

Budget Questions

General

1. You are proposing an increase of £12.96 (4.8%) for a Band D property. Do you have any indication what other Commissioners have proposed and how your proposed increase compares?

As I understand it most PCCs are in the position of increasing their council tax by the full amount. The Minister confirmed that ‘the government remain committed to ensuring the police are properly funded without placing an excessive burden on local taxpayers’ and announced an increase to the referendum threshold from £10 to £13.

The proposals of the surrounding counties are in the table below.

Proposed 2024/25 council tax increases:

PCC	Increase £	Increase %	Band D £
Lincolnshire	12.96	4.5	304.20
Derbyshire	13.00	4.9	279.60
Leicestershire	13.00	4.8	286.23
Northants	13.00	4.4	306.04
Humberside	12.99	4.8	281.18
Sth Yorks	13.00	5.5	251.04
Notts	12.96	4.8	282.15

2. You were acting on an assumption of £10 increase in Council Tax of a Band D property, this has now increased to £12.96, what extra do you envisage providing for this additional sum?

The funding settlement allowed for precept freedoms to move from £10 to a maximum of £13, ensuring no real term reduction in total funding available to Forces if PCCs maximised this freedom and delivered efficiency savings. This is therefore used to help afford inflationary rises, the total pay award for staff, and the element of Police Officer pay award that was not funded by grant (2.5% of the 7% award). The Chief Constable requested £2m of demand and performance improvement funding which the Commissioner examined in detail before agreeing to include these items in the draft budget. The difference equates to an additional sum of £0.7m for Nottinghamshire Police against what we were modelling, and this has been set out in our draft budget build assumptions.

3. What modelling have you done around potentially lowering the percentage increase in Council Tax and utilising reserves to address any shortfall?

At the time that a £10 increase was the assumption, the impact on 2024-25 and the MTFP of 3 different levels of council tax increase were reviewed. This was in line with the public consultation increases of zero, £5 and £13. It was important that the PCC had this information to be able to make an informed decision on the council tax level. The PCC understands that use of reserves is an option when balancing the budget, and currently £3.3m is planned to be used in 2024-25. The PCC is also mindful that reserves can only be used once, and that does not address any underlying pressure on a sustainable basis, hence the decision on the council tax has been taken with a view on 2024-25 and future years.

4. Is there a risk that if the Council Tax is not increased by a certain sum, that it will affect the grant funding the Force will receive?

There is a risk that by not maximising the precept the PCC could find it challenging to put forward a strong case for future funding, examples of this include maintaining pressure on government to complete the formula funding review for policing, requesting special grant for Op Perth (Maternity Investigation), and any opportunities to bid for specific grants.

5. Across all areas in Nottinghamshire, the main reason given for not supporting an increase in the precept was the cost of living. How have you taken account of the impact the proposed increase will have on Council Taxpayers?

The cost per week was reviewed and for most households in Nottinghamshire the rise is 19p per week or less. I understand that some did not support an increase and cited the cost of living as a reason, which in the current climate was to be expected, however the majority did support the increase. I am conscious of the service impact for taxpayers of Nottinghamshire if the increase is not maximised, not only in 2024/25 but in future years where budget gaps are emerging. In the year of a PCC election, I could have gone with a lower council tax increase, or even frozen, knowing this would have been a popular short term 'win', however I have taken a decision based on the budget proposals put forward by the Chief Constable for service levels to be maintained and improved for the people of Nottinghamshire.

6. In Para 2.7 of Appendix 1, the Police and Crime Commissioner states that she has written to the Home Secretary and the Minister of State for Crime, Policing and Fire expressing her views on the provisional grant settlement 2024/25. What were the main points that the Commissioner raised?

The main points were:

- Requesting clarity on the timetable to complete the Formula Funding Review;

- Noting the increase in the specific and ringfenced grants, requesting that they be secured into the core grant baseline;
- Highlighting that legacy council tax freeze grants amount have remained static since the initial allocation;
- Asking that consideration is given to providing capital grant to forces in the future;
- Requesting a broad 3-year funding settlement approach in the next spending review period;
- Highlighting the special grant request for the NUH Maternity Investigation.

7. As set out in paragraph 6.2 of Appendix B, “support for an increase in the precept was largely based on an expectation that communities would see visible and tangible improvements in policing as a result of their contribution and greater assurance that the service is delivering good value for money”. How do you intend to demonstrate this to communities?

This can be demonstrated by the recent independent Neighbourhoods Demand Review which means increasing the number of neighbourhood PC’s to 590 (increase of 105) and an uplift of sergeants by 15 taking it to 90 with teams more focused on outcome delivery and having a better availability and skill mix to deliver for communities.

From a prevention perspective there is a new team of specialised officers to tackle anti-social behaviour covering Mansfield, Ashfield, Bassetlaw, Newark and Sherwood, City policing area, Gedling, Broxtowe and Rushcliffe.

For responding, our 999 and 101 call performance remains very good and makes us one of the best performing control rooms in the region and there will be further investment in five Response Policing Inspectors on top of the additional five in 2023.

In order to support our fraud and cyber teams have helped to recover over £1m for the public and victims in high-risk domestic abuse cases will be better protected as more specialist officers are assigned to support them.

For value for money we look at profiles and benchmark through the CIPFA AFEP¹ programme and HMICFRS dashboard and use this in helping to identify, substantiate and scrutinise our growth proposals.

8. Has an equality impact assessment been carried out on the budget proposals and their anticipated outcomes? What assurances can you give that the

¹ Chartered Institute of Public Finance & Accountancy Achieving Financial Excellence in Policing

proposals will not adversely impact groups with specific protected characteristics?

For the Chief Constable's budget proposals there haven't been any significant changes to our policing provision, so a specific equality impact assessment hasn't been considered necessary. It is worth noting also that our assessment of the efficiency savings doesn't impact on service provision and that our growth items are targeted to demand areas which will help specific groups covered by the equality legislation.

With reference to PCC commissioning, an "Equalities Impact Assessment" is now completed as part of all new commissioning activity. The EIA considers the impact of spend proposals against every protected characteristic. In addition, for services that go out to tender, there is always a scored question relating to equalities and how the bidder intends to ensure that the service is accessible to all Nottinghamshire's diverse communities.

Workforce

9. Paragraph 1.2 of Annexe A states that £9.0m of Police Uplift Grant (PUP) is available upon maintaining the uplift officers target and that "should forces not meet the necessary requirements to claim the funding available at the mid year point, this funding will not be available to forces at the end of the year". Has the risk that Nottinghamshire fails to maximise the resources available been assessed and what measures are in place to mitigate against this?

Throughout the whole period of Uplift the force has never been behind target and in fact for the majority was running a year ahead of target, so conveys that we have a solid track record in achieving and maintaining our numbers. We plan effectively with monthly reviews of officer numbers between finance and HR and at Force Executive Board to ensure our targets are met by tweaking where necessary. The PCC is kept informed through the monthly Accountability meetings. Therefore, we deem this to be a minimal risk.

The police officer workforce plans are included below for information in headcount and full time equivalent. The sustainable 2,378 headcount is on the Establishment row, with the over achievement recognised on the row below in order to meet the ringfenced grant terms.

														2024/25 Financial Year															
HEADCOUNT														2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2025	2025	2025	Total		
														APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR				
Starting Headcount														2,446.00	2,437.00	2,428.00	2,436.00	2,421.00	2,403.00	2,411.00	2,417.00	2,403.00	2,391.00	2,399.00	2,389.00			2,446.00	
PCEP (Police Constable Entry Programme)																20.00					0.00				20.00			20.00	
PCDA (Police Constable Degree Apprenticeship)																				20.00						20.00			40.00
IPLDP FT2DC (Fast track to DC internal GI conversion)																							0.00			20.00			20.00
IPLDP FT2DC (Fast track to DC External recruitment)															0.00										0.00			40.00	
IPLDP (Initial Police Learning & Development Programme)																			20.00							0.00			0.00
PCDA Military																										0.00			0.00
DHEP (Degree Holder Entry Programme)																										0.00			0.00
PPD (Professional Policing Degree)																										0.00			0.00
Specials to PC conversion																										0.00			0.00
Rejoiner																						2.00							2.00
Planned Transferees														4.00	0.00				4.00					4.00					12.00
Natural Leavers														(7.00)	(4.00)	(6.00)	(10.00)	(11.00)	(8.00)	(8.00)	(6.00)	(5.00)	(5.00)	(7.00)	(8.00)			(85.00)	
Retirements														(6.00)	(5.00)	(6.00)	(5.00)	(7.00)	(8.00)	(6.00)	(8.00)	(9.00)	(7.00)	(7.00)	(8.00)			(82.00)	
Grand Total														2,437.00	2,428.00	2,436.00	2,421.00	2,403.00	2,411.00	2,417.00	2,403.00	2,391.00	2,399.00	2,389.00	2,413.00			2,413.00	
Establishment														2,378.00	2,378.00	2,378.00	2,378.00	2,378.00	2,378.00	2,378.00	2,378.00	2,378.00	2,378.00	2,378.00	2,378.00			2,378.00	
(Under)/Over Establishment														59.00	50.00	58.00	43.00	25.00	33.00	39.00	25.00	13.00	21.00	11.00	35.00				
														£ 265,500	£ 225,000	£ 261,000	£ 193,500	£ 112,500	£ 148,500	£ 175,500	£ 112,500	£ 58,500	£ 94,500	£ 49,500	£ 157,500			£ 1,854,000	
														2024/25 Financial Year															
FTE														2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2025	2025	2025	Total		
														APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR				
Starting FTE														2,410.55	2,401.55	2,392.55	2,400.55	2,385.55	2,367.55	2,375.55	2,381.55	2,367.55	2,355.55	2,363.55	2,353.55			2,410.55	
PCEP (Police Constable Entry Programme)														0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			20.00	
PCDA (Police Constable Degree Apprenticeship)														0.00	0.00	0.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00	20.00			40.00	
IPLDP FT2DC (Fast track to DC internal GI conversion)														0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00			20.00	
IPLDP FT2DC (Fast track to DC External recruitment)														0.00	0.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00	20.00	0.00	0.00			40.00	
IPLDP (Initial Police Learning & Development Programme)														0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	
PCDA Military														0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	
DHEP (Degree Holder Entry Programme)														0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	
PPD (Professional Policing Degree)														0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	
Specials to PC conversion														0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			0.00	
Rejoiner														0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	0.00	0.00	0.00			2.00	
Planned Transferees														4.00	0.00	0.00	0.00	0.00	4.00	0.00	0.00	0.00	0.00	4.00	0.00			12.00	
Changes in FTE (balanced to current posting report)																												0.00	
Natural Leavers														(7.00)	(4.00)	(6.00)	(10.00)	(11.00)	(8.00)	(8.00)	(6.00)	(5.00)	(5.00)	(7.00)	(8.00)			(85.00)	
Retirements														(6.00)	(5.00)	(6.00)	(5.00)	(7.00)	(8.00)	(6.00)	(8.00)	(9.00)	(7.00)	(7.00)	(8.00)			(82.00)	
Grand Total														2,401.55	2,392.55	2,400.55	2,385.55	2,367.55	2,375.55	2,381.55	2,367.55	2,355.55	2,363.55	2,353.55	2,377.55			2,377.55	
Establishment														2,337.00	2,337.00	2,337.00	2,337.00	2,337.00	2,337.00	2,337.00	2,337.00	2,337.00	2,337.00	2,337.00	2,337.00			2,337.00	
(Under)/Over Establishment														64.55	55.55	63.55	48.55	30.55	38.55	44.55	30.55	18.55	26.55	16.55	40.55				

10. The Panel understands that Nottinghamshire is 50 officers over its Uplift target. Please could you clarify the trajectory of police numbers? Are these expected to be lost in future years?

The underlying sustainable level of officer numbers is a headcount of 2,378 in line with the original uplift target in the PUP. The budget decision for 2023/24 was based on 2,378. During 2023/24 opportunities were available to the PCC and CC to temporarily boost the numbers by 50 (30, plus another 20) and specific grant was provided to fund them, this was outside of the core uplift target. The PCC took formal decisions to temporarily add these numbers recognising the benefit of being able to recruit officers that would be needed in the future much earlier. The 30 additional officers included for 2024-25 are at the request of government to maintain a proportion of those 50 officers. The number will be maintained beyond 2024-25 if funding is continued by Government. More certainty of this will likely be contained in the Finance settlements announced in December 2024.

11. An increase in the police staff establishment vacancy factor to 4.75% is proposed for 2024/25. What is the current vacancy factor? What is the anticipated impact of this increase upon performance levels? Can assurances be given that the demands placed upon existing staff are to be carefully monitored and support provided where necessary?

Current budget for 2023/24 includes a 3.5% vacancy factor and over the past few years we have been running at over 7%. The plan is to actively bring down

the actual rate closer to the budgeted figure. In conjunction with departments and HR we are aiming to ensure recruitment is better targeted and supported.

From a welfare and support perspective within in the wider force there are many initiatives run by the HR team and also within departments (such as wellbeing ambassadors in each department), these are targeted at mental health support, access to GP's, physical health as well as financial wellbeing.

12. The Panel has previously received reports on time-limited grants that have been secured and are due to come to an end. What are the implications of this? What effect will it have on the increased number of staff employed by the OPCC to support work around grants and commissioning?

It is correct to say that the PCC has secured several time-limited grants that are due to come to an end, mostly by 31 March 2025. This is also true of other community safety related funding such as the From Harm to Hope funding to tackle substance use and the domestic abuse statutory duty funding. The OPCC has already started to meet with public sector partners to collate the system-wide potential funding loss and to develop sustainability and risk management plans. That will include understanding the impact of the loss of the services and initiatives supported by the funding. This work is in very early stages. There is a reserve of some £6m that could be utilised to phase in the impact of the funds ceasing. It is not appropriate at this early stage to comment on any impact on OPCC staff.

Revenue Budget

13. What is the missing information to be inserted in 2.1 of Appendix A under Council Tax?

The missing Council Tax information at 2.1 is the taxbase and collection fund position from the District/City Councils which is not yet final. The draft summary information on taxbase and surplus estimate is all included in the precept paper at Appendix A – Precept 2024-25.

Appendix A is the vary last table to be compiled once the final budget requirement is known, it formally sets out the precept on the billing authorities which as mentioned above is not yet finalised.

14. With regard to the robustness of the estimates, what confidence do you have around assumptions for the rate of general inflation and any increased burden of energy costs? Are you confident that you have allowed for all inflation increases (e.g. energy, costs of materials)? Has an attempt to undertake a sensitivity analysis of the estimates (eg. what would be the impact if the pay

award was 1% higher or lower than the estimate etc?) been made and, if so, why is this not included in the report? This could complement the details provided in 7.8 of Appendix A.

We use our best professional judgement in setting annual budgets and factor an element of volatility. This includes looking at market trends, gathering data from the Office of National Statistics and liaising with our counterparts in the region. We expect inflation to come down over the coming years.

With regards to the 1% movement in pay this would be equivalent to around £1m and we would mitigate this by finding further savings in year and within our existing funding envelope, but to help set our pay award rate we do compare with other forces in the region and nationally that this is a reasonable estimate on which to set the budget.

We do however take on board your observation about including visibility of that sensitivity analysis.

15. In 2024/25 you are hoping to achieve £5.2m in efficiency savings. To give the Panel confidence please can you set out how you have performed against your efficiency targets in the previous three years?

The efficiencies achieved over the past 3 years equate to £10.6m, with £4.7m of that in 2023/24. In each of those years the force has not overspent and delivered on the efficiency targets demonstrating that the force is well equipped to manage their budgets and efficiencies effectively. Regular budget monitoring reporting is undertaken during the year so any issue with not achieving the reduced budget level would become apparent very quickly.

16. What is the anticipated impact of the proposed efficiency savings for 2024/25 upon performance levels? Some of the proposed efficiencies (eg. additional investment income from higher interest rates) are temporary in their nature. What measures would be required should interest rates begin to fall?

It is correct in that investment rates are temporary in nature, and this has been factored into the MTFP where we see a reduction in income that is related to a reducing interest rate. This therefore it is already considered as part of our sustainable budget forecasting. As stated previously any issue would be identified quickly in the budget monitoring activity and remedial action would need to be taken to ensure we remain within budget.

17. What contingency plans do you have if the budgeted efficiency savings are not delivered? How is the implementation of these efficiency savings to be monitored and reported?

The efficiency savings are already factored into departmental budgets and not in addition, which will help with delivery.

Many investment interest rates are already locked in, with existing deals that extend well into the next financial year.

The majority of efficiency savings are in the Chief Constables delegated budget and in the instance that we thought there was a possibility of efficiency savings not being met, then we would expect the Chief Constable to identify in year savings to manage this.

Overall, the risk of non-delivery is considered minimal.

Capital Programme

18. In 5.2 of Appendix A it states that there is £1.3m slippage anticipated from the 2023/24 capital programme into 2024/25.

- What projects are expected to slip into 2024/25?
- What has caused this slippage?
- What is the anticipated impact of this and previous years' slippage on the deliverability of the 2024/25 capital programme?

Slippage and reasons are broken down as follows:

£'000		
Estates	1,279	A combination of the reluctance to commence non-urgent works at Phoenix House until lease is signed and ensuring best value is obtained through tender evaluation process.
Fleet	32	Vehicles on order, but not likely to arrive before the end of March
	1,311	

The slippage is lower than previous years, creating minimal impact on the 2024/25 budget. Extra checks and balances have also been included in the budget build reflecting on past performance and learnings for improvement.

19. The cost of materials etc. has increased significantly in recent years and has been accentuated by supply chain issues. Has sufficient inflation been factored into the projected 5-year capital programme?

We have assumed 3% inflation per annum in the capital programme to account for rising construction materials and we review this annually to ensure future costs are as reflective as possible. This is above the 2% government target to the Bank of England for inflation levels.

20. In 5.3 of Appendix A it states that it is proposed to use £0.3m of capital receipts per annum to finance capital expenditure over the 5 year period. What is the anticipated level of capital receipts at 31 March 2024? What steps are to be taken to generate sufficient capital receipts to meet financing requirements?

The £0.3m each year is in relation to the sale of vehicles and is part of the routine cycle with only minor fluctuations expected. There isn't any planned sale of buildings as the force has gone through a substantial period of estate rationalisation over the past years.

21. Additional borrowing of around £26.5m is proposed over the 5 year period to finance capital expenditure. Assuming interest at 5% this would result in an additional interest burden upon the revenue budget of £1.3m before any requirement to make provision for the repayment of principal. What steps have been taken to ensure this is prudent, affordable and sustainable in accordance with the Prudential Code and other legislative and regulatory requirements?

The capital strategy will identify how/when we undertake capital borrowing. MRP is calculated and included within our annual budget and during this period we expect around £22m of principal repayments (via MRP) to be made so therefore the net increase is minimal, with affordability factored into the MTFP. Any opportunity to reduce the dependency on borrowing to fund the capital programme is considered. For example, the PCC has already agreed in principle to utilise some of the in-year forecast revenue budget underspend on direct revenue financing of capital, this has a direct impact on reducing the cost of borrowing in the revenue budget in future years. The PCC also made the request for capital grant allocations to be reinstated (see Q6).

22. Which schemes underpin the proposed £5.3m expenditure on Estates and Facilities in 2026/27? What is the project to re-locate Jubilee House in 2024/25? Are any revenue implications expected as a result of this?

The 2026/27 Capital programme for estates consists of projects to deliver Building Condition Works as a result of the latest survey recommendations to ensure our buildings are in a good condition, an on-going project to ensure the custody suites are in line with latest Home Office guidance, sustainability projects and the purchase of land/building to meet future needs.

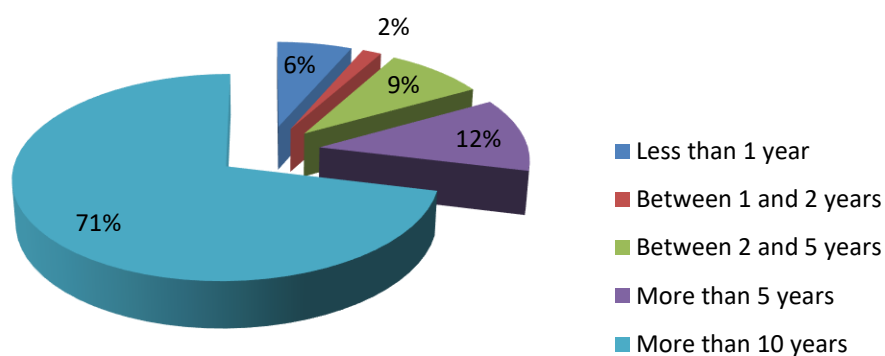
Regarding Jubilee House, the lease is due to expire during the year and will not be renewed by the landlord, alternative accommodation is therefore required. The revenue implications will be met from existing budgets.

23. What is the current maturity profile position with regard to the existing loans? Are any significant loans expected to mature in the short-term? If so and these

are presently at low rates with the prospect of being replaced with new loans at higher rates, how is the re-financing risk being evaluated and reported?

Over the next 5 years £10.6m of long-term loans will be repaid (£4.1m in 2024-25, £1.0m in 2025-26, £3.5m in 2026-27, and £1m in both 2027-28 and 2028-29), with almost half of this being Equal Instalments of Principal type loans. This is shown in the following graph of debt maturity, showing all debt, as last reported to the Joint Independent Audit Committee (JIAC) in November 2023

Debt Maturity as at 30/09/23



By the year end it is anticipated that there will be long-term borrowing of £60.8m with a Capital Financing Requirement of £62.8m. Because of our cash backed reserve position we do not expect to have any need to undertake further external borrowing in 2024-25. In line with the treasury strategy, we will review this position in light of market circumstances but expect that we will delay any future long-term borrowing until rates return to historic norms.

The Treasury Management Strategy is reviewed by the JIAC, and monitoring reports are provided to the JIAC mid-year and at outturn. We also have specialist advice on hand via Link Group.

Medium Term Financial Plan (MTFP)

24. Appendix C of the MTFP sets out it projects additional income of £2.0m in 2026/27, £4.0m in 2027/28 and 5.0m in 2028/29 from the Funding Formula Review. Given that this has been delayed previously and that there is to be a General Election in the next 12 months, is this assumption optimistic?

The funding formula projections are very modest and have been moved back a year as it was previously assumed to be implemented from 2025/26 which is

prudent to do. This subject is still being discussed by government and we would wish to demonstrate the need for this to conclude in the MTFP. Given that this does not happen in the projections before 2026/27 this allows enough time to re-adjust should the government choose a different direction.

25. What is the latest position on revising the funding formula. How much does Nottinghamshire stand to gain or lose from a revised funding formula?

Assumptions for additional grant have only been made in the later years of the MTFP as detailed in the report. The initial funding formula review, which was not completed, identified an increase in grant funding to Nottinghamshire Police in excess of £10m.

It is considered reasonable therefore to assume that Nottinghamshire would be a net gainer out of such a review in the future. Assumptions for this gain are much more modest than the previous review would suggest and allows for any gains to be scaled over a number of years. As more details emerge the MTFP will be updated accordingly.

26. Given that there is an increase of 1.2% in the council tax base for 2024/25, how realistic is it to assume an increase of 1.5% from 2025/26 to 2028/29?

Paragraph 3.1 of Appendix 1 states that this assumption may be reconsidered for the final MTFP, this will be revisited prior to the PCC approving the budget and MTFP.

27. What steps have been taken to guard against “optimism bias” in the production of the MTFP?

There has been a realistic and prudent approach to setting the MTFP and has been subject to reviews by both the PCC CFO and CC CFO. We review by deliverability of efficiencies, learning points, outturn review of revenue budget so it has a high level of scrutiny and challenge.

The CFOs are cognisant of including realistic projections based on evidence as far as practicable and would always tend to select a prudent option.

We maintain a general fund comfortably above the 2% minimum level (currently at 3.4%) which although not anticipated to be needed, could be utilised.

28. Procurement activity has been identified as one of the core efficiency requirements. Does the Force have a Procurement Strategy?

Yes it does and over the past 18 months there has been a significant change in the provision of procurement services with bringing this function fully in house which will help drive even better procurement practices in the force and ensuring most economically advantageous tenders and processes are sought.

The PCC CFO is keen to see a published procurement strategy alongside the other financial strategies, this request had been paused whilst the in-house team become fully resourced and established.

Reserves

29. Annex C states that “the review of the Reserves Strategy is currently taking place and a revised strategy will be approved and published in March 2024”. Surely this is a key component of the work on the proposed precept and budget 2024/25 and would be included in this report? How can a revenue budget, capital programme and MTFP be produced without a firm understanding of the implications upon the projected levels of reserves?

The current Reserves Strategy 2023-28 is published on the PCC website. The 2024/25-29 Reserves Strategy will be published in March 2024, along with all the 2024/25 financial strategies. The level of reserves has been a factor in the work done so far on the draft budget, draft MTFP and draft capital programme. What we need to do before producing a final updated strategy is go through the specific earmarked reserves one by one and review them for the MTFP period. The PCC CFO needs to be satisfied that any requirement to use reserves in the budget and MTFP can be met when we produce the final budget, which they can be, and the S151 section of the budget decision includes this commentary. Specifically, it refers to the general fund reserve and the parameters for the level held.

30. If it is proposed to maintain the General Fund Reserve at £9.0m over the lifetime of the MTFP and to balance the budget through movements in Earmarked Reserves, which of these Earmarked Reserves is it intended to utilise for this purpose? What would be the impact of this?

There are planned use of reserves during the MTFP period in respect of supporting commissioning, the £6.3m Grants & Commissioning in the table below is for this purpose.

The majority of changes are in respect of the Asset Replacement Reserve to ensure consistent charges to the annual budget remain around £3.1m, this is for replacement of short life assets predominantly IT related in any year. The actual spend in year may be above/below the actual spend; where above it will result in a transfer from reserves and below a transfer to reserves being made.

The estimated £4.8m in Taxbase/MTFP reserve below would be used for any general budget shortfall, e.g., to fill any void in special grant income for the NUH Maternity Investigation.

31. Please can you set out the different reserves, the anticipated balances on these at 31 March 2024 and you intend to use these?

Reserve	2022-23			2023-24	
	Est. Balance 31st March £m	Change in year £m	Balance 31st March £m	Change in year £m	Est. Balance 31st March £m
Asset Replacement	3.585	-0.997	2.588	-1.572	1.016
IT Investment	1.938	-0.245	1.693	-0.310	1.383
PCC Reserve	1.048	0.000	1.048		1.048
Temp PC Uplift	1.000	-1.000	0.000	1.830	1.830
Grants & Commissioning	6.326	0.500	6.826		6.826
PFI	0.127	0.080	0.207	0.040	0.247
Property Act Fund	0.129	0.299	0.428		0.428
Drug Fund	0.048	0.023	0.071		0.071
Revenue Grants	1.883	2.168	4.051		4.051
Animal welfare	0.019	0.000	0.019		0.019
Tax Base/MTFP	3.267	-0.102	3.165	1.649	4.814
Night Time Levy	0.212	0.063	0.275		0.275
Target Hardening	0.073	0.000	0.073		0.073
Allard	1.200	-1.200	0.000		0.000
Insurance	0.000	2.237	2.237		2.237
Sustainability	0.000	1.500	1.500		1.500
TPAC Collisions	0.100	0.000	0.100		0.100
Total Earmarked Reserves	20.955	3.326	24.281	1.637	25.918

Intended use in respect of the budget balancing are covered in Q30.

32. How can you demonstrate that a full assessment of the current and anticipated position of reserves has been undertaken to inform the proposed budget for 2024/25?

For context, at the time the panel papers on the precept are submitted we don't have the final settlement, the taxbase and collection fund surplus information is not finalised, and the precept is not decided so the budget presented at this time for background information is a draft budget. The impact on reserves is considered throughout the budget process based on with what is known at that point in time. The current assessment of the general reserve is set out in paragraph 7.18 of Annex A. In finalising the budget for the statutory deadline of the end of February, the reserves will be re-examined in tandem to ensure all aspects are fully considered and accounted for to enable the S151 Officer statement to be informed and finalised.

Q30 above sets out the reserves that are currently planned to be used for managing the potential budget gaps and known changes in future funding.

All movements in and out of reserves are subject to a formal PCC decision so the reserves position is monitored, any decision to draw on a reserve would always be considered considering the latest view of the medium-term.

The table above shows the forecast position of earmarked reserves at March 2024. The work to refresh the reserves strategy is in progress and will need to be considered in the coming weeks as we finalise the budget for PCC approval by the end of February.