, and the impact this may have on Warwickshire, in addition to the timing of its implementation. However, the medium term financial plan over a 5 year period reflects our best estimate of future inflation rates, cost pressures, increases in government grants and revenues raised from Council Tax as they impact on the Force, and the consequences of the funding formula review risk will continue to be monitored as more information becomes available in time.</p> <p>General inflation in the U.K. has increased recently above 5%, and energy costs have increased considerably and are estimated to increase still further. This is putting pressure on personal finances, pay budgets to keep up with inflationary increases, but also concerns around the affordability of increases in the precept, but the issues around each of these are being monitored through engagements and communication with the public and key stakeholders.</p> |

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|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | The economic impact of the global pandemic may not yet be fully known, although it is becoming increasingly evident that this is a long term issue and living with the virus and managing the impacts of it is likely to become the new norm. |
|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### General Reserve

In recent years, the Treasurer has undertaken a review of the significant risks and pressures facing the Police and Crime Commissioner before setting a minimum level of reserves held in a General Reserve. In addition, the Treasurer has undertaken a comprehensive review of all reserves held. This has been undertaken again this year in light of the current circumstances in which the force is operating.

The key risks the Police and Crime Commissioner faces (and for which no specific provision in Earmarked Reserves is made) are:

The possibility of savings targets not being met. In 2021/22, a specific allocation for this within earmarked reserves was removed as significant savings were delivered prior to the start of the year. The 2022/23 draft budget is indicating a balanced position, and although savings are outlined across the MTFP, early planning through the operational review should be able to accommodate such savings if they are required as more financial information is available prior to 2023/24.

Provision for possible delays in the delivery of savings was set at £0.500m in 2021/22. It is recommended as part of the risk assessment, that provision for delayed savings is removed as there is ample time for planning for savings identified from 2023/24 onwards in the MTFP, and a strategy for dealing with this is in hand. Budgets are now better understood as we emerge from the former alliance, and the forecast outturn in 2021/22 is on track and an underspend or increased contribution to reserves is anticipated.

The risks surrounding the funding formula review which has been commenced by Government, does require some set aside within the general reserve. The timing and implementation of any outcomes is still slightly uncertain, although work is progressing at pace, and some early indications and communication are anticipated by early summer 2022. Little information is known, although the Government have indicated a commitment to implement changes during this parliament. Whether this comes to fruition will be the subject of further work over coming months. The Home Office did consult on a new formula during 2015 but later abandoned the consultation. At the time estimates of the impact on Warwickshire ranged from a decrease of approximately £2m to an increase of over £2m in funding, so the range was very broad. In order to mitigate any risks around this it is recommended that £1.000m of the general reserve be identified to deal with this risk, if the outcome is

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that Warwickshire's share of funding will be decreased. This will help to manage the transitional process, as any changes are implemented.

Any unforeseen costs in establishing and embedding the ICT and transactional service arrangements in Warwickshire. It is acknowledged that ICT represents the single most complex and costly area of transition, and although the majority of transition and transformation work should be completed by April 2022, this remains at risk until all services are delivered in Warwickshire and outside of the hosted services by West Mercia. The Commissioner and Chief Officer teams continue to be updated regularly, on the ICT transition and the related governance arrangements with West Mercia, which are also overseen by an independent intermediary with links to the Home Office. There is growing certainty regarding the transition, but this remains at risk, the next few weeks and months are critical and it therefore feels prudent to allocate £0.500m within the General Reserve to manage this risk.

To provide cover for "extraordinary" events or investigations, recognising that these would be likely to attract Special Police Grant (for costs in excess of 1% of the budget). HS2 policing is likely to escalate and in the absence of any additional funding, cover in general reserves is prudent. Likewise the pandemic has demonstrated that 'extraordinary' events can be resource intensive and lead to significant additional cost. However, it has also been evident that in such circumstance additional government funding is likely to be made available to manage the financial pressures that such events create, although there is often a time lag between costs being incurred and assistance being confirmed. Nonetheless a prudent provision for such events might be a provision of approximately £2.0m, roughly 1.5% of the annual core funding level.

The risk of increased inflation. The Medium Term Financial Plan includes prudent assumptions regarding the estimated increases in budgets for pay and other inflation. Whilst an earmarked reserve has been set up to manage any variation in the pay assumption due to the specific uncertainty in this area of spend this year, an allocation of £0.500m is suggested within the general reserve is suggested to cover any increase in non-pay inflation and supply chain costs.

The risks associated with future austerity over and above any funding formula review changes that may impact Warwickshire. Whilst the impact and severity of any future austerity measures is unknown, this remains a risk despite the improved economic forecasts in the CSR announcement. The three year spending review has outlined the increases in national police funding over the next two years which gives increased certainty in the medium term, but what is not clear is how this funding will translate at a local level. Despite this, it is suggested that no specific provision be allocated to this currently, on the basis that actions would need to be taken to mitigate any significant reductions, and that the earmarked budget reserve, and provision within the general reserve for the funding formula should be adequate to

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manage the potential risk regarding reductions in core funding should they occur while actions are introduced to reduce costs as part of a planned approach.

The risks associated with future council tax funding. Council tax funding appears to be very resilient despite the pandemic, it is less clear if this will be sustained as pressure increases on the cost of living, particularly if pay increases do not keep pace. However, prudent estimates of council tax funding are included in the MTFP, and on this basis it is not suggested that additional allocations are identified within general reserves to cover this risk, as they would need to be dealt with as part of the annual budget setting process.

The risks associated with our commercial vetting service are managed through the vetting earmarked reserve and also through the budget reserve if necessary. The service is currently performing well and demand is high, but reputation, legal and financial risks remain. The Warwickshire service is accredited and the Chief Constable is the national lead for vetting and will therefore remain abreast of risk and any future changes or developments in this area of service. Therefore, no specific additional allocation of the general reserve to manage this risk is recommended at this stage.

There is still a lack of complete clarity around government plans on the timing and costs for the replacement of the Airwaves network (referred to as ESN). However, prudent levels of funding, including grant have been made in the Medium Term Capital Programme, and any significant additional capital costs that may occur in the short term would have to be met from reviewing the capital programme. Any increased revenue costs or grant reductions in the short term would need to be funded from further efficiencies or the budget reserve. It is suggested that no provision within general reserves therefore be made currently.

There should be a general contingency provision for unknowns. Assessing a prudent level for this is impossible, but would be unlikely to be less than 1% of net revenue expenditure, which equates to around £1m.

The total cost of the provision required from within the general reserve, where it is possible to make any informed assessment is £5m. This is equivalent to approximately 4% of the net revenue budget. However, it should be noted that the effect of any single event could impact significantly, and the recommendation is that serious consideration be given to increasing the general reserve to £6m in 2023/24 to keep pace with the anticipated increases in the net budget, and to retain coverage of between 4% and 5% in general reserve provision. The Commissioner does not necessarily have to provide money in reserves for each of these risk elements individually, unless they are certain to occur, as one contingency can provide for several possible events, provided that all of the events are considered to be unlikely



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to occur together. However, he does need to give realistic consideration to the likelihood of them occurring during the period covered by the plan.

Given all of these assessments, it is recommended that a minimum level of £5.0m is provided in general reserves. However, this will be kept under constant review over the next 12 months, with an anticipation that this may need to be increased from 2023/24 onwards as net revenue expenditure increases.

Provided that this sum is available at all times within reserves, I am satisfied that the level of reserves held is adequate based on known information and risk.

### Earmarked Reserves

The predicted balance at 31 March 2023 for each earmarked revenue reserve is shown in the table below.

Table 12

| <b>Earmarked Reserve</b> | <b>Balance at 1st April 2022 £m</b> | <b>Transfers (net) £m</b> | <b>Movement In Year £m</b> | <b>Forecast Balance at 31<sup>st</sup> March 2023 £m</b> | <b>Purpose of Reserve</b>                                                                                                                                                                          |
|--------------------------|-------------------------------------|---------------------------|----------------------------|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Budget & Transformation  | 4.705                               | (0.161)                   | 0.000                      | 4.544                                                    | To support one off costs that may emerge in the revenue budget and to finance any additional transformation work to provide and embed services on the new Warwickshire infrastructure and systems. |
| Vetting                  | 0.573                               | 0.000                     | 0.000                      | 0.573                                                    | To manage any reputational, legal or financial risk around the                                                                                                                                     |

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|                            |       |         |         |       |                                                                                                            |
|----------------------------|-------|---------|---------|-------|------------------------------------------------------------------------------------------------------------|
|                            |       |         |         |       | commercial vetting service                                                                                 |
| Sustainability             | 0.000 | 0.200   | 0.000   | 0.200 | To provide a fund for the force to bid against for sustainability projects                                 |
| Safer Roads Partnership    | 1.194 | 0.000   | (0.250) | 0.944 | Ring-fenced funds held to finance road safety initiatives.                                                 |
| Pension & Redundancy       | 0.667 | 0.000   | 0.000   | 0.667 | To fund any increased pension costs or change costs arising from transformation or the operational review. |
| Insurance and Legal Claims | 0.500 | 0.000   | 0.000   | 0.500 | Reserve to manage risks around potentially increased costs                                                 |
| PCC Grants and Initiatives | 0.300 | 0.000   | 0.000   | 0.300 | To fund one-off schemes and initiatives with partners or to manage increased commissioned service costs    |
| Collection Fund            | 0.339 | (0.339) | 0.000   | 0.000 | To manage collection fund risk, but transferred to the budget and transformation reserve                   |
| Income                     | 0.250 | 0.000   | 0.000   | 0.250 | To manage fluctuations and                                                                                 |

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|                                   |              |              |                |              |                                                                                                   |
|-----------------------------------|--------------|--------------|----------------|--------------|---------------------------------------------------------------------------------------------------|
|                                   |              |              |                |              | pressures on non-vetting income                                                                   |
| Covid and operational contingency | 0.500        | 0.000        | 0.000          | 0.500        | To deal with any remaining pandemic risk and to provide operational policing contingency          |
| Pay                               | 0.000        | 0.500        | 0.000          | 0.500        | To address any variation in the pay award above that assumed as part of the 2022/23 draft budget. |
| <b>Total Earmarked Reserves</b>   | <b>9.028</b> | <b>0.200</b> | <b>(0.250)</b> | <b>8.978</b> |                                                                                                   |

### Capital Reserves and Balances

In addition to the revenue reserves, capital reserves are also maintained. These are used to finance the capital programme.

Capital Grants Unapplied are set aside on the balance sheet. This holds the capital grants from the Home Office that have not yet been spent. These grants are applied to fund the capital programme and can be carried forward without penalty until required. The balance on the reserve as at 1<sup>st</sup> April 2021 was £0.0m.

There is a Capital Receipts Reserve. This holds receipts from the sale of police land and buildings which are no longer needed for operational policing as more efficient use is made of partners' and the policing estate. The funding table in section 9 above outlines the receipts expected from asset sales from 2022/23 to 2026/27. The balance on the reserve as at 1<sup>st</sup> April 2021 was £0.0m.

### 13. Summary and final conclusion

As part of the 2022/23 budget setting process, there has been a comprehensive review of the budget, the medium term position and all the reserves held by the Police and Crime Commissioner. This report sets out clearly the Commissioners budget, including the proposed precept increase, and his rationale which includes

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the anticipated benefits that the budget and precept increase will bring. In addition, information relating to the Medium term financial plan, capital programme and the reserves held, the purpose for which they are held, the plans for their use and the risks and assumptions underpinning them has also been provided.

Based on current planning assumptions, the level of general reserves should stay at £5m through to 2026/27, although it has been flagged that consideration be given to increasing this as part of next year's review on reviews to maintain a 4% - 5% coverage against net revenue expenditure. Sufficient provision has been made in earmarked reserves to fund expected one-off pressures and the identified risks.

Over the last twelve months the force has continued to deal well with changing demands and crime profiles often influenced by the effect of Covid restrictions and lockdowns. The force has been flexible and adaptive in its approach and has worked well with partners to keep communities safe, all of which has been achieved at a time when it has undertaken one of the most ambitious programmes of transformation, led by a new Chief Constable and through its energised and empowered work force.

This good and balanced budget has not been achieved without the need for difficult decisions, not least around the precept, made more difficult by the increased pressures on personal finances due to rising inflation and surging energy costs. However, based on a £9.75 precept increase, this budget will deliver a number of benefits for policing in Warwickshire. The final phase of transition is almost complete, but until this has occurred, risks remain. However, the forecast outturn position for 2021/22 appears to be on track with a small increased contribution to reserves anticipated and this helps to support the view that the force is getting to a position where it can demonstrate its financial resilience and sustainability. A precept increase of less than £9.75 could potentially compromise this resilience and would mean that some of the service benefits may not be realised, although the final decision on how this would be managed, would lie with the Chief Constable.

Whilst the 2022/23 budget is showing a balanced position, there remain challenges in the medium term, with £3m of savings outlined in the MTFP, across the next three years, and the loss of capital grant in the 2022/23 settlement brings with it challenges to identify a sustainable capital financing model into the future. The Commissioner will continue to hold the Chief Constable to account during 2022/23 and will monitor progress on the delivery of the promised operational benefits and spending of the revenue and capital budget to ensure that the resources made available are used in accordance with the outlined plans and enable Warwickshire to confidently and successfully deliver value for money policing services that protect the vulnerable, deliver improved outcomes for victims and keep communities safe.

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APPENDIX A

| 1. AFFORDABILITY PRUDENTIAL INDICATORS              | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 | 2025/2026 | 2026/2027 |
|-----------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                                     | Forecast  | Budget    | Budget    | Budget    | Budget    | Budget    |
|                                                     | £'000     | £'000     | £'000     | £'000     | £'000     | £'000     |
| Capital Expenditure                                 | 18,349    | 4,685     | 5,682     | 5,370     | 4,521     | 6,004     |
|                                                     | %         | %         | %         | %         | %         | %         |
| Ratio of financing costs to net revenue stream      | 2.68%     | 4.49%     | 4.73%     | 5.15%     | 5.83%     | 6.35%     |
|                                                     | £'000     | £'000     | £'000     | £'000     | £'000     | £'000     |
| In Year borrowing requirement                       |           |           |           |           |           |           |
| - in year borrowing requirement                     | 13,393    | 2,248     | 2,743     | 4,783     | 4,521     | 6,004     |
| - Total Borrowing Requirement                       | 23,548    | 24,564    | 25,792    | 29,327    | 32,475    | 36,994    |
|                                                     | £'000     | £'000     | £'000     | £'000     | £'000     | £'000     |
| In year Capital Financing Requirement               | 43,890    | 41,953    | 40,251    | 40,209    | 39,313    | 39,470    |
|                                                     | £'000     | £'000     | £'000     | £'000     | £'000     | £'000     |
| Capital Financing Requirement 31 March 2020 onwards | 43,890    | 41,953    | 40,251    | 40,209    | 39,313    | 39,470    |
|                                                     | £         | £         | £         | £         | £         | £         |
| Affordable Borrowing Limit                          |           |           |           |           |           |           |
| Increase per council tax payer                      | £2.71     | £4.07     | £0.54     | £0.91     | £1.48     | £1.18     |
|                                                     |           |           |           |           |           |           |
| 2. TREASURY MANAGEMENT PRUDENTIAL INDICATORS        | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 | 2025/2026 | 2026/2027 |
|                                                     | Limit     | Limit     | Limit     | Limit     | Limit     | Limit     |
|                                                     | £'000     | £'000     | £'000     | £'000     | £'000     | £'000     |
| Authorised limit for external debt                  |           |           |           |           |           |           |
| - Borrowing Note 1                                  | 45,000    | 60,000    | 60,000    | 60,000    | 60,000    | 50,000    |
|                                                     | £'000     | £'000     | £'000     | £'000     | £'000     | £'000     |
| Operational boundary for external debt              |           |           |           |           |           |           |
| - Borrowing Note 2                                  | 35,000    | 50,000    | 50,000    | 50,000    | 50,000    | 40,000    |
|                                                     |           |           |           |           |           |           |

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|                                                                 |        |        |        |        |        |        |
|-----------------------------------------------------------------|--------|--------|--------|--------|--------|--------|
| <b>Upper limit for fixed rate interest exposure</b>             |        |        |        |        |        |        |
| - net principal re fixed rate borrowing / investments Note 3    | 35,000 | 50,000 | 50,000 | 50,000 | 50,000 | 40,000 |
|                                                                 |        |        |        |        |        |        |
| <b>Upper limit for variable rate exposure</b>                   |        |        |        |        |        |        |
| - net principal re variable rate borrowing / investments Note 4 | £10m   | £10m   | £10m   | £10m   | £10m   | £10m   |